

**DISCLOSURE STATEMENT  
(Information Booklet)**

**THE CYPRESS  
OF RALEIGH**

**8801 Cypress Lakes Drive  
Raleigh, North Carolina 27615  
(919) 870-9007**

**May 21, 2025**

**THE CYPRESS OF RALEIGH MUST DELIVER A DISCLOSURE STATEMENT TO A PROSPECTIVE MEMBER PRIOR TO OR AT THE TIME A PROSPECTIVE MEMBER EXECUTES A MEMBERSHIP AGREEMENT TO PROVIDE CONTINUING CARE, OR PRIOR TO OR AT THE TIME A PROSPECTIVE MEMBER TRANSFERS ANY MONEY OR OTHER PROPERTY TO THE CYPRESS OF RALEIGH, WHICHEVER OCCURS FIRST.**

**THE CYPRESS OF RALEIGH, LIKE ALL OTHER CONTINUING CARE FACILITIES IN THE STATE OF NORTH CAROLINA, IS SUBJECT TO AN ARTICLE CONCERNING LICENSURE AND DISCLOSURE BY CONTINUING CARE FACILITIES (THE "ARTICLE"). LICENSURE UNDER THE ARTICLE DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT OF THE CYPRESS OF RALEIGH BY THE DEPARTMENT OF INSURANCE OR THE STATE OF NORTH CAROLINA, NOR DOES SUCH LICENSURE EVIDENCE THE ACCURACY OR COMPLETENESS OF THE INFORMATION IN THIS DISCLOSURE STATEMENT.**

**Unless earlier revised, The Cypress intends for this Disclosure Statement to remain effective for a period of one (1) year and one hundred fifty (150) days from the fiscal year ended December 31, 2024 through May 30, 2026. The delivery of the Disclosure Statement to a contracting party before the execution of a contract for the provision of continuing care is required by Chapter 58, Article 64 of the North Carolina General Statutes. Note: This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.**

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## INTRODUCTION

The Cypress of Raleigh ("The Cypress") brings, to those who are sixty-two (62) years of age and older, a style of retirement living known as "continuing care". This concept offers active retirees a lifestyle which is designed to meet their unique needs while allowing them the freedom to pursue their personal interests. Continuing care communities such as The Cypress encompass these important components: a privately owned condominium Cottage or Villa, a wide array of personal services, and the security of an on-site licensed health care center (the "Health Center" or "The Rosewood"). The services provided to Members encompass meal preparation (personalized for the medical and nutritional needs of the Member), personal safety, socialization, transportation, and monitoring of other activities of daily living, and are part of a coordinated system of care and resources to address both medical and non-medical drivers of health outcomes associated with growing older.

One of the purposes of this Disclosure Statement (Information Booklet) is to explain to prospective Villa and Cottage purchasers and/or Members of The Cypress (sometimes referred to in this Disclosure Statement interchangeably as "Members"), their families, and their advisors who and what is involved in the operation of The Cypress. This Disclosure Statement was prepared on the basis of information available and assumptions which were believed to be realistic as of the publication date. Such information and assumptions are, of course, subject to change and, in particular, could be affected by changes in local and global market conditions, including changes in inflation and interest rates. Because of the possibility of future changes, modifications in the operation of The Cypress may be necessary.

If after reviewing the information contained in this Disclosure Statement a prospective Member would like additional information or would like to make inquiries regarding facilities or services, the marketing office should be contacted. A prospective Member or prospective Member's legal representative with a general power of attorney also has a right to ask for and receive information regarding reserve funding, experience of persons who will make investment decisions, a current actuarial study, if available, and information regarding persons having a five percent (5%) or greater ownership interest in The Cypress.

Because no technical language has been used in this Disclosure Statement, there may be differences between the text of this booklet and the language of the specific Purchase and Sale Agreement and Membership Agreement signed by a Member. If there are any such differences, the terms of the executed Purchase and Sale Agreement and Membership Agreement will govern.

**We are pledged to the letter and spirit of U.S. policy for the achievement of equal housing opportunity throughout the Nation. We encourage and support an affirmative advertising and marketing program in which there are no barriers to obtaining housing because of race, color, religion, sex, familial status, disability or national origin, or any other specific classes protected by applicable law. The Cypress will endeavor to provide any reasonable accommodation and/or reasonable modification based upon disability-related need, provided that the person requesting such reasonable accommodation and/or reasonable modification may be responsible for the related expense.**

# **I. THE PEOPLE**

## **OVERVIEW**

The Cypress is made up of several distinct legal entities, each with its own powers and responsibilities. The Cypress Management Group, LLC, has a controlling interest in The Cypress of Raleigh, LLC. The Cypress of Raleigh, LLC is the entity that planned, designed, and built The Cypress. The Cypress of Raleigh, LLC currently has no new inventory of homes for sale. However, in its ordinary course of business, The Cypress of Raleigh, LLC often acts as the listing agent for resales of Villa and Cottage residences, in which event it represents the interests of the seller. The Cypress of Raleigh Club, Inc. ("The Club") and The Cypress of Raleigh Owners' Association, Inc. (the "Association") are two distinct North Carolina non-profit corporations which have no affiliation with any religious, charitable or other non-profit organizations. The Cypress of Raleigh, LLC and The Club will enter into a Membership Agreement with each of The Cypress' prospective Members. Because The Cypress offers condominium ownership of a Cottage or Villa, the Association was formed to comply with North Carolina law regarding the ownership of commonly held property. In the event of a conflict among the CCRC Act and the North Carolina Condominium Act, a Member, by signing the Membership Agreement, evidences the Member's acknowledgement and agreement that the CCRC Act shall control, including specifically North Carolina General Statutes § 58-64-85(b). The Club, a 501(c)(4) non-profit entity, was organized to manage the various membership functions of The Cypress that are included in each Member's Membership Agreement, in accordance with The Club's obligations under the Management Agreement dated August 1, 2008 by and between The Cypress of Raleigh LLC and The Club. The financial and contractual obligations of the facility are the responsibility of The Cypress of Raleigh, LLC and The Club. The Cypress of Raleigh, LLC, The Club, and the Association are licensed by the North Carolina Department of Insurance to offer and provide continuing care at The Cypress.

## **THE CYPRESS OF RALEIGH, LLC**

The Cypress of Raleigh, LLC (the "Company") is a North Carolina limited liability company formed for the purpose of developing and managing a continuing care retirement community. Its current principal business address is 7101 Creedmoor Road, Suite 142, Raleigh, North Carolina 27613. The Company has developed luxury condominium single-family Cottages and Villas for sale to individuals ages sixty-two (62) years and older who are capable of independent living, with or without reasonable accommodation or modification. In addition to developing luxury condominium Cottages and Villas, the Company has also developed all common areas of the retirement community, including the Clubhouse and Health Center. For its efforts in developing and managing the ongoing operations of the continuing care retirement community, the Company receives from The Club and the Association a payment equal to a percentage of actual costs of operating The Cypress. In addition, the Company is entitled to assess and collect from new Members a Membership Fee for services incidental to membership in The Club, which services are provided for in each new Member's Membership Agreement. As discussed in more detail on page 28, a Member's membership interest in The Club is separate and distinct from such Member's real estate interest in a Villa or Cottage.

Upon request, The Cypress shall make available the names and business addresses of the Company's members. The Company's sole Managing member is The Cypress Management Group, LLC, a North Carolina limited liability company. The Cypress Management Group, LLC is the only member of the Company that owns a five percent (5%) or greater equity or beneficial interest in the Company.

The Company has overall management responsibility for The Club. In its role as management agent, its primary duties shall include but not be limited to the review and approval of capital expenditures and operating budgets, and the monitoring of The Cypress' financial condition. Operational policies for The Cypress and criteria for membership admissions are subject to approval and periodic review. As the management agent, the Company also adopts and approves personnel policies for The Cypress' employees, annually reviews the insurance coverages on The Cypress' property and personnel, contracts for and supervises the provision of legal and accounting services for The Cypress, and actively monitors compliance with the budget and the performance of The Cypress and its management. These activities are carried out by means of reports, studies, regular meetings and frequent on-site inspections.

Operational management of The Cypress of Raleigh community (the "Community") is being performed by Life Care Services LLC ("Life Care Services") pursuant to a management contract with The Club. Life Care Services' responsibilities include: recruiting, employing, and training administrative personnel; supervising the licensing, equipping, and staffing of the Community; preparing annual budgets; establishing and operating a system of financial controls for the Community, including comparative analyses with other facilities; supervising the delivery of health care services which meet the guidelines of the Federal Medicare (Title XVIII) program; and overseeing the food service and quality accommodations provided by the Community. Life Care Services is not financially responsible for the contractual obligations or other obligations of The Club. The Company, in its capacity as manager of The Club, retains the ultimate responsibility for hiring managers and monitoring the operating costs, wages, salaries, expenses, fees, and overall fiscal viability of the Community. Life Care Services' business information and extensive experience in managing continuing care retirement communities is discussed in detail in pages 10 through 12 of this Disclosure Statement.

### **THE CYPRESS MANAGEMENT GROUP, LLC**

The Cypress Management Group, LLC is a North Carolina limited liability company formed on May 24, 2005. As stated above, The Cypress Management Group, LLC is the only member of the Company that owns a controlling interest in the Company, and it is the sole manager of the Company. The sole member-managers of The Cypress Management Group, LLC are Michael G. Sandman, Craig C. Huggins and Mark T. Andrews. The Cypress Management Group, LLC's address is 7101 Creedmoor Road, Suite 142, Raleigh, North Carolina 27613.

Michael G. Sandman obtained a Bachelor of Science degree in finance from The American University in 1982, and a Juris Doctor degree from the University of North Carolina at Chapel Hill in 1985. Mr. Sandman has practiced residential and commercial real estate law and business law in Raleigh, North Carolina since 1986. Since 1991, Mr. Sandman has been a principal in more

than thirty (30) real estate ventures of various product types, including, residential subdivisions, residential and office condominiums, senior living, office, retail, multi-family housing, warehouses, and hotels. In addition to his business activities, Mr. Sandman is active in the Raleigh community. His community service has included board, committee and volunteer work for Temple Beth Or, Ravenscroft School, The New Bern Avenue Corridor Alliance, Together Raleigh, The North Carolina Museum of Art and Triangle Family Services. Mr. Sandman's office is located at 7101 Creedmoor Road, Suite 142, Raleigh, North Carolina 27613.

Mark T. Andrews hails from a real estate family in Western Pennsylvania. After receiving an engineering degree from Penn State University in 1984, Mark relocated to Raleigh-Durham and founded a commercial real estate firm called Property Resources. Over nine years, he grew Property Resources to 85 employees handling over 50 properties and 6,000,000 square feet of space. Property types included office, warehouse and retail spread across Raleigh-Durham, Greensboro and Richmond, Virginia. In 1996, Mr. Andrews sold Property Resources to CB Richard Ellis, the largest commercial real estate firm in the world, and served as Managing Officer for North and South Carolina for three years before transitioning out. In 1996, Mr. Andrews founded another company, now named TME Investments, focused on real estate acquisitions and development in the Raleigh-Durham area. TME has completed over 30 projects with an asset value of over \$400,000,000 including office, flex, warehouse and multifamily properties. Some notable projects include: The Paramount, a 10 story 81-unit condominium project in Downtown Raleigh; The Cypress of Raleigh, a 44-acre continuing care retirement community; and the Aloft Raleigh Hotel, a landmark property across the street from the historic NC State Bell Tower. Mark is a regular guest lecturer for MBA students at the Kenan Flagler Business School at The University of North Carolina. For more information about TME Investments and to view selected projects, please visit [www.tmeinvestments.com](http://www.tmeinvestments.com). Mr. Andrews' office is located at 8521 Six Forks Road, Suite 106, Raleigh, North Carolina 27615.

Craig C. Huggins is a native of North Carolina and obtained a Bachelor of Science degree in Business Administration from the University of North Carolina at Chapel Hill in 1981. Mr. Huggins began his business career in Charlotte with Bank of America's Commercial Real Estate Lending Group and then joined Dickinson, Logan, Todd and Barber, a Raleigh based commercial mortgage banking firm, in 1984. Mr. Huggins formed Chandler Financial, Inc. in 1989 and began acquiring and developing residential and commercial properties in partnership with Michael Sandman. During the past 44 years, Mr. Huggins has developed, acquired, financed or handled the sale of a wide range of investment properties including residential and office condominiums, single family neighborhoods, apartments, office buildings, hotels, retail centers, warehouses, nursing homes and continuing care retirement communities. As a resident of Raleigh since 1982, Mr. Huggins has been active in the community through White Memorial Presbyterian Church, Step Up Ministry, the Boy Scouts of America, the Salvation Army, Wake County's Best Friends program and Providence Baptist Church. Mr. Huggins' office address is 7101 Creedmoor Road, Suite 135, Raleigh, North Carolina 27613.

### **THE CYPRESS OF RALEIGH CLUB, INC.**

The Cypress of Raleigh Club, Inc. (the "Club") is a North Carolina non-profit corporation. Its principal business address is 8801 Cypress Lakes Drive, Raleigh, North Carolina 27615. The



Club was formed to serve as the management entity to carry out the purposes of The Cypress Membership Agreement, as described in this Disclosure Statement. The Club manages the commonly owned property of The Cypress, including the Clubhouse and Health Center, as well as the services provided at the Clubhouse and Health Center. All monthly payments made by Members, all other operating receipts, and all disbursements flow through The Club. As discussed above, The Club has contracted with Life Care Services to provide the day-to-day operational management services for the Community, with the Company and The Club's Board of Directors retaining the ultimate responsibility for hiring managers and monitoring the operating costs, wages, salaries, expenses, fees, and overall fiscal viability of the Community. Life Care Services' extensive experience in managing continuing care retirement communities is discussed in detail on pages 10 through 12.

The Club is recognized as a 501(c)(4) tax-exempt entity by the Internal Revenue Service. No member or entity has a ten percent (10%) or greater ownership interest in The Club. As of the date of this Disclosure Statement, the following individuals comprise The Club's board of directors: (1) Michael G. Sandman (address listed above); (2) Joe Steven Cline, whose address is 2210 Fairview Road, Raleigh, North Carolina 27608; (3) Dave Gospodarek, whose address is 1440 Hatherleigh Court, Raleigh, North Carolina 27612; (4) John R. Mitterling, whose office address is 909 Aviation Parkway, Suite 1500, Morrisville, North Carolina 27560; and (5) Mark T. Andrews (address listed above). The Club's officers are Mark T. Andrews (President), Michael G. Sandman (Vice President), and Tom Ford (Secretary/Treasurer). Mr. Ford's office address is 8801 Cypress Lakes Drive, Raleigh, North Carolina 27615.

As set forth in the Membership Agreement and the Declaration of Condominium for the Cypress of Raleigh Condominium recorded in Book 13240, Page 738, Wake County Registry (the "Declaration"), The Club shall pay the Company an overhead payment equivalent to ten percent (10%) of total operating costs, including those of the Association, as compensation for services provided by the Company, which services are described in part on pages 6 and 7 of this Disclosure Statement. The overhead payment and the services that the Company provides are described in detail in the Membership Agreement and the Declaration, as well as in the Management Agreement dated August 1, 2008 by and between The Cypress of Raleigh LLC and The Cypress of Raleigh Club, Inc.

#### **THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**

The Cypress of Raleigh Owners' Association, Inc. was incorporated on July 1, 2005. Its principal business address is 8801 Cypress Lakes Drive, Raleigh, North Carolina 27615. Each Cottage or Villa owner at The Cypress will be a member of the Association as long as ownership of the Cottage or Villa is retained.

There shall be one membership in the Association for each Cottage or Villa owned. If Cottage or Villa ownership is vested in more than one person, then all owners of the Cottage or Villa will designate one of the co-owners to act as a member of the Association. Voting rights in the Association shall be as prescribed in the Declaration and Bylaws of the Association. An owner's membership in the Association will automatically terminate when ownership of the Cottage or Villa ceases. Members who transfer their units and move into the Health Center retain

their membership interest in The Club, and they shall pay monthly fees at the then applicable member rates.

The owners of Villas and Cottages will own the common property of The Cypress, including the Clubhouse and Health Center, and the Association will serve as the governing body for all issues related to the real estate aspects of the Cottages, Villas and common properties. All activities undertaken by the Association shall be for the sole benefit of the Cottage and Villa owners, and all funds received by the Association shall be used for the benefit of all Cottage and Villa owners. The Club shall serve as the managing agent for the Association. In that capacity, the Association has delegated to The Club the responsibility for the maintenance, repair, replacement, administration, and operation of The Cypress' property. Life Care Services carries out the day-to-day performance of these services for the Community pursuant to its contract with The Club. Life Care Services' extensive experience in managing continuing care retirement communities is discussed in detail on pages 10 through 12 of this Disclosure Statement.

The Association acts through its Board of Directors, which is elected by the Cottage and Villa owners at a regular annual meeting in accordance with the Bylaws of the Association. No member or entity has a ten percent (10%) or greater interest in the Association. As of the date of this Disclosure Statement, the following individuals comprise the Association's board of directors: (1) Mark T. Andrews (address listed above); (2) Jack Hogge, whose address is 8601 Cypress Lakes Drive, Unit 208, Raleigh, North Carolina 27615; and (3) Zac Walker, whose address is 8811 Cypress Lakes Drive, Unit 401, Raleigh, North Carolina 27615. The Association's officers are Mark T. Andrews (President), Jack Hogge (Vice President), and Tom Ford (Secretary/Treasurer) (address listed above).

### **LIFE CARE SERVICES LLC**

As stated above, The Club has retained Life Care Services LLC ("Life Care Services" or "LCS") to manage the Community. As the nation's third largest operator of senior living communities, Life Care Services serves more than 40,000 residents in more than 140 communities (see Exhibit O). With over 50 years of service, Life Care Services has developed expertise in nearly every facet of senior living management and has been ranked #1 in customer satisfaction with independent senior living communities for four years in a row. For more information, visit Life Care Services' website: <https://www.lcsnet.com/management-services/management-services-overview>.

Principal officers of Life Care Services include Chris Bird, Daniel Lahey, GeLynna Shaw, Bridgette Uhlemann, Jason Victor, and Jill Sorenson.

Chris Bird: As chief executive officer of LCS, Chris Bird is responsible for executing the business strategy across all business lines in the LCS Family of Companies. Mr. Bird provides leadership and direction for business growth, service excellence, and enhancing the company's stability and value among financial partners, property owners, and other stakeholders in the senior living field.

Mr. Bird joined LCS in 2018 and brings over 25 years of experience in operations and marketing, new business development, fostering capital partner relationships, and leadership of both Continuing Care Retirement Communities and Rental Communities across the country. Today, he is responsible for the oversight of nearly 40,000 seniors and 27,000 employees.

Mr. Bird serves as a member of the Board of Directors of LCS Holding Company, LLC and is a member of the Argentum Advisory Council. He holds a bachelor's degree in history from the University of Memphis, Tennessee.

Daniel Lahey: As executive vice president/chief financial and investment officer, Dan Lahey is responsible for directing all financial and real estate operations for the organization. In this capacity, Mr. Lahey provides leadership for corporate accounting and treasury, community finance, investments, capital markets, and asset and portfolio management for LCS.

Mr. Lahey has established himself as an industry leader in various roles on the finance and real estate teams since joining LCS in 2008. He joined LCS as an Accounting and Tax Manager on the finance team and later joined LCS Real Estate at its inception. Mr. Lahey's expertise has helped build the LCS brand and accelerated our growth with key capital relationships and growing our ownership interests in both Continuing Care Retirement Communities and Rental Communities. Under his leadership, the LCS Real Estate team has executed transactions valued at more than \$2.6 billion since 2018. In addition, LCS Real Estate has been successful in investing more than \$170 million of LCS equity capital.

Mr. Lahey earned his Bachelor of Arts in accounting and finance from Wartburg College and worked in public accounting for nine years prior to joining LCS. Mr. Lahey serves on the Board of Directors of LCS Holding Company, LLC, as well as its related audit committee, compensation committee, and retirement fiduciary committee, and is chair of the LCS Investment Committee.

GeLynna Shaw: As a professional in the senior living industry, GeLynna Shaw brings her expertise in finance, mergers and acquisitions, and operational effectiveness to her role as Executive Vice President of Operations at Life Care Services. Ms. Shaw oversees all aspects of community operations including sales, health and wellness, dining, resident engagement, and plant operations.

Her 28-year career in senior living includes experience with Continuing Care Retirement Communities and Rental Communities has been focused on systems, processes, and people that are effective to ensure the best outcomes for the residents. Ms. Shaw joined LCS in 2018 and has been instrumental in improving the performance of existing communities, successfully opening new communities, and onboarding new acquisitions. Her passion for those she serves and her record of improving performance through operational efficiencies has been essential to the success of the LCS Family of Companies.

Ms. Shaw is a board member of Hexagon and serves on the LCS Public Policy Committee. She has served on pricing, compliance, and risk committees, and brings that knowledge to the LCS

Family of Companies. Ms. Shaw holds a bachelor's degree in business with a major in accounting from Tennessee Technological University. She is a certified public accountant.

Bridgette Uhlemann: In her role as corporate counsel and director of legal and compliance, Bridgette Uhlemann ensures the legal rights of LCS are protected by providing legal advice and recommendations to all levels of the organization. She oversees legal affairs, including corporate governance, contract law, public policy, and corporate and regulatory compliance for LCS. Ms. Uhlemann directs the overall delivery of legal and compliance services to the organization, including in-house attorneys, compliance analysts and outside legal counsel. She collaborates with leadership and ensures key legal issues and opportunities are understood by stakeholders to mitigate risk and protect company assets.

At LCS, Ms. Uhlemann is a member of the LCS Foundation Board of Directors, and she chaired the Walk to End Alzheimer's Committee in 2019. Outside the organization, she serves as the board chair for the Alzheimer's Association, Iowa Chapter and the secretary for the Mid-Iowa Association of Local Governments. Ms. Uhlemann graduated from Drake University with a Bachelor of Arts degree in English and Law, Politics and Society. She earned her Juris Doctorate degree from Drake University Law School.

Jason Victor: Jason Victor is senior vice president, treasurer and corporate finance officer for LCS. In this role, he provides oversight and direction for the organization's financial matters, ensuring its consistent and efficient fiscal performance. Mr. Victor has responsibility for the organization's corporate accounting, corporate payroll, community payroll, treasury and tax departments. He oversees all aspects of general accounting, cash management, billing and receivables, accounts payable, payroll, consolidations and financial reporting. In addition, he serves as a member of the LCS Audit Committee and provides leadership for LCS Risk Management, including the LCS Advantage insurance program and Hexagon, a captive insurance company.

Jill Sorenson: Leaning on her expertise to foster and maintain meaningful relationships, Jill Sorenson leads the regional team serving a portfolio of 36 Continuing Care Retirement communities. Following her passion for serving seniors, Ms. Sorenson's responsibilities have grown during her career at LCS. From roles in accounting, information technology, and corporate resource development to receiving her nursing home administrator license, Ms. Sorenson is committed to serving others. Prior to her current position, Ms. Sorenson has a proven track record in successfully delivering on occupancy goals and achieving 4- and 5-star ratings from the Centers for Medicare and Medicaid Services.

To ensure Life Care Services is serving the customer first and foremost, Ms. Sorenson initiated client satisfaction surveys with client boards and owners to build stronger and more strategic relationships. Outside LCS, Ms. Sorenson has served on the San Diego Region for Aging Services of California and the Aging Services of California Board. She is a frequent presenter at national and state industry conferences on topics affecting the senior living industry and was selected for the Hall of Honor for McKnight's Women of Distinction program in 2023. Ms. Sorenson holds a bachelor's degree in business administration from Simpson College and an MBA from the University of Phoenix.

## **EXECUTIVE DIRECTOR**

Tom Ford joined The Cypress as its Executive Director in December of 2022. Mr. Ford has worked in the Raleigh area for over thirty years and has extensive experience in the senior living industry. He is a licensed Nursing Home and Assisted Living Administrator. Prior to joining The Cypress, Mr. Ford most recently served as the Executive Director of The Cardinal at North Hills for approximately six years. He holds a bachelor's degree in business administration with an emphasis in health care management from Appalachian State University and a Masters of public administration degree from North Carolina State University.

## **ADMINISTRATOR**

Wyatt Pramann joined The Cypress of Raleigh in the fall of 2022 when he was promoted to the position of Administrator for The Rosewood Health Center by Life Care Services (LCS) after having served as an Assistant Administrator at The Cedars of Chapel Hill. Wyatt's passion for senior living was developed after serving as a volunteer in an assisted living community. This experience led him to become a licensed Medicine Tech in a Memory Care facility and to obtain a BS in Health Care Administration from the University of Wisconsin – Eau Claire. Upon graduation, Wyatt was selected to participate in Life Care Services' Professional Development Program, which ultimately brought him to The Cypress of Raleigh.

No officer or director of The Company, The Club, or the Association has been convicted of a felony or pleaded nolo contendere to a felony charge or been held liable or enjoined in a civil action by final judgment for a felony or civil action involving fraud, embezzlement, fraudulent conversion or misappropriation of property; or is subject to a currently effective injunction or restrictive court order or within the past five years had any State or Federal license or permit suspended or revoked as a result of action brought by a governmental agency or department, arising out of the business of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for aged, or facility subject to Section 58-64 of the North Carolina General Statutes, or similar law in another state.

## **MEMBER COMMITTEES**

The Club has established Member Advisory Committees. The six (6) Member committees are finance, buildings and grounds, food and beverage, health and safety, library, and social and activities. Regularly scheduled meetings are held to enable the Members to ask questions and to permit the Cypress' administration to communicate with the Members for the purpose of free discussion of subjects as they apply to The Cypress, as well as proposed changes in policies, programs and services, or other issues for the good of The Cypress.

## **ORGANIZATION CHART**

See Exhibit A attached hereto and incorporated herein by reference.

## II. THE CYPRESS

### THE LOCATION

The Cypress campus is located on approximately forty-four (44) acres of land bounded by Strickland Road on the north, Lead Mine Road on the west, Forum Drive on the south, and Harvest Oaks Drive on the east in Raleigh, North Carolina. It is surrounded by quiet, residential neighborhoods, but conveniently located to Raleigh's most prestigious commercial areas for shopping, dining and professional services. Rex Hospital, Wake Med North Healthplex and Duke Raleigh Hospital also are located nearby.

### THE CAMPUS

The Cypress is a condominium continuing care retirement community designed to provide customized homes and services to accommodate persons sixty-two (62) years of age or older in a dignified setting and style. Phase I and Phase II (as described in the Declaration) opened in Fall 2008 and include thirty-four (34) free-standing Cottages with garages and one hundred sixty-eight (168) one (1) and two (2) bedroom single-story Villas located in three (3) mid-rise buildings (Buildings A, B and C). Phase III, which was completed in the fall of 2020, includes three (3) additional Cottages and two mid-rise buildings (Buildings D and E), which each contain fifty-seven (57) Villa homes. There are numerous different Villa floor plans for the following types of units: one bedroom, two-bedroom, corner two bedroom, and corner two bedroom with den. There are also four (4) different standard Cottage plans. All Villas and Cottages are furnished with washers and dryers, and fully equipped kitchens. The units also contain many safety features, including grab rails in the bathtub, an urgent call system monitored twenty-four (24) hours a day, and smoke alarms.

The Cypress condominium includes a Clubhouse of approximately 42,709 square feet and a sixty-one (61) bed Health Center. The Clubhouse serves as the hub for Community activities. The Clubhouse also includes formal and informal dining rooms, crafts and activities rooms, game room, private dining room, beauty and barber shop, exercise room, hobby shop, reading room, indoor lounges and an indoor exercise pool and spa. The Rosewood Health Center has a unit specializing in memory care programming for individuals with cognitive disorders. The Rosewood has private and semiprivate rooms, a physical therapy room, an arts and crafts therapy area, a dining room, and lounges. For Members who are able to do so, the Rosewood emphasizes restorative care and wellness for purposes of returning these Members to their Cottages or Villas.

The Cypress of Raleigh, LLC has sold all of the Villas and Cottages in Phases I, II and III. Accordingly, all sales of Cottages and Villas going forward will be resales pursuant to the terms of a Resale Purchase and Sale Agreement substantially in the form attached hereto as Exhibit U (referred to herein as a "Purchase and Sale Agreement"). The Cypress of Raleigh, LLC does not currently have plans to construct additional Villas or Cottages, but it reserves the right (but not the

obligation) to develop an additional phase of the Condominium consisting of up to one hundred eleven (111) units.

As of May 14, 2025, The Cypress of Raleigh had 458 Members.

### **THE PERSONNEL**

As approved by The Club, Life Care Services employs an executive director and health care administrator for The Cypress. The Club or the Company employs all other personnel, although some services, such as landscape maintenance, may be out-sourced. A medical doctor, an occupational therapist, a physical therapist, and a speech and hearing therapist are available for consultation.

### **THE SERVICES**

The decision to move into a continuing care retirement community demands careful consideration of many factors, including the services to be provided. A detailed description of the services to be provided by The Club is found below. A Member typically will purchase a fee simple interest in a Cottage or Villa for the Member's lifetime use. At the same time, the Member will sign a non-transferable Membership Agreement to obtain a membership interest in The Club, which, for a monthly payment, will entitle the Member to access the following services: (1) Club activities; (2) urgent call system; (3) a food service allowance; (4) availability of a private dining room; (5) weekly flat laundry; (6) weekly housekeeping; (7) scheduled maintenance of the Cottages, Villas, and common areas; (8) grounds care and gardening; (9) certain utilities; (10) scheduled transportation; (11) campus security; (12) mail delivery; (13) Health Center services; (14) Health Center activities; (15) Member committees; (16) monthly billing services; and (17) uncovered surface parking for Members and guests. The services provided pursuant to the Membership Agreement are part of a coordinated system of care to address both medical and non-medical drivers of health outcomes. As discussed in more detail on pages 28 and 29, the fee simple interest in a Cottage or Villa is separate and distinct from the membership interest the Member obtains in The Club.

Health Center services will be available to all Members of The Cypress, as stated in the Membership Agreement, and a Member may be admitted directly to the Health Center from his/her Cottage or Villa with proper physician's orders. Members who are able to do so will be encouraged to return to their Cottages or Villas as soon as possible. Members who are, however, unable to return to their Cottages or Villas, have the benefit of access to permanent care in the Health Center.

In furtherance of its efforts to meet the ongoing needs of its Members as they change over time, The Cypress of Raleigh has established a Level of Care Transitional Policy in accordance with the terms of the Membership Agreement. The Policy's goals include the following: (i) to uniformly enforce the terms of the Membership Agreement regarding a Member's ability to live independently in his or her Cottage or Villa in a safe and practical manner; (ii) to maximize the Members' independent functioning, allowing them to remain in their Cottages or Villas as long as possible; (iii) to provide options for Members who prefer to live independently in their Cottages

or Villas but need additional assistance with everyday tasks and/or require additional services to ensure their safety; and (iv) to determine the appropriate time to transition a Member to a higher level of care utilizing a standardized Level of Care Assessment, coupled with collaboration between the Member, his or her family and attending physician, and The Cypress of Raleigh's Medical Director and health care team.

Those Members who do not require care in the Health Center, but who need additional personal services to continue living in their Cottages or Villas, will be eligible for the assistance-in-living and/or home care program. Assistance-in-living and home care services will be provided by nursing staff and other staff members. Services such as bathing, dressing, shopping, personal laundry, additional housekeeping, in home care and special transportation will be available to the Members, on a fee for service basis. The Club received its own Home Care Agency License on August 25, 2009 (See Exhibit W). With this License, The Cypress of Raleigh Home Care agency is able to provide a broad range of home health care services to Members in their Cottages and Villas.

### **DESCRIPTION OF THE SERVICES**

The services which are available to Members are listed and described in detail in the Membership Agreement. To explain the services further, the following descriptions have been prepared. The procedures to be followed in furnishing these services may be modified by the Company in order to best meet the needs of the Members. Members will be advised of any changes in these services through Member Committees and written and verbal communications. While the services are outlined herein separately, they are part and parcel of a coordinated system of care to address both medical and non-medical drivers of health outcomes.

### **SERVICES COVERED UNDER THE MONTHLY PAYMENT**

The monthly payment made pursuant to a Member's Membership Agreement entitles the Member to the following services:

### **CLUB ACTIVITIES**

A full-time Director of Community Life Services is employed by The Club who plans and organizes a variety of events tailored to the special interests of the Members. These programs are focused on wellness to meet the intellectual, physical, emotional, social and spiritual needs of the Members. Activities include cultural excursions, multiple lecture series, dance and art classes, card games, craft activities, tournaments, and shopping. Two full-time Wellness Coordinators are employed who plan and organize fitness and wellness programs such as Tai-Chi, yoga, aquatic, aerobic and strength and balance classes.

### **URGENT CALL SYSTEM**

All Cottages and Villas have a two-way urgent call system. The purpose of this system is to summon help in an emergency. The urgent call system is connected to an indicator panel in the Health Center, which identifies the Cottage or Villa from which the signal was initiated. Licensed



nursing personnel with emergency training will respond to calls from the urgent call system and will summon any other appropriate emergency personnel that may be required.

## **MONTHLY FOOD SERVICE ALLOWANCE**

Healthy eating and nutrition are central to a Member's well-being and are interrelated with health, personal safety, socialization, transportation and monitoring other activities of daily living that may not be apparent absent daily use of Cypress dining in the presence of trained staff. The excellence of The Cypress of Raleigh's dining program supports the coordinated system of care provided by The Club to address both medical and non-medical drivers of health outcomes.

As part of residency at The Cypress of Raleigh, Members receive meal services as described in this section. To assist in tracking meal usage and monitoring the health of Members, Members receive quarterly meal points, which may be used for food and beverage selections from a varied menu of favorites, seasonal and daily specials, giving the Members optimal choice and flexibility for their dining experience. A Member's meal points are designed to be allocated in the Member's discretion over the course of each calendar quarter and typically are sufficient for one meal per day. With four distinct dining venues, the Members can choose to use meal points on dining experiences in the formal or main dining venues or on quick grab-and-go menu items from the buffet-style bistro and bar menus. Home delivery and take-out meals are also available. A registered dietician is available for consultation. Charges for guest meals will be published by The Club and subject to change without prior notice based on variable food and labor costs. A Member's meal point allowance is not equivalent to dollars, cannot be exchanged for dollars, and does not reflect the actual cost of food and labor utilized for the delivery of food service as part of a Member's residency at The Cypress of Raleigh. Unused meal points will not carry over to the next calendar quarter. Additional meal points cannot be purchased. Any additional meals that may be requested by a Member in excess of their monthly meal points will be charged on a per-item basis to the Member at a dollar amount determined by The Cypress of Raleigh. To the extent required by law, appropriate sales and use taxes will be charged to Members and collected on sales of alcohol and guest meals.

## **PRIVATE DINING ROOM**

A private dining room is available for use by Members and their guests for special family or social occasions. Catered events and wait staff may be available, upon request, for an additional charge. Advance reservations with the Director of Food & Beverage or Dining Room Manager are required. Standing reservations for groups and/or clubs are not available.

## **WEEKLY FLAT LAUNDRY**

Members receive weekly flat laundry service, which includes sheets, pillow cases, towels, face cloths and dish cloths. The flat laundry will be washed, dried, folded and returned on a weekly basis at the next scheduled housekeeping visit. The Club reserves the right to charge a reasonable fee for additional services to those Members who utilize the flat laundry service in excess of typical Member usage.

## **WEEKLY HOUSEKEEPING SERVICES**

Members will receive weekly housekeeping services. These services include kitchen and bathroom cleaning, surface cleaning, dusting, and vacuuming. Periodically, window washing, carpet cleaning and other additional housekeeping will be performed.

## **SCHEDULED MAINTENANCE OF COTTAGE OR VILLA AND COMMON AREA**

Maintenance, as more particularly described in the Declaration of Condominium, will be provided for each Cottage and Villa, and The Cypress common areas. If a Member needs maintenance service, the Member may submit a request with the Facilities Coordinator or concierge.

## **GROUNDS CARE AND GARDENING**

The Club's lawns, trees and shrubs will be maintained, as well as the interior and exterior of the Clubhouse, the parking areas, walks and exercise trails. In addition, gardening areas are available for Members' use and will be under the direction of the Director of Community Life Services on a first-come, first-serve basis.

## **CERTAIN UTILITIES**

Electric, gas (if applicable), water, sewer, and basic cable services will be included in the monthly payment for owners of Villa Units. Owners of Cottage Units must pay a separate charge for electric and gas services.

## **SCHEDULED TRANSPORTATION**

Scheduled transportation is available for The Cypress Members. Scheduled trips include nearby grocery stores, banks, shopping centers and select cultural events and activities. Special trips may be periodically scheduled at an additional cost to each participant.

## **CAMPUS SECURITY**

The Cypress is a gated community with security staff personnel onsite twenty-four (24) hours a day. Additionally, cameras and a card access system provide security to all buildings and the Community.

## **MAIL DELIVERY**

Once each business day, the U.S. Postal Service collects and distributes mail to each Member's personal mailbox. At the request of a Member, mail can be forwarded during the Member's absence from his/her Villa or Cottage.

## **ABSENCE CREDIT**

If 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, the Member may be entitled to an “absence credit” in an amount determined by The Club to be applied against the monthly payment.

## **INTERRUPTION OR DELAY OF SERVICES**

If the Club is delayed, hindered, or prevented from delivering or performing any of the services described in the Membership Agreement by reason of any event or circumstance, whether or not foreseeable, not under The Club’s reasonable control, including without limitation any governmental restriction, scarcity of labor or materials, strike, riot, civil disorder, fire, natural disaster, extreme weather event, disease, medical epidemics or outbreaks, curtailment of transportation facilities or infrastructure, and/or threats or acts of terrorism, the delivery or performance of such services shall be excused for the period of delay, and the delivery or performance of any such services shall be extended as necessary to complete performance after the delay period.

## **THE ROSEWOOD HEALTH CENTER**

The Club has secured a license from the North Carolina Department of Health & Human Services, Division of Facility Services to have an on-site Health Center, named The Rosewood, to provide nursing care services up-to and including skilled care to The Cypress Members (see Exhibit W). The Club provides its Members quality health care within the limits of its license. Licensure for hospital-level care cannot be obtained; and, therefore, hospital-level services are not provided within the Health Center. Such level of care must be provided by a hospital, and the costs related to hospitalization will be the responsibility of the Member.

A physician or physician group will be retained on a consulting basis to act as Medical Director for The Rosewood. The Medical Director currently is Curana Health’s physician-led care team. If the Medical Director determines, in consultation with the Member’s attending physician, family or personal representative and the Member (to the extent possible), that the Member requires health care in The Rosewood, such care will be provided for up to forty-five (45) lifetime cumulative days at the regular monthly payment for Members signing Membership Agreements from and after January 1, 2025. Members who signed Membership Agreements prior to January 1, 2025 will receive up to ninety (90) lifetime cumulative days at the regular monthly payment. The 45 or 90 cumulative days to which a Member is entitled under the Membership Agreement are referred to herein as the “Cumulative Days”. The regular monthly payment will cover health care at the semiprivate room rate. In addition to the regular monthly payment, the Member will be responsible for the cost of two (2) extra meals per day, plus nursing supplies, therapies, pharmacy, special duty nurses, personal laundry, rental of equipment, and other services provided upon request. If the Member requires care at the Health Center beyond such Member’s Cumulative Days, the Member will be responsible for the monthly payment (reduced by the appropriate absence credit) in addition to the applicable Member rate for health care at the Rosewood and other charges, pursuant to the terms of the Membership Agreement.

Both private and semiprivate rooms are available in The Rosewood. Basic rates are based on a semiprivate room. A Member may elect to occupy an available private room for an additional

charge. Should only a private room be available, a Member who opts for a private room would pay the difference between the private and semi-private rate. Care in The Rosewood will include, but will not be limited to, basic nursing care, food service, housekeeping, and flat laundry service. If a Member would like to obtain additional nursing staff care while a resident in The Rosewood, arrangements may be made through The Cypress Home Care for an additional charge. Friends, relatives, or spouses may, at an additional charge, have meals with Members admitted to The Rosewood, so long as advance notice is given to The Rosewood. A schedule showing current room rates for The Rosewood is attached hereto as Exhibit P, and a schedule showing the average increase in those rates since 2019 is attached hereto as Exhibit Q.

If the Health Center is fully occupied, the Member will be provided health care services in, and agrees to relocate to, another health care facility. The Club will be responsible for any additional charges associated with the alternate health care accommodations so long as the Member continues to pay the monthly payment. The Member will be relocated to the Health Center when accommodations become available. The Membership Agreement (see Exhibit S) sets forth in greater detail the extent that health care services are provided and the terms for providing such services.

Members may be admitted to The Rosewood from a hospital or directly from their Cottages or Villas. Upon a Member's admission to The Rosewood, The Rosewood staff will determine the appropriate level of nursing care (as prescribed by a physician) required by the Member. As part of this determination, the Member's long-term ability to return to his/her Cottage or Villa is evaluated. The professional staff will provide an appropriate plan of care, the ultimate goal of which shall be, if at all possible, to return the Member to his/her Cottage or Villa as soon as practicable. If approved by the Member's physician, the Member may visit his/her Cottage or Villa with the assistance of volunteers as a part of the rehabilitation process.

Members who are unable to return to their Cottage or Villa have the benefit of permanent care in The Rosewood. If a Member who is the sole occupant of his/her Villa or Cottage is permanently assigned to The Rosewood, he/she will pay the monthly service fee at the then applicable Member rate reduced by an absence credit. In addition, after a Member has used all of the Member's Cumulative Days in The Rosewood, the Member will pay the standard applicable Health Center fee until the Cottage or Villa is resold. After the Cottage or Villa is resold, the Member will pay only the applicable Health Center fee. If two (2) Members occupy a Unit and one (1) of them becomes a permanent resident of The Rosewood, then the monthly payment for the Member continuing to occupy the Unit will be reduced to the single occupancy rate. The Member residing in The Rosewood will pay the applicable Member rate.

A Member will not be admitted to or treated in The Rosewood in the event that such Member requires care that cannot lawfully be provided at The Rosewood and/or the Medical Director determines in his or her reasonable opinion that such Member's mental or physical condition is such that his or her admittance or treatment at The Rosewood would present an unreasonable risk of injury or detriment to that Member or any other Member receiving treatment or residing at The Rosewood, including but not limited to, a situation in which the Member seeking admittance or treatment at The Rosewood has been or is suspected to have been infected with a communicable disease for which there is no readily available cure and/or vaccine.

## **HEALTH CENTER ACTIVITIES**

An activities director is responsible for coordinating and directing the arts, crafts, social and recreational activities for Members staying in The Rosewood Health Center. The focus of these activities will be restorative care by enhancing the quality of life through physical, emotional, psychological and spiritual programs while catering to the individual needs of each Member.

## **MEMBER COMMITTEES**

The Member Committees hold regularly scheduled meetings to promote communication between the Members and The Cypress' administration. The six (6) Member committees are finance, buildings and grounds, food and beverage, health and safety, library, and social and activities.

## **MONTHLY BILLING SERVICE**

Monthly statements are placed in each Member's mailbox or other appropriate location on or before the fifth (5th) day of the month. Each monthly statement must be paid within seven (7) days after the delivery date of the statement. Payment may be made at the accounting office, accounting drop box or by mail. Payments made after the seven (7) day period may be subject to a late fee. A staggered billing system may be implemented in the discretion of The Club.

## **UNCOVERED SURFACE PARKING FOR MEMBERS AND GUESTS**

The Cypress has surface parking for both the Members and their invited guests. In addition, all Cottages have a two-car garage. As discussed below, limited assigned covered parking and garage parking is available to Villa Members at an extra charge. In order to ensure that sufficient parking is available to all of our Members and their invited guests, Members are limited to keeping no more than one (1) vehicle on campus for each Member with an active driver's license, except as otherwise agreed to in writing by the Executive Director.

## **OTHER SERVICES NOT INCLUDED IN MONTHLY PAYMENT**

Upon request, additional services may be provided to Members at an additional charge. The additional charges will be added to the Member's monthly statement. The additional services may include guest meals, additional meals in excess of those meals covered by the Member's monthly meal points, valet service, and such other reasonable services as may be requested. For a list of services for which there is an additional charge, see Sections 8 and 9 of the Membership Agreement (see Exhibit S) and the table attached hereto as Exhibit X. To explain some of the additional services further, the following descriptions have been prepared.

## **BEAUTY AND BARBERSHOP**

Beauty and barbershop services are provided by professional beauticians and barbers at an extra charge. Space is provided in the Clubhouse and Health Center for this service.

## **COVERED PARKING AND GARAGE PARKING**

Limited assigned covered parking and garage parking is available to Villa Members at an extra charge. A copy of the covered parking plan is available during normal business hours at The Cypress' marketing office. Additional surface parking is available to Villa Members at no charge as described above. All Cottages have a two-car garage.

## **HOME CARE AGENCY**

Those Members who do not require care in the Health Center, but who need additional personal services to continue living in their Cottages or Villas, will be eligible for the assistance-in-living and/or home care program. Assistance-in-living and home care services will be provided by nursing staff and other staff members. Services such as bathing, dressing, shopping, personal laundry, additional housekeeping, in home care and special transportation will be available to the Members on a fee for service basis. As stated above, The Club has its own Home Care Agency License. This license enables The Cypress of Raleigh Home Care agency to provide a broad range of home health care services and to facilitate these services for Members in the comfort of their Cottages and Villas.

## **DEVELOPMENT TIME FRAME**

The Cypress of Raleigh, LLC has completed Phases I, II and III of the Condominium and does not currently have plans to construct additional Villas or Cottages. However, The Cypress of Raleigh, LLC reserves the right (but not the obligation) to develop an additional phase of the Condominium consisting of up to one hundred eleven (111) units.

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# **III. THE PROPOSAL**

## **THE CONTINUING CARE CONCEPT**

The Cypress' continuing care concept ensures a Member lifetime ownership and/or occupancy of a Cottage or Villa, a wide array of personal services, and long-term nursing care in the on-site Health Center if he/she can no longer live independently (with or without reasonable accommodation or modification) in a Cottage or Villa. This concept has grown as the result of the increasing number of men and women reaching retirement age and the concern for providing an alternative to traditional retirement living. A Member typically will purchase a Cottage or Villa in accordance with the terms of a Purchase and Sale Agreement.

At the time of signing a Purchase and Sale Agreement for a Cottage or Villa, the Member will enter into a non-transferable Membership Agreement. Pursuant to the terms of the Membership Agreement, the Member will pay a monthly fee for the personal services the Member receives. This monthly fee/payment includes a monthly contribution to the Association.

## **ACCEPTANCE FOR RESIDENCY**

Purchase and Sale Agreements and Membership Agreements are subject to acceptance by the Company. At the time of signing a Purchase and Sale Agreement and/or a Membership Agreement, the Member (or such Member's spouse) must be sixty-two (62) years of age or older. Each Member also must be capable of independent living (with or without reasonable accommodation or modification), free of communicable diseases, and able to pay the purchase price, Membership Fee, monthly payment, two (2) months of common expenses, twelve (12) months of hazard and flood insurance premiums, and a reserve deposit. After these payments, the Member must have sufficient financial resources to enable the Member to make the monthly payments, cover personal expenses which may be reasonably expected, and meet anticipated increases in the cost of living, including any increases in the monthly payment.

Prior to purchase of a Villa or Cottage, the Purchase and Sale Agreement may be terminated if the prospective Member fails to pay any of the sums due and owing under the Purchase and Sale Agreement and/or Membership Agreement. If all such sums are paid prior to purchase, but after the purchase closes the Member (or the Member's spouse, as applicable) is unable to live independently (with or without reasonable accommodation or modification) in the Villa or Cottage, the Member (or the Member's spouse, as applicable) will be admitted to the Health Center, so long as the Health Center can provide the level of care required by the Member. If, prior to closing on the purchase, a prospective Member dies or becomes incapable of living independently (with or without reasonable accommodation or modification) in a Villa or Cottage, the prospective Member or his/her estate, as applicable, may terminate the Purchase and Sale Agreement and receive a refund of all earnest money.

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## 2025 PRICES, MEMBERSHIP FEE AND MONTHLY FEES

<u>HOME TYPE</u>	<u>Prices Set By Sellers</u>		<u>2025 MONTHLY FEES</u>	
	Estimated Gross Starting Prices	Approx. Size Including Balcony	1 Person	2 People
<b><u>Bldg. B Villas</u></b>				
The Alexander	\$350,000+	813 sf	\$3,422	\$5,360
The Arbor	\$375,000+	993 sf	\$3,663	\$5,601
The Ascot	\$500,000+	1261 sf	\$4,090	\$6,028
The Bayberry I	\$650,000+	1377 sf	\$4,316	\$6,254
The Bayberry II	\$625,000+	1465 sf	\$4,316	\$6,254
The Camden	\$800,000+	1637 sf	\$4,707	\$6,645
The Covington	\$650,000+	1623 sf	\$4,707	\$6,645
The Dogwood	\$825,000+	1626 sf	\$4,648	\$6,586
The Rosewalk	\$800,000+	1867 sf	\$4,973	\$6,911
<b><u>Bldgs. A &amp; C Villas</u></b>				
The Indigo I	\$400,000+	1070 sf	\$3,787	\$5,725
The Indigo II	\$425,000+	1122 sf	\$3,787	\$5,725
The Park	\$650,000+	1627 sf	\$4,674	\$6,612
The Azalea I	\$800,000+	1871 sf	\$4,973	\$6,911
The Azalea II	\$875,000+	2021 sf	\$4,973	\$6,911
The Gallery I	\$1,000,000+	2296 sf	\$5,326	\$7,264
The Gallery II	\$1,450,000+	2472 sf	\$5,326	\$7,264
The Osprey I	\$1,450,000+	2597 sf	\$5,698	\$7,636
The Osprey III	\$1,450,000+	2472 sf	\$5,698	\$7,636
<b><u>Bldgs. D &amp; E Villas</u></b>				
The Ashcroft	\$525,000+	1368 sf	\$4,316	\$6,254
The Bradford I	\$650,000+	1386 sf	\$4,316	\$6,254
The Bradford II	\$625,000+	1465 sf	\$4,316	\$6,254
The Caldwell	\$650,000+	1652 sf	\$4,707	\$6,645
The Danbury	\$850,000+	1779 sf	\$4,841	\$6,779
The Newport	\$800,000+	1950 sf	\$4,973	\$6,911
The Prescott	\$1,000,000+	2152 sf	\$5,151	\$7,089
<b><u>Cottages</u></b>				
The Holly	There are only 37	2210 to 2983 sf	\$5,811	\$7,749
The Laurel	cottages. Approx.	2433 to 3064 sf	\$5,972	\$7,910
The Poplar	range \$1,600,000	2692 to 2937 sf	\$5,972	\$7,910
The Magnolia	to \$2,500,000+.	2922 to 3990 sf	\$6,277	\$8,215

**Note 1:** THE GROSS SALES PRICES INCLUDE THE 10% MEMBERSHIP FEE. **Note 2:** Some plans may be modified from the original plan. Finishes and upgrades will vary. **Note 3:** The monthly fees shown are for 2025 and will be adjusted annually. In 2023, the Condominium Fee represented approximately 22.6% of the total Monthly Fee, and the Service Fee represented approximately 77.4% of the total Monthly Fee. In 2024 the Condominium Fee represented approximately 22.7% of the total Monthly Fee, and the Service Fee represented approximately 77.3% of the total Monthly Fee. **Note 4:** The Gross Sales Prices are not specific and are only meant to be an indication of 2025 "STARTING PRICES". Resales will be priced individually by sellers and based on custom modifications and location. All Gross Sales Prices and monthly fees are subject to change. **Note 5:** Covered and garage parking rights may be assigned independent



of the home. **Note 6:** The monthly fee includes many services, amenities, wellness and healthcare benefits which are outlined in the Membership Agreement.

**ANNUAL MONTHLY FEE INCREASE PER UNIT TYPE (FROM 2020)**

See Exhibit R attached hereto and incorporated herein by reference.

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## THE PURCHASE AND SALE AGREEMENT

In this portion of the Disclosure Statement, the basic terms and conditions for purchasing a Cottage or Villa are summarized based upon the more prevalent transaction wherein the purchaser and prospective Member are one and the same. Variations are common and discussed elsewhere in this Disclosure Statement. The prospective purchaser of an existing Unit enters into a Purchase and Sale Agreement, typically depositing fifteen percent (15%) of the home's gross purchase price. In the event of any conflict between this Disclosure Statement and the Purchase and Sale Agreement, the terms of the Purchase and Sale Agreement shall control.

The basic terms and conditions for purchasing a Cottage or Villa under the Purchase and Sale Agreement are summarized as follows:

1. Purchase Price. At the time of signing a Purchase and Sale Agreement, the prospective Member typically will pay a deposit equal to fifteen percent (15%) of the purchase price for the Cottage or Villa selected. The deposits provided under the Purchase and Sale Agreement typically will be placed in the Company's Escrow Account at First Citizens Bank & Trust Company. At closing, the Member will pay the balance of the purchase price for the Cottage or Villa selected.

2. Membership Fee. At the time of signing a Purchase and Sale Agreement, the prospective Member will also sign a Membership Agreement. The terms of the Membership Agreement will govern the Member's membership interest in The Club. Membership in The Club is not an estate or interest in land and is not incidental to the ownership of a real property interest in a Villa or Cottage. The cost of Membership is a separate, non-refundable Membership Fee calculated as ten percent (10%) of the gross purchase price, which is payable to the Company. This Membership Fee is not a traditional entrance fee and thus is treated as income by The Company when received and not amortized. The Membership Fee entitles a Member to that certain license or collection of rights, coupled with the corresponding responsibilities and obligations, associated with permanent residency within The Cypress. Only membership (as distinguished from ownership of a Unit) gives a Member the right to use the Club Facilities and the right to live in the Health Care Center when (s)he is no longer capable of independent living.

3. Special Warranty Deed. The Company or Member owner will convey good and marketable title to purchaser at the time of closing.

4. Monthly Payment. Effective as of the closing, the Member must make the monthly payments to The Club. The monthly payments cover the cost of various services provided by The Club, which are part of a coordinated system of care to address both medical and non-medical drivers of health outcomes. As a matter of convenience, the monthly payments also cover the monthly contribution to the Association, known as the condominium fee.

5. Common Expenses; Hazard Insurance. At closing, the purchaser of a Villa or Cottage must also pay to the Association a non-refundable working capital fund contribution equal to two (2) months of purchaser's assessment for common expenses of the Association, as well as a payment equal to twelve (12) months hazard and flood insurance premiums for the Villa or Cottage they are purchasing.

6. Reserve Deposit. The State of North Carolina Department of Insurance, in accordance with Chapter 58, Article 64 of the North Carolina General Statutes (the “CCRC Act”), requires that all continuing care facilities maintain operating reserves equal to fifty percent (50%) of the total operating costs forecasted for the twelve (12) month period following the period covered by the most recent annual statement filed with the Department. Facilities that maintain an occupancy level in excess of ninety percent (90%) shall only be required to maintain a twenty-five percent (25%) operating reserve upon approval of the Commissioner.

Each Purchase and Sale Agreement signed on or before December 31, 2011 required the purchaser (each a “Pre-2012 Purchaser” and collectively the “Pre-2012 Purchasers”) to pay to The Club an operating reserve deposit in the sum of \$9,000 (each a “\$9,000 Operating Reserve Deposit” and collectively the “\$9,000 Operating Reserve Deposits”). The \$9,000 Operating Reserve Deposits will be held in a separate capital management account (the “Operating Reserve Account”), with interest and dividends, less fees, on such deposits accruing for the benefit of the Pre-2012 Purchasers. So long as it is not necessary for The Club to use proceeds or assets from the Operating Reserve Account, interest and/or dividends earned on the \$9,000 Operating Reserve Deposits shall be paid to each Pre-2012 Purchaser on a prorata basis in February of each year. Upon resale of a Pre-2012 Purchaser’s Villa or Cottage any unused portion of the \$9,000 Operating Reserve Deposit paid by such purchaser shall be returned to purchaser with available interest and/or dividends earned on such deposit prorated since the latest distribution from the account.

Each Purchase and Sale Agreement signed on and after January 1, 2012 requires the purchaser (each a “Post-2011 Purchaser”, and collectively the “Post-2011 Purchasers”) to pay to The Club an operating reserve deposit in the sum of \$14,000 (each a “\$14,000 Operating Reserve Deposit” and collectively the “\$14,000 Operating Reserve Deposits”). The \$14,000 Operating Reserve Deposits will be held in the Operating Reserve Account, with earnings on such deposits accruing for the benefit of The Club. Upon resale of a Post-2011 Purchaser’s Villa or Cottage any unused portion of the \$14,000 Operating Reserve Deposit paid by such purchaser shall be returned to purchaser.

For purposes of this Disclosure Statement, we have attached as Exhibit U a Purchase and Sale Agreement substantially in the form used on and after January 1, 2012, which form reflects the \$14,000 Operating Reserve Deposit obligation described above. Purchase and Sale Agreements signed prior to January 1, 2012 were substantially in the form attached as Exhibit P to the Disclosure Statement filed by The Cypress of Raleigh with the Department of Insurance on or around May 28, 2010, which form reflects the \$9,000 Operating Reserve Deposit obligation described above.

7. Taxes. After closing, the Unit owner will be responsible for the real estate taxes due and owing on his/her Villa or Cottage. At closing, real estate taxes will be prorated on a calendar year basis in accordance with the Purchase and Sale Agreement.

8. Purchaser’s Right to Terminate or Cancel. **In the event of Purchaser’s cancellation of the Purchase and Sale Agreement within the Cancellation Period defined below, all payments made by Purchaser prior to such cancellation shall be refunded to Purchaser in accordance with N.C.G.S. §58-64-25(a)(3). Notwithstanding the fact that N.C.G.S. §47C-4-108 provides**

**for a seven (7) day cancellation period for condominium acquisitions, the Purchase and Sale Agreement provides for a longer cancellation period as follows.** A Purchaser shall have the absolute right to cancel the Purchase and Sale Agreement at any time by delivering written notice to the seller during the thirty (30) calendar day period immediately following the later of (i) the full execution of the Purchase and Sale Agreement or the Addendum, as applicable, or (ii) the date the Disclosure Statement is delivered to Purchaser (the "Cancellation Period"). Purchaser's cancellation during the Cancellation Period is without penalty, and all payments made by the Purchaser before such cancellation shall be refunded by the seller within ten (10) days after the expiration of the Cancellation Period. The Purchase and Sale Agreement also shall be automatically terminated in the event of a purchaser's death or incapacity prior to closing. If the Purchase and Sale Agreement is terminated in such manner, all deposits will be refunded to purchaser, less the reasonable costs incurred by The Cypress, within ten (10) days after The Cypress receives the termination notice.

9. Resale of Cottage or Villa. When the owner of a Cottage or Villa wishes to sell his/her Cottage or Villa, and a bona fide offer has been received from a third party, the owner shall then offer it for sale to the Company for the same price as the highest bona fide offer received. If the Company fails to exercise its option to purchase the Cottage or Villa within thirty (30) days after receipt of the offer, the owner may sell the Villa or Cottage to the third party, subject to all covenants, restrictions, limitations, affirmative obligations and other agreements referenced and contained in the Purchase and Sale Agreement (see Exhibit U) and Membership Agreement. Upon the resale of a Cottage or Villa, the new purchaser or Designated Member (as discussed below) will pay to the Company a Membership Fee, as detailed in the Purchase and Sale Agreement.

10. Counterparts; Electronic Signatures. To facilitate execution and delivery of the Purchase and Sale Agreement, the parties may execute and exchange executed counterparts by facsimile or e-mail in a PDF file to the other party or to the other party's counsel. Electronic, facsimile or signatures in a PDF file shall have the same legal effect as original signatures.

## **THE MEMBERSHIP AGREEMENT**

Typically, when one purchases a Villa or Cottage at The Cypress of Raleigh they are buying two separate and distinct property interests. First, they are buying a real property interest in the Villa or Cottage. Second, they are buying membership in The Cypress of Raleigh Club. The interest in the real estate is transferrable, but the membership is not. In some situations, a Villa or Cottage is purchased by someone who will not be residing in the home and will not be a Member of The Club. In such an instance, the purchaser must designate the person(s) who will use the membership interest, which must be acquired at the time the Villa or Cottage is purchased (the "Designated Member"), and the Designated Member will sign a Membership Agreement (see Exhibit S). The Designated Member must: (a) meet the basic eligibility requirements for membership in The Cypress; (b) be approved by the Company; (c) execute the Membership Agreement; and (d) comply with the terms of the Membership Agreement, including, without limitation, assurances regarding the monthly payments (as described below). The Designated Member's membership in The Club will terminate when the Designated Member ceases to reside at The Cypress. Any subsequent residents of the Villa or Cottage, including the purchaser, must

acquire their own membership in The Club prior to occupying the Villa or Cottage. The Membership Fee for the membership will be assessed at the then applicable rate for future Members and must be paid to the Company prior to occupancy of the Villa or Cottage. As outlined in the Membership Agreement, only membership entitles the purchaser or Designated Member to use the Clubhouse facilities, receive specific services, and receive health care in the Health Center when the Member is no longer capable of independent living, with or without reasonable accommodation or modification. The Membership Agreement requires a monthly payment which covers the cost of the various services and features provided at The Cypress. The monthly payment also includes the monthly contribution to the Condominium Association for the purchaser's Cottage or Villa.

1. Monthly Payment. Pursuant to the terms of the Membership Agreement, the purchaser or Designated Member must begin making monthly payments upon the earlier of the date on which the purchaser or Designated Member occupies the Villa or Cottage, or the closing date specified in the Purchase and Sale Agreement. Thereafter, the monthly payment will be payable on the seventh (7th) day of each month. The monthly payment varies depending upon the type of Cottage or Villa purchased. The monthly payment includes the cost of services provided to Members by The Club, as described herein. The amount of the monthly payment for the calendar year in which the Purchase and Sale Agreement is executed will be stated in the applicable agreement. The total monthly payment, which is higher when a second person shares a Cottage or Villa, will also be stated in the applicable agreement. The monthly payment can be adjusted annually, in accordance with the consumer price index formula set forth in the Membership Agreement.

As a matter of convenience, the monthly payment also includes the condominium fee and services fee, as defined in the Membership Agreement. The condominium fee is the Member's pro rata share of the Association's common expenses (actual costs of operating, maintaining and repairing The Cypress' common elements, together with a reserve for replacements). The services fee covers the cost of the various services provided to Members of The Club. The condominium fee and the services fee are included in the monthly payment as a convenience for the Members (so Members will not have to make multiple payments).

The monthly payment for the first full year of operations (calendar year 2009) was based upon estimated costs of operations provided by an experienced continuing care operator. Thereafter, the monthly payment has been, and will continue to be, determined after each full year of operations based on the actual cost of operations and the cost of providing the services described herein. After the second full year of operations (calendar year 2010), with respect to services provided by The Club, the formula for determining the maximum increase permitted for that portion of the monthly payment has been, and will continue to be, based on the higher of: (a) 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 its monthly report entitled "The Consumer Price Index, U.S. City Average and Selected Areas," or (b) 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. This formula went into effect after the second full year of operations (calendar year 2010). The Members shall receive sixty (60) days advance notice of any monthly payment adjustment.

Each month The Club will provide an itemized billing statement which includes the first person monthly payment, the second person monthly payment, if applicable, and any additional charges not included in the monthly payment. For a list of services included in the monthly payment, see Section 7 of the Membership Agreement.

Each Member must make the monthly payment until his/her Cottage or Villa has been sold, transferred, or otherwise conveyed to a new Member, and the new Member assumes the ownership rights and obligations of membership in The Club with respect to the Cottage or Villa and the monthly payment. Provided, however, the Company shall pay only the condominium fee portion of the monthly payment for Cottages or Villas owned by the Company.

2. Additional Charges. A Member may, for an additional charge, request optional services which are not included in the monthly payment. The optional services may include, but will not be limited to, additional meals not covered by the Member's monthly meal points, additional housekeeping, beauty parlor, barbershop, home health, and assistance-in-living services in the Member's Cottage or Villa. Additional charges may also be assessed for special health services and supplies. The special services may include, but will not be limited to, therapies, pharmacy, special duty nurses, and medical treatment by an attending physician or the Medical Director. The additional charges for optional services will be payable on the seventh (7th) day of the month following the month in which the optional services were obtained. For a list of services for which there is an additional charge, see Sections 8 and 9 of the Membership Agreement and the table attached hereto as Exhibit X.

3. Adding a Member After Initial Occupancy; Occupancy Limited to Two Members. After initial occupancy of a Cottage or Villa by a Member, circumstances can arise in which the Member wants an additional person to have a right to occupy the Cottage or Villa. For example, the Member may get married and the couple may wish to make the Cottage or Villa their home, or the Member may wish to have a close family member move into the Cottage or Villa with him or her. Unless such additional person already is a Member, he or she may not occupy a Cottage or Villa without the express written approval of The Club. The additional person must go through The Cypress' admission procedures, and the acceptance of any such additional person will be in accordance with the current policies governing all other admissions. If the additional person is accepted for admission, he or she shall sign a Membership Agreement and pay a Membership Fee to the Company based on the fair market value of the Cottage or Villa, as determined by an appraiser. The approved additional person shall also pay a second person monthly fee. If the additional person does not meet The Cypress' requirements for residency, he or she will not be permitted to occupy the Cottage or Villa for more than thirty (30) days (except with the express written approval of The Club), or the Membership Agreement may be terminated. Each Cottage or Villa shall be occupied by no more than two (2) individuals, each of whom must be a Member.

4. Marriage between Existing Members. In certain instances, two existing Members who each own a Unit may wish to marry and live in one Unit (the "Occupied Unit") and to sell the other Unit (the "Vacated Unit"). In that event neither Member would be required to pay an additional Membership Fee to the Company. However, until the Vacated Unit has been sold, the owner of the Vacated Unit would continue to be charged the Monthly Fee applicable to that Unit.

For so long as the Member who owns the Vacated Unit is paying these Monthly Fees, he or she would not be required to pay a second person fee for the Occupied Unit. In the event that the married couple wishes to retain ownership of both of their Units, each Member would continue to be charged the Monthly Fee applicable to his or her Unit. Because both Members would have been admitted to The Cypress previously under separate Membership Agreements, each of their Membership Agreements would remain in effect separately.

5. Financial Hardship. It is intended that The Club will operate as a non-profit organization which will seek to avoid terminating a Membership Agreement solely because a Member is financially unable to pay the monthly payment and other charges. The Member will be permitted to remain at The Cypress at a reduced monthly payment based on the Member's ability to pay for a period of ninety (90) days after default in payment. The ninety (90) day period may be extended if: (a) The Club determines that the deferral of payment can be granted without impairing the ability of The Club to operate on a sound financial basis, (b) the Member can justify the deferral of the charges, and (c) the Member has the ability to secure repayment of the deferred charges. If charges are deferred, the Member will sign a promissory note for the amount deferred, which note will be secured by a deed of trust on the Cottage or Villa. Notwithstanding the foregoing, if a Member's ability to meet his or her financial obligations is impaired as a result of the Member making unapproved gifts or transfers, The Company may terminate the Member's Membership Agreement.

6. Member's Termination Rights. In accordance with Section 11 of the Membership Agreement, a Member may terminate the Membership Agreement at any time for any reason by giving the Company thirty (30) days prior written notice thereof. In such event, the Member's obligations under the Membership Agreement shall continue until the Cottage or Villa is transferred, sold or otherwise occupied by a successor Member, and the new Member assumes the obligation of the monthly payment. Transfer under the last will and testament of a deceased Member, other than to his/her estate, is a conveyance upon which a new Membership Fee must be paid if the devisee or beneficiary elects to become a Member of The Club. In the event of death, the estate of the Member will remain liable for all Membership obligations provided under the Membership Agreement until the deceased Member's Cottage or Villa is transferred, sold or otherwise occupied by a successor Member, and the new Member assumes the obligations of membership. If the Member is not also the owner of the Cottage or Villa, the owner of the Cottage or Villa and the deceased Member's estate shall be jointly and severally responsible for obligations under the Membership Agreement.

In addition, pursuant to Section 18 of the Membership Agreement, the Membership Agreement may be rescinded by the Member within thirty (30) days following the later of the execution of the Membership 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/her Unit prior to the expiration of the thirty (30) day period. If a Member dies before closing on the purchase of a Unit or is unable to occupy a Unit due to illness, injury, or incapacity that renders him/her ineligible for Membership, then the Membership Agreement will automatically be terminated and all deposits returned to the Member or his/her estate. If there is more than one purchaser of the Unit, the Membership Agreement will continue to be binding on the surviving or eligible purchaser. The Membership Agreement will also be automatically terminated if a Member

sells his/her Unit and does not reside in the Unit or the Health Care facility. If the Membership Agreement is rescinded or canceled pursuant to Section 18, the Member or his/her legal representative shall receive a refund of all money or property transferred to the Company, less (i) non-standard 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 non-refundable fees or costs specified and described herein; and (iii) a reasonable service charge not to exceed the greater of one thousand dollars (\$1,000.00) or two percent (2%) of the Membership Fee.

7. The Company's Termination Rights. The Company may terminate a Membership Agreement only for the reasons set forth in Section 12 of the Membership Agreement. The Company shall not terminate the Membership Agreement without just cause. Just cause shall exist if: (a) the Member fails to pay any charges due under the Membership Agreement, (b) the Member creates a disturbance within The Cypress which is detrimental to the health, safety, comfort, or peaceful lodging of the Members, (c) the Health Center cannot, within the limits of its license, provide the health care services which the Member requires, or (d) the Member refuses medical treatment which is medically required. Before terminating the Membership Agreement, The Club will give the Member written notice of the reasons for termination, and the Member will have thirty (30) days after the notice to correct the problem. If the problem is corrected within the thirty (30) day period, the Membership Agreement shall remain in effect. If the problem is not corrected within the thirty (30) day period, the Membership Agreement will be terminated, and the Member must leave The Cypress. However, if it is determined that the thirty (30) day waiting period is detrimental to the Member, other Members, or the staff of The Cypress, this waiting period will be waived.

8. Electronic Signatures. To facilitate execution and delivery of the Membership Agreement, the parties may execute and exchange executed counterparts by facsimile or e-mail in a PDF file to the other party or to the other party's counsel. Electronic, facsimile or signatures in a PDF file shall have the same legal effect as original signatures.

## **RESALE LISTING PROCESS**

As described elsewhere in this Disclosure Statement, each resale of a Unit at The Cypress of Raleigh involves both the corresponding purchase of a fee interest in real estate and the purchase of a membership in The Club. Membership in The Club is not incidental to the ownership of a home; however, the occupancy of a home and access to and use of the common elements and services provided by The Club are restricted to a qualified Member or Designated Member, as the case may be. And, as elsewhere described in this Disclosure Agreement, membership in The Club is subject to the age, financial and medical qualifications set forth herein and more fully described in the Membership Agreement. Due to the complex and dual nature of each resale, The Company expends ongoing and considerable resources in marketing the Community (as shown in The Company's audited financial statements attached hereto as Exhibit L), including hiring consultants, purchasing third party professional reports, collecting and reviewing data analytics specific to senior citizens, and maintaining Priority Reservation Agreements with individuals who have expressed an interest in the Community and have delivered refundable deposits so that they may be advised of Community resales when they occur. As well, employees of The Company are well-versed in both the sale of real estate and the qualifications of membership in The Club



(including a HIPPA certification to protect the confidential information required to be delivered for consideration of admission as a Member). As part and parcel of this effort, The Company offers its services to owners at the time of a resale at a commission rate considered to be at or below a market rate for the sale of real estate and with no additional consideration for assisting with the membership admission process. Owners are not required to engage The Company for resales, nor is admission of membership contingent on the use of the Company for the resale of a home. However, in such cases where an owner elects to sell a home without engaging The Company, The Cypress may impose reasonable restrictions on access to the home and common elements for purposes of ensuring the safety and well-being of The Cypress residents. The Company also may charge the owner a \$1,000 administrative fee per prospective member, payable to the Company in advance, to reimburse The Company for the time and expense of assisting with the membership admission process. This administrative fee shall be non-refundable, whether or not such prospective member is admitted for membership at The Cypress and/or closes on the sale of a Unit. In such instances, an owner and its agent(s) should engage legal counsel experienced in transactions of this nature, and they shall be responsible for all elements of disclosure required by the CCRC Act and the Condominium Act. The owner and its agent(s) shall be required to execute an indemnification agreement in favor of The Company, The Club and The HOA covering any liability arising out of the failure to comply with the CCRC Act, the Condominium Act and the requirements set forth in this Disclosure Statement.

### **LEASE**

The Company may lease any Cottage or Villa which it owns on a short or long-term basis. The owner of a Cottage or Villa may lease his/her Cottage or Villa only to a family member; and no timesharing or interval ownership will be permitted. Anyone who leases a Cottage or Villa must meet the residency requirements set forth in The Cypress' Membership Agreement, including payment of a new Membership Fee. In addition, the authorized tenant must sign a Cypress Membership Agreement and a guaranty agreement which evidences the joint responsibility of the owner and the tenant for the monthly payment. The tenant will be entitled to all rights and privileges with respect to use of the Cottage or Villa, except voting rights, which will remain with the owner of the Cottage or Villa. The Association shall have the right to terminate the lease and evict the tenant in the event of a default.

# **IV. REGULATORY MATTERS**

## **CONTINUING CARE RETIREMENT COMMUNITY LICENSURE**

Continuing care retirement communities in the State of North Carolina are governed by the CCRC Act (North Carolina General Statutes Chapter 58, Article 64), which empowers the Commissioner of the Department of Insurance to regulate the Registration, Disclosure Contract and Financial Monitoring Requirements for continuing care facilities.

With respect to the Villas and Cottages in Phases I, II and III, The Cypress has obtained the following permits and approvals: (i) a Start-Up certificate which enabled it to enter into binding Reservation Agreements; (ii) a Preliminary Certificate which permitted construction of the condominium; and (iii) a Permanent License for continuous operation.

In accordance with the CCRC Act, The Cypress will deliver a Disclosure Statement to each prospective Member upon the earlier of the execution of a Membership Agreement, or the transfer of any money to The Cypress. Further in accordance with the CCRC Act, The Cypress will file with the Department of Insurance, within one hundred fifty (150) days after the end of each fiscal year, a revised annual Disclosure Statement which will include updated financial information.

## **CONDOMINIUM ACT**

The Cypress, as a condominium community, is subject to the North Carolina Condominium Act (North Carolina General Statutes Chapter 47C) (the "Act"). Pursuant to the Act, the Association conducts the business and affairs of the condominium created by the Declaration which is recorded in the Office of the Register of Deeds for Wake County. The Declaration is the document by which the condominium aspects of The Cypress are governed and subjected to the provisions of the Act. The business and affairs of the condominium will be conducted by The Cypress of Raleigh Owners' Association. Issues pertinent to the Association are included in the recorded Declaration, a copy of which will be provided to each prospective purchaser.

## **CONTROLLING LAW**

As stated above, the purchase, sale and ownership of a Unit at The Cypress and membership in The Club are subject to the provisions of the CCRC Act and the North Carolina Condominium Act. North Carolina also has a law prohibiting transfer fees (North Carolina General Statutes Chapter 39A). In the event of a conflict among these laws, a Member, by signing the Membership Agreement, evidences the Member's acknowledgement and agreement that the CCRC Act shall control, including specifically North Carolina General Statutes § 58-64-85(b) which provides:

(b) Facilities and providers licensed under this Article that also are subject to the provisions of the North Carolina Condominium Act under Chapter 47C of the General Statutes shall not be subject to the provisions of Chapter

39A of the General Statutes, provided that the facility's declaration of condominium does not require the payment of any fee or charge not otherwise provided for in a resident's contract for continuing care, or other separate contract for the provisions of membership or services.

### **HEALTH CENTER LICENSURE**

The Club holds a license from the North Carolina Department of Health and Human Services, Division of Facility Services, for fifty-seven (57) skilled nursing beds and four (4) adult care home beds. On May 14, 2025, The Club received a Certificate of Need to add up to four (4) additional skilled nursing beds and four (4) additional adult care home beds.

### **MEDICARE AND MEDICAID**

Certain beds in The Cypress' Health Center are certified by the federal government, and the facility is able to receive reimbursement from Medicare. It should be noted that the determination of a Member's Medicare eligibility is subject to Federal regulation; and, therefore, not all Health Center stays will be eligible for Medicare reimbursement.

The Cypress has chosen not to participate in the Medicaid program. In accordance with Paragraph 12(b) of the Membership Agreement (see Exhibit S), it will be The Cypress' policy to not terminate residency of a Member solely by reason of his/her inability to pay the monthly payment or other Health Center charges.

### **ESCROW ACCOUNT**

Upon a prospective Member signing a Purchase and Sale Agreement, all earnest money deposits will be placed in the Company's special escrow account with First Citizens Bank, 4300 Six Forks Road, FCC-16, Raleigh, North Carolina 27609. Upon proper notification to the Department of Insurance, the Company may open one or more earnest money deposit accounts at other financial institution in accordance with the requirements of the CCRC Act.

### **RESERVE ACCOUNTS**

A Replacement Reserve Account will be funded by non-refundable payments made by each Member at the closing on his/her Cottage or Villa (each a "Reserve Payment"). The Reserve Payment will be equal to two (2) months of the Member's pro rata share of Association common expenses. The Replacement Reserve Account is a restricted working capital account, and any interest earned on funds held in the Replacement Reserve Account shall be included in The Cypress working capital fund. As of March 31, 2025, the balance of the Replacement Reserve Account was \$9,102,727.45.

Pursuant to the CCRC Act, The Cypress is required to maintain operating reserves in restricted accounts equal to twenty-five percent (25%) of the total operating costs forecasted for the twelve (12) month period following the period covered by its most recent Disclosure Statement

filed with the Department of Insurance (the “Minimum Operating Reserve Balance”). Accordingly, The Club requires each purchaser to deposit an Operating Reserve Deposit when they purchase a Unit at The Cypress of Raleigh. Each purchaser who signed a Purchase Agreement prior to January 1, 2012 has deposited a \$9,000 Operating Reserve fund deposit which, if unused, may be refunded, with interest, upon the resale of the Unit. Each purchaser who signed a Purchase Agreement on or after January 1, 2012 has deposited a \$14,000 Operating Reserve fund deposit, which, if unused, may be refunded, without interest, upon the resale of the Unit. The State of North Carolina must give approval for the release of operating reserve funds. As of March 31, 2025, the current Operating Reserve Fund was \$5,668,242. All reserve funds will be invested in accordance with the requirements of the CCRC Act, with investment decisions made by Michael G. Sandman, Craig C. Huggins and/or Mark T. Andrews.

Currently, the funds in the Replacement Reserve Account and the Operating Reserve Fund are professionally managed by First Citizens Bank.

To ensure that the Minimum Operating Reserve Balance is maintained, such sums are and will be reserved and restricted from the Replacement Reserve Account as may be necessary from time to time to cause such restricted funds, when added to the funds on deposit in the Operating Reserve Account, to meet the Minimum Operating Reserve Balance. The beneficial ownership of the Replacement Reserve Account and the Operating Reserve Account are aligned and under the common management of The Club, and the reservation and restriction of funds from the Replacement Reserve Account as described herein is consistent with its purpose, which is to protect and benefit the property and assets of The Cypress of Raleigh.

## **TAX DEDUCTION**

Members of The Cypress may be allowed a tax benefit. A percentage of the monthly payment may be taken as a medical expense deduction each year. In February of each year, The Club will provide Members with the percentage of the prior year's monthly payment that has been determined to be attributable to the operations of the Health Center. This medical deduction is, of course, subject to limitations imposed by the Internal Revenue Code. It is advisable that the Members seek the advice of tax counsel before taking this deduction. The percentage of the monthly payment that was permitted to be taken as a medical expense deduction for 2024 was 37.55%.

# **V. FINANCIAL**

## **FINANCIAL**

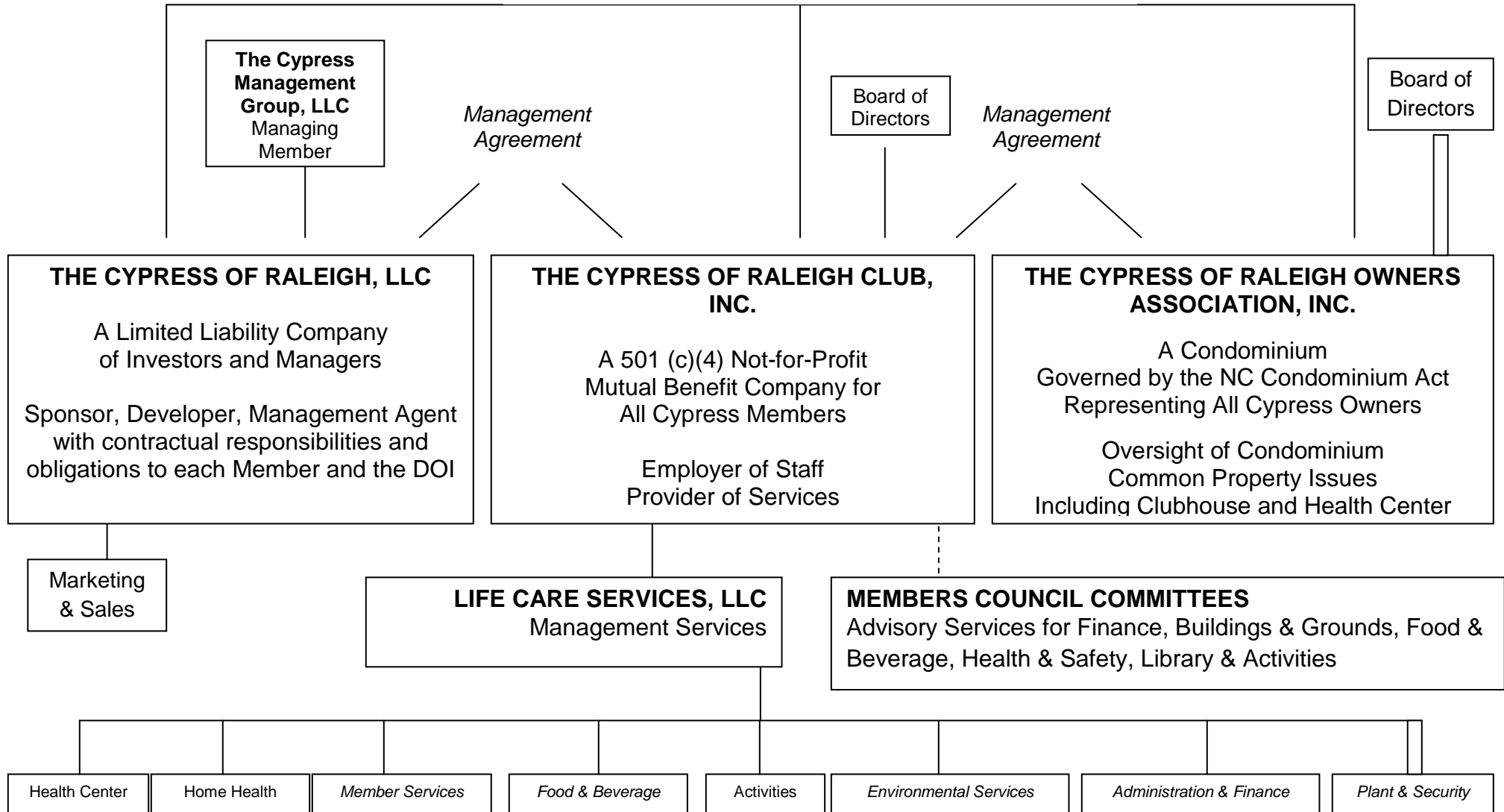
See the financial statements (with narrative assumptions and explanations) for the Company and The Club attached hereto as Exhibit B through Exhibit N.

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**EXHIBIT A**  
**ORGANIZATION CHART**

**{ATTACHED}**

**THE CYPRESS OF RALEIGH**  
A Continuing Care Retirement Community  
*Entities Comprising The Cypress of Raleigh*



**EXHIBIT B**

**THE CYPRESS OF RALEIGH CLUB, INC.  
FINANCIAL REPORT (DECEMBER 31, 2024 and 2023)**

**{ATTACHED}**



**THE CYPRESS OF RALEIGH CLUB, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

## **C O N T E N T S**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
The Cypress of Raleigh Club, Inc.  
Raleigh, North Carolina

### **Opinion**

We have audited the accompanying financial statements of The Cypress of Raleigh Club, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Cypress of Raleigh Club, Inc. as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Cypress of Raleigh Club, Inc. 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 Cypress of Raleigh Club, Inc.'s ability to continue as a going concern within 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

*Dreher Martin CPAs, P.A.*

Raleigh, North Carolina  
March 25, 2025

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2024 AND 2023**

<b>ASSETS</b>			
		<b>2024</b>	<b>2023</b>
Current Assets			
Cash and Cash Equivalents	\$	1,277,039	\$ 721,736
Cash and Cash Equivalents - limited as to use		1,340,333	3,198,708
Accounts Receivable		972,169	886,595
Inventory		126,542	117,357
Prepaid Expenses		159,827	159,118
Total Current Assets		<u>3,875,910</u>	<u>5,083,514</u>
Assets Limited as to Use			
Restricted Reserves Required by State Statute, cash equivalents		218,139	217,025
Restricted Reserves Required by State Statute, investments		5,427,353	4,949,825
Asset Replacement Reserve, investments		7,048,578	4,478,999
Total Assets Limited as to Use		<u>12,694,069</u>	<u>9,645,849</u>
Property and Equipment, Net		<u>1,645,009</u>	<u>1,443,931</u>
Other Assets			
Due (to) from Affiliates		(7,940,232)	(6,787,067)
Refundable Deposits		62,327	62,327
Right-of-use Assets - Operating Leases		11,778	73,182
Total Other Assets		<u>(7,866,128)</u>	<u>(6,651,558)</u>
Total Assets	\$	<u><u>10,348,860</u></u>	<u><u>\$ 9,521,736</u></u>
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities			
Accounts Payable	\$	735,165	\$ 633,928
Accrued Expenses		1,221,942	1,090,994
Due to Members		27,265	31,498
Current Portion of Notes Payable		14,663	27,785
Current Portion of Operating Lease Liability		11,778	61,404
Current Portion of Finance Lease Liability		152,653	60,987
Total Current Liabilities		<u>2,163,466</u>	<u>1,906,596</u>
Long-term Debt			
Notes Payable, Net of Current Portion		16,441	31,056
Operating Lease Liability Net of Current Portion		-	11,778
Finance Lease Liability Net of Current Portion		329,290	108,847
Total Long-term Liabilities		<u>345,731</u>	<u>151,681</u>
Total Liabilities		<u>2,509,197</u>	<u>2,058,277</u>
Net Assets, Without donor restrictions		<u>(4,730,248)</u>	<u>(4,316,248)</u>
Net Assets, Without donor restrictions - Designated for asset replacement		<u>8,388,911</u>	<u>7,677,707</u>
Net Assets, With donor restrictions		<u>4,181,000</u>	<u>4,102,000</u>
Total Liabilities and Net Assets	\$	<u><u>10,348,860</u></u>	<u><u>\$ 9,521,736</u></u>

**See Accompanying Notes and Independent Auditors' Report**

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

<b>Net Assets Without Donor Restrictions:</b>	<b>2024</b>	<b>2023</b>
<b>OPERATING REVENUES, GAINS AND OTHER SUPPORT</b>		
Member fees and Assessments	\$ 13,228,810	\$ 12,496,084
Health Center	6,809,530	5,733,629
Home Health	2,611,767	2,496,091
Miscellaneous	2,689	871
Net assets released from restriction	-	14,699
Total Operating Revenues, Gains and Other Support	<u>22,652,796</u>	<u>20,741,374</u>
 <b>OPERATING EXPENSES</b>		
Program Services		
Housekeeping	2,081,884	1,992,957
Food and Beverage	5,290,597	5,023,005
Health Center	5,679,771	5,841,451
Community Home Health	2,715,582	2,469,485
Resident Services	831,146	929,713
Plant	485,203	472,011
	<u>17,084,183</u>	<u>16,728,622</u>
Supporting Services		
General and Administrative	3,808,769	3,630,292
Management Fees	741,926	681,467
	<u>4,550,695</u>	<u>4,311,759</u>
Total Operating Expenses	<u>21,634,878</u>	<u>21,040,381</u>
Excess of Operating Revenues Over (Under) Expenses	1,017,918	(299,007)
 <b>OTHER CHANGES</b>		
Contributions	-	4,090,861
Net Investment Income (Loss)	1,071,889	1,531,070
Other Expenses	(575,303)	(504,651)
Interest Expense	(42,499)	(28,927)
Gain/Loss on Sale of Assets	(30,192)	(39,272)
Change in net assets without donor restrictions	<u>1,441,813</u>	<u>4,750,074</u>
 <b>Net Assets With Donor Restrictions:</b>		
Reserves Required by State Statute Deposited	79,000	90,000
Contributions	-	14,699
Net assets released from restriction	-	(14,699)
Change in net assets with donor restrictions	<u>79,000</u>	<u>90,000</u>
 <b>Change in Net Assets</b>	<u><u>\$ 1,520,813</u></u>	<u><u>\$ 4,840,074</u></u>

**See Accompanying Notes and Independent Auditors' Report**

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<b>Total Net Assets</b>
<b>Net Assets Without Donor Restrictions</b>	
Net Assets Without Donor Restrictions, January 1, 2023	\$ (4,796,316)
Asset purchases transferred to Owners' Association	(703,191)
Change in net assets	<u>1,183,259</u>
Net Assets Without Donor Restrictions, December 31, 2023	\$ (4,316,248)
Asset purchases transferred to Owners' Association	(1,261,766)
Change in net assets	<u>847,766</u>
Net Assets Without Donor Restrictions, December 31, 2024	<u>\$ (4,730,248)</u>
 <b>Net Assets Without Donor Restrictions -Designated</b>	
Net Assets Without Donor Restrictions - Designated -January 1, 2023	\$ 4,004,369
Developer contribution transferred to Association	-
Amounts transferred to Association for reserves	106,523
Change in net assets without donor restriction - designated	<u>3,566,815</u>
Net Assets Without Donor Restrictions - Designated -December 31, 2023	\$ 7,677,707
Amounts transferred to Association for reserves	117,157
Change in net assets without donor restriction - designated	<u>594,047</u>
Net Assets Without Donor Restrictions - Designated -December 31, 2024	<u>\$ 8,388,911</u>
 <b>Net Assets With Donor Restrictions</b>	
Net Assets With Donor Restrictions -January 1, 2023	\$ 4,012,000
Change in net assets with donor restrictions	<u>90,000</u>
Net Assets With Donor Restrictions -December 31, 2023	\$ 4,102,000
Change in net assets with donor restrictions	<u>79,000</u>
Net Assets With Donor Restrictions -December 31, 2024	<u>\$ 4,181,000</u>
Net Assets	<u><u>\$ 7,839,663</u></u>

**See Accompanying Notes and Independent Auditors' Report**

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>Housekeeping</u>	<u>Food &amp; Beverage</u>	<u>Health Center</u>	<u>Community Home Health</u>	<u>Resident Services</u>	<u>Plant</u>	<u>Total Program Service</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and Wages	\$ 1,396,537	\$ 2,715,354	\$ 3,820,132	\$ 2,125,873	\$ 450,994	\$ 209,187	\$10,718,077	\$ 592,520	\$ 11,310,597
Pension Expense	13,989	17,052	41,500	25,943	6,849	15,635	120,968	13,937	134,905
Other Employee Benefits	360,149	462,779	503,996	344,056	74,811	20,110	1,765,901	156,739	1,922,640
Payroll Taxes	110,183	216,808	296,672	169,541	33,591	16,730	843,525	45,828	889,353
Accounting and Legal	-	-	-	-	-	-	-	69,474	69,474
Travel	-	1,828	4,673	595	1,329	-	8,425	8,085	16,510
Worker's Comp Insurance	14,009	29,995	37,829	21,699	3,109	2,095	108,736	817	109,553
Food Expense	-	1,599,190	-	-	-	-	1,599,190	-	1,599,190
Rent	-	18,576	6,433	-	2,251	42,609	69,869	747	70,616
Supplies	100,687	192,507	50,813	3,109	3,631	5,606	356,353	50,967	407,320
Licenses and Fees	2,570	13,736	7,551	9,402	9,774	2,137	45,170	6,932	52,102
Repairs and Maintenance	61,878	9,708	2,436	-	1,358	50,677	126,057	16,009	142,066
Vehicle Expense	-	-	-	-	-	62,236	62,236	-	62,236
Utilities	-	-	-	-	-	57,053	57,053	-	57,053
Activity Expenses	-	-	19,368	-	76,535	-	95,903	-	95,903
Other Employee Expense	21,053	8,625	14,718	235	14,100	1,128	59,859	35,877	95,736
Medical Supplies	-	-	197,572	1,455	-	-	199,027	-	199,027
Other Medical Expenses	-	-	553,093	-	-	-	553,093	-	553,093
Training	829	1,810	6,350	432	41	-	9,462	4,523	13,985
Professional Dues	-	2,629	293	3,042	-	-	5,964	14,680	20,644
IT Expense	-	-	-	-	-	-	-	224,194	224,194
Telephone	-	-	-	10,200	-	-	10,200	56,141	66,341
Other Expense	-	-	-	-	-	-	-	13,724	13,724
Printing and Postage	-	-	-	-	-	-	-	5,728	5,728
Management Fee	-	-	-	-	-	-	-	741,926	741,926
Insurance	-	-	-	-	-	-	-	118,747	118,747
Other Fees	-	-	116,342	-	152,773	-	269,115	331,986	601,101
Depreciation and Amortization	-	-	-	-	-	-	-	346,860	346,860
Overhead Fee	-	-	-	-	-	-	-	1,694,254	1,694,254
<b>TOTAL</b>	<u><u>\$ 2,081,884</u></u>	<u><u>\$ 5,290,597</u></u>	<u><u>\$ 5,679,771</u></u>	<u><u>\$ 2,715,582</u></u>	<u><u>\$ 831,146</u></u>	<u><u>\$ 485,203</u></u>	<u><u>\$17,084,183</u></u>	<u><u>\$ 4,550,695</u></u>	<u><u>\$ 21,634,878</u></u>

See Accompanying Notes and Independent Auditors' Report



**THE CYPRESS OF RALEIGH CLUB, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Housekeeping	Food & Beverage	Health Center	Community Home Health	Resident Services	Plant	Total Program Service	General and Administrative	Total
Salaries and Wages	\$ 1,364,274	\$ 2,601,754	\$ 4,011,583	\$ 1,969,922	\$ 531,356	\$ 194,178	\$10,673,067	\$ 581,933	\$ 11,255,000
Pension Expense	15,004	13,234	28,273	21,090	8,430	1,969	88,000	13,348	101,348
Other Employee Benefits	345,579	386,898	509,473	267,992	78,254	28,181	1,616,377	140,152	1,756,529
Payroll Taxes	105,563	203,516	298,063	157,462	39,117	15,209	818,930	44,084	863,014
Accounting and Legal	-	-	-	-	-	-	-	71,173	71,173
Travel	575	920	6,228	-	2,719	45	10,487	11,510	21,997
Worker's Comp Insurance	14,653	28,691	39,244	25,125	4,907	2,068	114,688	1,091	115,779
Food Expense	-	1,526,295	-	-	-	-	1,526,295	-	1,526,295
Rent	-	36,913	10,951	-	4,900	54,696	107,460	747	108,207
Supplies	85,870	194,583	30,525	650	4,556	7,045	323,229	59,133	382,362
Licenses and Fees	-	11,117	11,874	8,951	4,764	2,121	38,827	7,280	46,107
Repairs and Maintenance	47,342	4,822	1,682	-	2,635	48,690	105,171	15,772	120,943
Vehicle Expense	-	-	-	-	-	63,258	63,258	-	63,258
Utilities	-	-	-	-	-	53,320	53,320	-	53,320
Activity Expenses	-	-	16,065	-	103,916	-	119,981	-	119,981
Other Employee Expense	12,564	9,897	6,188	(50)	13,450	409	42,458	78,877	121,335
Medical Supplies	-	-	170,395	1,854	-	-	172,249	-	172,249
Other Medical Expenses	-	-	574,389	-	-	-	574,389	-	574,389
Training	1,533	1,609	4,635	3,364	4,539	822	16,502	17,689	34,191
Professional Dues	-	2,756	4,788	2,925	-	-	10,469	10,234	20,703
IT Expense	-	-	-	-	-	-	-	176,019	176,019
Telephone	-	-	-	10,200	-	-	10,200	52,936	63,136
Other Expense	-	-	-	-	-	-	-	11,583	11,583
Printing and Postage	-	-	-	-	-	-	-	10,855	10,855
Management Fee	-	-	-	-	-	-	-	681,467	681,467
Insurance	-	-	-	-	-	-	-	110,012	110,012
Other Fees	-	-	117,095	-	126,170	-	243,265	266,967	510,232
Depreciation and Amortization	-	-	-	-	-	-	-	301,588	301,588
Overhead Fee	-	-	-	-	-	-	-	1,647,309	1,647,309
<b>TOTAL</b>	<b>\$ 1,992,957</b>	<b>\$ 5,023,005</b>	<b>\$ 5,841,451</b>	<b>\$ 2,469,485</b>	<b>\$ 929,713</b>	<b>\$ 472,011</b>	<b>\$16,728,622</b>	<b>\$ 4,311,759</b>	<b>\$ 21,040,381</b>

See Accompanying Notes and Independent Auditors' Report

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net change in net assets	\$ 1,520,813	\$ 4,840,074
Adjustments to Reconcile Increase (Decrease) in Net Assets		
To Cash Provided by Operating Activities		
Depreciation	252,920	254,483
Gain/Loss on sale of assets	30,192	39,272
Realized and Unrealized Gains/Losses	(704,990)	(867,342)
Amortization of right-of-use financing lease asset	93,940	47,105
Changes in working capital components:		
(Increase)decrease in:		
Accounts and Other Receivables	(85,574)	(106,277)
Inventory	(9,185)	14,789
Prepaid Expenses	(709)	114,474
Due from affiliate	1,153,165	1,076,807
Increase (decrease)		
Accounts payable	101,237	(238,214)
Accrued Expenses	130,948	137,139
Due to Members	(4,233)	15,712
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>2,478,525</u>	<u>5,328,022</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of Investments	(4,159,476)	(9,453,514)
Proceeds from Sales of Investments	1,817,154	9,198,234
Proceeds from Sales of Property and Equipment	-	55,000
Purchase of Property and Equipment	(1,433,856)	(987,995)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(3,776,178)</u>	<u>(1,188,275)</u>
<b>FINANCING ACTIVITIES</b>		
Transfers (to) from Owners' Association	117,157	106,523
Proceeds on Line of Credit	-	165,000
Payments on Line of Credit	-	(560,000)
Payments on notes payable	(27,736)	(28,032)
Payments on Finance Lease Payable	(93,726)	(47,543)
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<u>(4,305)</u>	<u>(364,052)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>	(1,301,958)	3,775,695
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR</b>	<u>4,137,469</u>	<u>361,774</u>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR</b>	<u><u>\$ 2,835,511</u></u>	<u><u>\$ 4,137,469</u></u>
<b>CASH CONSISTS OF:</b>		
Cash and cash equivalents	\$ 1,277,039	\$ 721,736
Cash and cash equivalents - without donor restrictions, designated	1,340,333	3,198,708
Restricted cash included in assets limited to use	218,139	217,025
	<u><u>\$ 2,835,511</u></u>	<u><u>\$ 4,137,469</u></u>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Schedule of Noncash Investing and Financing Transactions		
Finance lease obligations for the use of equipment	<u>\$ 406,034</u>	<u>\$ 155,601</u>
Transfer of property and equipment to Association	<u>\$ 1,261,766</u>	<u>\$ 703,191</u>
Cash paid for interest	<u>\$ 42,499</u>	<u>\$ 28,927</u>

See Accompanying Notes and Independent Auditors' Report

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

The Cypress of Raleigh Club, Inc. ("Club") was organized as a not-for-profit corporation under the laws of the State of North Carolina to manage the operations and membership services provided to owners of units in The Cypress of Raleigh ("Cypress" or "community"), a condominium continuing care retirement community organized under the North Carolina General Statutes.

**Affiliates**

The Cypress of Raleigh Owners' Association, Inc. ("Association") was created in accordance with the North Carolina Condominium Act to comply with North Carolina law regarding the ownership of commonly owned property of The Cypress. The Association serves as the governing body for all issues related to the real estate aspects of the units and the common areas of The Cypress. The Association has delegated to the Club all of the Association's responsibilities with respect to investment management and the maintenance of the common areas of The Cypress, including the clubhouse and health center.

The Cypress of Raleigh, LLC (the "Company") is the entity that originally planned, designed and built The Cypress. Phase I of The Cypress opened in Fall 2008 and included a Clubhouse, Health Center, 34 cottages with garages and 168 single-story villas in 3 mid-rise buildings. In 2010, Phase II of the development was completed, and the community added three cottages bringing the total number of cottages to 37 and the total number of units to 205. In September 2018, the Company completed construction on the first Villa building of Phase III (the "Villa D Building"), which contains fifty-seven units ("Villa D") and was ready for occupancy in 2018. The final building, Villa E, was constructed and completed in late 2020. The 57 units in Villa E have been sold and the community now has a total of 319 homes. There is currently no future development planned. The Club and Association engage in various transactions with the Company, which is an affiliated entity.

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

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, other liabilities and prepaid expenses.

**Contributions and Net Assets**

Funds received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of the funding restrictions. When a restriction expires (that is, when a stipulated time restriction ends or when the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

All restrictions on long-lived assets are released from restriction when the asset is placed in service, unless there are explicit donor restrictions indicating otherwise.

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

The Club follows the recommendations of the Financial Accounting Standards Board in its FASB ASC 958, “Not-for-Profit Entities.” Under FASB ASC 958, the Club is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Accordingly, net assets of the Club and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations.

**Net Assets With Donor Restrictions** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Club and/or the passage of time or net assets subject to donor imposed stipulations that must be maintained in perpetuity by the Club.

**Cash and Cash Equivalents and Restricted Cash**

For purposes of the statement of cash flows, the Club considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Restricted cash consists of funds that have donor or contractual restrictions for long-term purposes. The cash restricted, either by donor or contractually, is reflected in net assets with donor restrictions.

**Investments**

Investments consist of mutual fund investments, exchange traded funds and bonds. Consistent with FASB ASC 958-320, FASB 820-10 and FASB ASC 825-10, these investments are stated at fair value based on market quotes from identical investments or similar instruments in active markets.

**Accounts Receivable**

The Club records accounts receivable at total unpaid balance, which approximates fair value as of December 31, 2024 and 2023. The Club determines past-due status of individual accounts receivable based on terms of the original contract (or based on how recently payments have been made, for example). The Club estimates an allowance for doubtful accounts 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 accounts receivable. Delinquent accounts are written off when deemed uncollectible. The Club’s management considers all accounts currently collectible and does not establish an allowance for uncollectible accounts at this time.

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**Assets Limited as to Use**

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

North Carolina General Statute Chapter 58, Article 64, requires continuing care retirement communities to maintain an operating reserve equal to a statutorily required percentage of total forecasted operating costs (less certain expenses) for a specific period. This operating reserve is not Board-controlled and cannot be used without the prior approval of the commissioner of the North Carolina Department of Insurance pursuant to GS § 58-64-33(c). At December 31, 2024 and 2023, this reserve totaled \$5,645,492 and \$5,166,850, respectively.

**Inventory**

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

**Prepaid Expenses**

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

**Property and Equipment**

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 seven to thirty-nine years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. The Club's policy is to capitalize property and equipment over \$1,000. Expenditures for maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense as incurred. Club equipment is capitalized at cost.

**Leases**

The Club determines if an arrangement is a lease at inception. All leases are recorded on the statement of financial position except for leases with an initial term less than 12 months for which the Club made the short-term lease election.

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

Operating lease right-of-use assets (ROU) and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. Finance lease ROU assets are included in Property and equipment, net, and the related liabilities are included in lease liabilities in the statements of financial position. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the Club's risk free rate. Operating lease cost is recognized on a straight-line basis over the lease term as rent expense and printing and postage expense on the statement of functional expenses. Lease and non-lease components of lease agreements are accounted for separately. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

**Revenue Recognition**

Member fees represent amounts charged to residents under the terms of the Membership Agreement. Services are provided to members on an ongoing basis throughout the year and as a result revenue is recognized monthly at the time of billing.

Health Center and home health revenue is reported at the estimated net realizable amounts from residents, third-party payers and others for room and board and services/supplies received. Revenue is recognized monthly at the time of billing.

Revenues under third-party payer agreements are subject to audit and retroactive adjustment. Provisions for estimated third-party payer 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.

Contribution revenue includes conditional and unconditional contributions from FEMA reimbursement of healthcare expenses and Employee Retention Credit (ERC) refunds. Revenue from conditional contributions is recognized in the period the conditions are met. Amounts received prior to incurring qualifying expenses are reported as refundable advances. Revenue from unconditional contributions is recognized in the period received.

**Functional Allocation of Expenses**

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Individual expenses are reviewed and charged directly to each program based on time and effort and actual usage.

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
**(concluded)**

**Income Taxes**

The Club is a not-for-profit organization that applied for exemption from income taxes under Section 501(c) 4 of the Internal Revenue Code. The Club received its tax-exempt status on April 28, 2005.

**Obligation to Provide Future Services**

The Club annually calculates the present value of the net cost of providing certain future services to current members. If the present value of the cost of providing these services exceeds the present value of the anticipated revenues, a liability is recorded (obligation to provide future services) with a corresponding charge to income. The obligation is discounted at 3.28%, based on the expected long-term rate of return on government obligations. For December 31, 2024 and 2023, this net present value computation is expected to yield a surplus and, accordingly, no liability has been recorded.

**Estimates**

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

**Reclassifications**

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to current year presentation.

**NOTE 2 - CONCENTRATIONS OF CREDIT RISK**

The Club maintains its cash balances in a financial institution located in Raleigh, North Carolina in 2024 and 2023.

The account balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2024 and 2023, the Club had uninsured cash balances of \$1,170,590 and \$606,013, respectively. The Club also maintained investments in three brokerage accounts that are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 per customer. At December 31, 2024, the Club had total investments amounting to \$14,026,635, resulting in deposits of \$13,526,635 in excess of the SIPC insured amount. At December 31, 2023, the Club had total investments amounting to \$12,836,619, resulting in deposits of \$12,336,619 in excess of the SIPC insured amount.

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 2 - CONCENTRATIONS OF CREDIT RISK (concluded)**

The Club grants credit without collateral to its residents, some of whom are insured under third-party payer agreements. At December 31, the Club had the following concentrations of receivables from members:

	<u><b>2024</b></u>	<u><b>2023</b></u>
Self-pay	84%	86%
Medicare	13%	12%
Other third-party payers	<u>3%</u>	<u>2%</u>
	<u><b>100%</b></u>	<u><b>100%</b></u>

**NOTE 3 - LIQUIDITY AND AVAILABILITY**

The table below represents financial assets available for general expenditures within one year at December 31:

Financial assets at year-end:	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,277,039	\$ 721,736
Accounts receivable	<u>972,169</u>	<u>886,595</u>
Financial assets available to meet general and program expenditures within one year	<u><b>\$ 2,249,208</b></u>	<u><b>\$ 1,608,331</b></u>

The Club has certain board-designated and donor-restricted assets limited to use which are designated for future capital expenditures and an operating reserve. These assets limited to use are more fully described in Notes 8 and 14 and are not available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.

Additionally, the Club has two lines of credit available for a total of \$1,500,000, as discussed in Note 11, to meet cash flow needs.

**NOTE 4 - FINANCIAL RESULTS AND MANAGEMENT'S OPERATIONAL PLAN**

The Club's operating revenues over (under) expenses include all operating revenues and expenses that are an integral part of its programs and supporting activities and net assets released from donor restrictions to support operating expenditures. The measure of operations includes support for operating activities from donor-restricted net assets. The measure of operations excludes contributions from receipt of the Employee Retention Credit. It also excludes expenses related to the refurbishment of member's residences which is included in other expenses.



**THE CYPRESS OF RALEIGH CLUB, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 5 - INVESTMENTS**

The Club's investments as of December 31, 2024, consist of stocks, mutual funds and bonds recorded at market value and are summarized as follows:

	<u><b>Cost</b></u>	<u><b>Fair Market Value</b></u>
Mutual Funds	\$ 1,244,491	\$ 1,261,936
ETFs	<u>10,178,281</u>	<u>11,213,995</u>
	<u><u>\$11,422,772</u></u>	<u><u>\$12,475,931</u></u>

The Club's investments as of December 31, 2023, consist of stocks, mutual funds and bonds recorded at market value and are summarized as follows:

	<u><b>Cost</b></u>	<u><b>Fair Market Value</b></u>
Mutual Funds	\$ 4,014,135	\$ 4,590,859
ETFs	<u>4,793,261</u>	<u>4,837,965</u>
	<u><u>\$ 8,807,396</u></u>	<u><u>\$ 9,428,824</u></u>

FASB ASC 820-10 establishes 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- measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3- measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) for identical investments in active markets.

Level 2 inputs are quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 inputs are model derived valuations in which one or more significant inputs or significant value drivers are unobservable.

In certain cases, the inputs to measure fair value may result in an asset or liability falling into more than one level of the fair value hierarchy. In such cases, the determination of the classification of an asset or liability within the fair value hierarchy is based on the least determinate input that is significant to the fair value measurement.

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 5 - INVESTMENTS (concluded)**

The following table represents investments that are measured at fair value on a recurring basis at December 31, 2024:

**Fair Value Measurements at December 31, 2024**

	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Mutual Funds	\$ 1,261,936	\$ -	\$ 1,261,936
ETFs	11,213,995	-	11,213,995
	<u>\$ 12,475,931</u>	<u>\$ -</u>	<u>\$ 12,475,931</u>

The following table represents investments that are measured at fair value on a recurring basis at December 31, 2023:

**Fair Value Measurements at December 31, 2023**

	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Mutual Funds	\$ 4,590,859	\$ -	\$ 4,590,859
ETFs	4,837,965	-	4,837,965
	<u>\$ 9,428,824</u>	<u>\$ -</u>	<u>\$ 9,428,824</u>

**NOTE 6 - INVENTORY**

Inventory at December 31, 2024 and 2023 consists of the following:

	<b><u>2024</u></b>	<b><u>2023</u></b>
Food and Beverage	\$ 46,898	\$ 46,693
Housekeeping supplies	28,787	26,819
Plant supplies	<u>50,857</u>	<u>43,845</u>
	<u>\$126,542</u>	<u>\$117,357</u>

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 7 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	<u><b>2024</b></u>	<u><b>2023</b></u>
Building and Improvements	\$ 87,084	\$101,280
Furniture & Fixtures	45,339	35,314
Housekeeping Equipment	57,861	59,923
Healthcare Equipment	216,309	196,490
Clinic Equipment	20,516	28,300
Office Equipment	174,963	83,382
IT Equipment	465,582	451,990
Communications Equipment	541,892	531,709
Kitchen Equipment	615,114	585,967
Maintenance Equipment	169,381	162,285
Laundry Equipment	84,694	82,996
Vehicle	788,020	470,590
Construction in Process - Rosewood	6,797	-
	<u>3,273,552</u>	<u>2,790,226</u>
Less accumulated depreciation	<u>1,628,543</u>	<u>1,346,295</u>
	<u><b>\$1,645,009</b></u>	<u><b>\$1,443,931</b></u>

Depreciation and amortization related to property and equipment totaled \$346,860 and \$301,588 for the years ended December 31, 2024 and 2023, respectively.

**NOTE 8 - NET ASSETS**

Net assets with donor restrictions were available for the following purposes as of December 31:

	<u><b>2024</b></u>	<u><b>2023</b></u>
Resident deposits	<u>\$ 4,181,000</u>	<u>\$ 4,102,000</u>

Net assets released from restrictions for the year ended December 31 were as follows:

	<u><b>2024</b></u>	<u><b>2023</b></u>
COVID expenses & lost revenue	<u>\$ -</u>	<u>\$ 14,699</u>

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 9 - TRANSACTIONS WITH AFFILIATE AND RELATED PARTY**

The Company receives an overhead fee of 10% of the operating costs from the Club and Association. During 2024 and 2023, a total of \$1,694,254 and \$1,647,309 was paid as management fees to the LLC, respectively. The amount due to the Company was \$0 at December 31, 2024 and 2023.

During 2024 and 2023, the Club paid Michael G. Sandman, Attorney at Law \$5,623 and \$17,449, respectively, for legal services. At December 31, 2024 and 2023, the amount due was \$515 and \$1,983, respectively.

**NOTE 10 - LEASES**

The Club rents various equipment and vehicles under operating leases, which expire through November 2025. The Club's financing leases expire through August 2027.

The right-of-use asset and corresponding liability associated with future lease payments at December 31, 2024 are shown below:

	<u><b>Operating</b></u>	<u><b>Financing</b></u>	<u><b>Total</b></u>
Right-of-use assets	\$ 11,778	\$ -	\$ 11,778
Property and equipment	\$ -	\$ 481,857	\$ 477,902
Lease liability	\$ 11,778	\$ 481,943	\$ 493,721
Weighted average:			
Discount rate	3.8%	3.9%	
Remaining lease term (years)	1 year	3 years	

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 10 - LEASES (continued)**

The right-of-use asset and corresponding liability associated with future lease payments at December 31, 2023 are shown below:

	<u>Operating</u>	<u>Financing</u>	<u>Total</u>
Right-of-use assets	\$ 73,182	\$ -	\$ 73,182
Property and equipment	\$ -	\$ 130,774	\$ 130,774
Lease liability	\$ 73,182	\$ 169,834	\$ 243,016
Weighted average:			
Discount rate	2.3%	4.5%	
Remaining lease term (years)	1 year	3 years	

Lease cost reported on the statement of activities for the year ended December 31 is as follows:

	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 62,961	\$ 94,243
Finance:		
Amortization of right-of-use assets	93,940	47,105
Interest on lease liability	12,620	6,983
Short-term lease cost	<u>-</u>	<u>8,385</u>
Total lease cost	<u>\$ 169,924</u>	<u>\$ 156,716</u>

The following lease payments are expected to be paid for each of the following years ending December 31:

	<u>Operating</u>	<u>Financing</u>	<u>Total</u>
2025	\$ 11,974	\$ 168,345	\$ 180,319
2026	-	151,594	151,594
2027	-	122,194	122,194
2028	<u>-</u>	<u>71,392</u>	<u>71,392</u>
	11,974	513,525	525,499
Less amount representing interest	<u>(196)</u>	<u>(31,582)</u>	<u>(31,778)</u>
Present value of lease liabilities	<u>\$ 11,778</u>	<u>\$ 481,943</u>	<u>\$ 493,721</u>

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 10 - LEASES (concluded)**

The following summarizes cash flow information related to leases for the year ended December 31:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 54,575	\$ 94,243
Operating cash flows from finance leases	\$ 12,620	\$ 6,983
Financing cash flows from finance leases	\$ 93,726	\$ 47,543

**NOTE 11 - LINE OF CREDIT**

The Club has two lines of credit at one financial institution with a total credit limit of \$1,500,000 to fund upgrades and enhancements to the Club. The interest rate on both lines was SOFR + 1.75%, with all principal and accrued interest due February 22, 2025. The lines are secured by the asset replacement investment account. At December 31, 2024 and 2023, the balance due was \$0 and \$0, respectively.

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 12 - NOTES PAYABLE**

Notes payable at December 31, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Note payable to Ally Bank, with 60 monthly payments of principal and interest of \$1,085 beginning November 1, 2019 and one final payment due on October 1, 2024. The note was secured by a vehicle and carried an interest rate of 7.04%.	\$ -	\$ 10,499
Note payable to BB&T Commercial Equipment Capital, with 60 monthly payments of principal and interest of \$326 beginning January 21, 2020 and one final payment due on January 21, 2025. The note is secured by golf carts and carries an interest rate of 6.35%.	324	4,084
Note payable to Ally Bank, with 60 monthly payments of principal and interest of \$1,312 beginning February 26, 2022 and one final payment due on January 26, 2027. The note is secured by a vehicle and carries an interest rate of 5.84%.	<u>30,780</u> 31,104	<u>44,258</u> 58,841
Less current portion	<u>(14,663)</u> <u>\$ 16,441</u>	<u>(27,785)</u> <u>\$ 31,056</u>

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 12 - NOTES PAYABLE (concluded)**

Future maturities of long-term debt are as follows:

2025	\$ 14,663
2026	15,198
2027	<u>1,243</u>
	<u>\$ 31,104</u>

**NOTE 13 – COVID-19 PANDEMIC**

The Club recognized revenue of \$0 and \$14,699, respectively, from the Federal Emergency Management Agency (FEMA) for personal protective equipment and member COVID-19 testing reimbursement during the year ended December 31, 2024 and 2023.

In February 2023, the Club concluded its evaluation of eligibility for the Employee Retention Credit (“ERC”) under the CARES Act. The Club filed for refunds of the employer’s share of social security tax allocable to 2021 which is accounted for prospectively since the conditions for recording revenue were met in 2023, when uncertainty regarding qualification was resolved. The amount of the refund included in contribution revenue is \$4,090,861.

**NOTE 14 - 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 after the opening of a facility an operating reserve equal to 50% of the total operating costs of the facility forecasted for the 12 month period following the period covered by the most recent disclosure statement filed with the Department of Insurance. The forecast statements, as required by GS 58-64-20(a) (12), shall serve as a basis for the reserve. Continuing care retirement communities with occupancy levels in excess of 90% are required to maintain an operating reserve equal to 25% of total operating costs projected for the twelve month period following the most recent annual statement filed with the Department of Insurance, upon approval of the Commissioner. Continuing care retirement communities with less than 90% occupancy are required to maintain an operating reserve equal to 50% of projected total operating costs.



**THE CYPRESS OF RALEIGH CLUB, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 14 - REGULATORY MATTERS (concluded)**

Total operating costs shall include budgeted operating expenses plus debt service less depreciation and amortization expense and revenue associated with non-contractual expenses. These reserves are to be used for the benefit of the Club in the event of emergencies or unexpected shortfalls.

To meet this obligation, at closing, each purchaser was responsible for paying a reserve deposit of \$9,000 to the Club through December 31, 2011. So long as it has not been necessary for the Club to use proceeds or assets from the reserve account, interest and/or dividends have been paid to each purchaser on a prorata basis in February of each year. For the year ended December 31, 2024 and 2023, the Club did not use proceeds or assets from the reserve account and the balance of interest and dividends is shown as due to members. Each subsequent purchaser shall be obligated to pay \$14,000 into the reserve account, so that upon resale of the unit, any unused portion of the deposit shall be returned to the original purchaser.

Notwithstanding the foregoing, the amount of the reserve deposit may be increased as reasonably necessary to remain consistent with the purposes of the reserve account, provided that such increase would be subject to approval by the Department of Insurance.

The balance held by the Club in the related restricted investment account was \$5,427,353 at December 31, 2024, and \$4,949,825 at December 31, 2023. The balance held by the Club in the related restricted cash and cash equivalent accounts was \$218,139 at December 31, 2024, and \$217,025 at December 31, 2023.

The Cypress of Raleigh, LLC reserves the right, if necessary or appropriate, to loan funds for the reserve account and to be reimbursed as funding occurs through future sales.

**NOTE 15 - LIFE CARE SERVICES**

On May, 2019 the Club entered into an agreement with Life Care Services LLC (LCS) to provide management services for the Club. LCS receives a management fee of the greater of \$45,000 per month (the Initial Base Fee) or 3.6% of the current month's total gross operating revenue, provided that the initial base fee shall be increased each January 1 by the same percentage increase as the United States Consumer Price index for All Urban Consumers published by the U.S. Bureau of Labor Statistics for the immediately preceding December as compared to the CPI-U for December of the prior year. No reduction shall be made in the Monthly Management fee in the event of a decrease in the CPI-U.

The Club is responsible for all operating expenses related to LCS's activities involving the Club.

At December 31, 2024 and 2023, the Club had paid \$741,926 and \$681,467 in management fees to LCS, respectively.

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 16 – ASSET REPLACEMENT RESERVE**

As of December 31, 2024 and 2023, there were funds of \$8,388,911 and \$7,677,707, respectively, designated for this Fund. Management of the Association conducted a study in 2009 to estimate the remaining useful lives of the components of common properties and to estimate the costs of future major repairs and replacements. This study was most recently updated in 2024 for a 20-year budget period beginning in 2024. The current policy is that these expenses will be paid from current amounts on hand or from assets maintained by the Club in designated and undesignated accounts, special assessments may be levied, as required, after utilizing these designated funds or funds may be borrowed. Capital expenditures of \$0 and \$0 were paid from the asset replacement reserve investments account for capital expenditures in 2024 and 2023, respectively.

**NOTE 17 - RETIREMENT PLAN**

The Club began a 401(k) retirement plan for all eligible employees on January 1, 2009. 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 wages, tips and other compensation on form W-2 into the plan. The Club will match up to 50 cents on the dollar up to 3% of an employee's compensation. Employees are 100% vested in the portion they contribute to the plan. The Club matching funds are vested over a six-year period.

Retirement expense for the plan was \$134,905 and \$101,348 for the years ended December 31, 2024 and 2023, respectively.

**NOTE 18 – COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES**

Full-time employees accrue 18 days of paid time off (PTO) per year during their first year of employment and an additional day each year up to 22 days in their fifth year of employment. Employees accrue 24 days in their sixth year of employment and 29 days in their 15<sup>th</sup> year of employment. Part-time employees earn PTO on a pro-rated basis per hours worked. The maximum carryover from one year to the next is 460 hours. At December 31, 2024 and 2023, the Club's total liability for PTO days was \$708,289 and \$668,365, respectively, and is included as accrued expense.

In February 2018, the North Carolina Department of Revenue completed an examination of sales & use tax for the period February 1, 2015 to November 30, 2017. The examining agent proposed adjustments related to additional sales tax of approximately \$193,000 plus penalties and interest of approximately \$48,000 and \$16,000, respectively. In May 2024, the Club reached a settlement agreement with the North Carolina Department of Revenue and paid \$104,401.

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 19 - MANAGEMENT'S REVIEW AND SUBSEQUENT EVENTS**

Subsequent events were evaluated through March 25, 2025, which is the date the financial statements were available to be issued.

In January 2025, the Club renewed its two lines of credit for \$1,500,000 with First-Citizens Bank.

In January 2025, the Club entered into an agreement with a firm to provide construction services for the dining room expansion. The Club will compensate the firm \$884,691.

**EXHIBIT C**

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.  
FINANCIAL REPORT (DECEMBER 31, 2024 and 2023)**

**{ATTACHED}**

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2024 AND 2023**

## **C O N T E N T S**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
The Cypress of Raleigh Owners' Association, Inc.  
Raleigh, North Carolina

### **Opinion**

We have audited the accompanying financial statements of The Cypress of Raleigh Owners' Association, Inc. which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of revenue and expense, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Cypress of Raleigh Owners' Association, Inc. as of December 31, 2024 and 2023, and the results of its operations, changes in members' equity 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. 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 Cypress of Raleigh Owners' Association, Inc. 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 Cypress of Raleigh Owners' Association, Inc.'s ability to continue as a going concern within 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Cypress of Raleigh Owners' Association, Inc.'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 Cypress of Raleigh Owners' Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

## **Report on Supplementary Information**

Accounting principles generally accepted in the United States of America require that the information on future repairs and replacements on page 13 be presented to supplement the basic financial statements. Such information, 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 limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 14 and 15 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Dreher Martin CPAs, P.A.*

Raleigh, North Carolina  
March 25, 2025

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2024 AND 2023**

	<b>ASSETS</b>		
		<b>2024</b>	<b>2023</b>
Current assets			
Cash		\$ 100,177	\$ 100,127
Total current assets		<u>100,177</u>	<u>100,127</u>
Property & Equipment		19,892,543	18,719,415
Less Accumulated Depreciation		<u>6,207,654</u>	<u>5,216,896</u>
Net Property & Equipment		13,684,889	13,502,519
Other Assets			
Due from Affiliate		<u>7,975,472</u>	<u>6,840,505</u>
Total Assets		<u><u>\$ 21,760,538</u></u>	<u><u>\$ 20,443,151</u></u>

**LIABILITIES AND MEMBERS' EQUITY**

Members' Equity			
Members' equity-undesignated		<u>\$ 21,760,538</u>	<u>\$ 20,443,151</u>
Total Members' Equity		<u><u>\$ 21,760,538</u></u>	<u><u>\$ 20,443,151</u></u>

**See Accompanying Notes and Independent Auditors' Report**

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**  
**STATEMENTS OF REVENUE AND EXPENSE**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
OPERATING REVENUES, GAINS, AND OTHER SUPPORT		
Member fees and assessments	\$ 7,853,056	\$ 7,496,518
Asset replacement	82,756	77,047
Insurance	34,401	29,476
Miscellaneous Income	-	29
Total operating revenues, gains, and other support	<u>7,970,213</u>	<u>7,603,070</u>
OPERATING EXPENSES		
Program Services		
Housekeeping	679,355	653,607
Plant	3,816,437	3,611,411
	<u>4,495,792</u>	<u>4,265,018</u>
Supportive Services		
General and Administrative	2,901,315	2,743,635
Management fees	365,426	335,648
	<u>3,266,741</u>	<u>3,079,283</u>
Total operating expenses	<u>7,762,533</u>	<u>7,344,301</u>
Excess of Operating Revenue Over Expense	207,680	258,769
OTHER CHANGES		
Interest and Dividend Income	50	21
Gain/Loss on Sale of Assets	<u>(34,952)</u>	<u>(6,072)</u>
Excess of Revenue Over Expense	<u>\$ 172,778</u>	<u>\$ 252,718</u>

**See Accompanying Notes and Independent Auditors' Report**

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**  
**STATEMENTS OF CHANGES IN MEMBERS' EQUITY**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

<b>Members' Equity</b>	<b><u>Undesignated</u></b>
Members' Equity, January 1, 2023	\$ 19,593,765
Excess of revenue, gains and other support over expense	252,718
Asset purchases transferred from Club	703,191
Amounts allocated to reserves	<u>(106,523)</u>
Members' Equity, December 31, 2023	\$ 20,443,151
Excess of revenue, gains and other support over expense	172,778
Asset purchases transferred from Club	1,261,766
Amounts allocated to reserves	<u>(117,157)</u>
Members' Equity, December 31, 2024	<u><u>\$ 21,760,538</u></u>

**See Accompanying Notes and Independent Auditors' Report**

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of Revenue Over Expense	\$ 172,778	\$ 252,718
Adjustments to Reconcile Increase in Net Assets To Cash Provided by Operating Activities		
Depreciation	1,044,443	963,110
Gain/Loss on sale of assets	34,952	6,072
Decrease in due to affiliate	<u>(1,134,966)</u>	<u>(1,115,327)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	117,207	106,573
FINANCING ACTIVITIES		
Transfers to Club	<u>(117,157)</u>	<u>(106,523)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(117,157)</u>	<u>(106,523)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	50	50
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>100,127</u>	<u>100,077</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 100,177</u></u>	<u><u>\$ 100,127</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Schedule of Noncash Investing Transactions		
Transfer of property and equipment from Club	<u><u>\$ 1,261,766</u></u>	<u><u>\$ 703,191</u></u>

**See Accompanying Notes and Independent Auditors' Report**

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

The Cypress of Raleigh Owners' Association, Inc. (the "Association") was created in accordance with the North Carolina Condominium Act to comply with North Carolina law regarding the ownership of the commonly owned property of The Cypress of Raleigh, a condominium continuing care retirement community ("The Cypress" or "community"). Pursuant to the Bylaws, the Association is governed by a Board of Directors comprised of 5 (five) persons. The Association has delegated to The Cypress of Raleigh Club, Inc., a not-for-profit corporation (the "Club"), all of the Association's responsibilities with respect to investment management and maintenance of the common areas of The Cypress, including the clubhouse and health center. Should the Club fail to act upon its duties, the Board has the authority to act on behalf of the Association. The Association began its operations in 2008.

**Affiliates**

The Club was organized as a not-for-profit corporation under the laws of the State of North Carolina to manage the operations and membership services provided to owners of units in The Cypress.

The Cypress of Raleigh, LLC (the "Company") is the entity that originally planned, designed and built The Cypress. Phase I of The Cypress opened in Fall 2008 and included a Clubhouse, Health Center, 34 cottages with garages and 168 single-story villas in 3 mid-rise buildings. In 2010, Phase II of the development was completed, and the community added three cottages bringing the total number of cottages to 37 and the total number of units to 205. In September 2018, the Company completed construction on the first Villa building of Phase III (the "Villa D Building"), which contains fifty-seven units ("Villa D") and was ready for occupancy in 2018. The final building, Villa E, was constructed and completed in late 2020. The 57 units in Villa E have been sold and the community now has a total of 319 homes. There is currently no future development planned. The Club and Association engage in various transactions with the Company, which is an affiliated entity.

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

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting and, accordingly reflect all significant receivables, payables, other liabilities and prepaid expenses.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Association considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
**(concluded)**

**Property and Equipment**

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 seven to thirty-nine years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense as incurred.

The Association capitalizes all property and equipment to which it has title or other evidence of ownership over \$1,000. The Association does not recognize as assets real property directly associated with the members' units. Capitalized assets acquired by the Association are recorded at cost, while assets contributed by the developer are recorded at estimated fair value at the date of the contribution.

The Association assesses long-lived assets for impairment when events or circumstances exist that indicates the carrying amounts of these assets may not be recoverable.

**Revenue Recognition**

The Association's revenue is generated primarily through association fees from condominium owners in The Cypress and represent amounts charged to residents under the terms of the Membership Agreement. Services are provided to members on an ongoing basis throughout the year and as a result revenue is recognized monthly at the time of billing.

**Income Taxes**

Homeowners associations may be taxed either as homeowners associations or as regular corporations. For the years ended December 31, 2024 and 2023, the Association was taxed as a homeowners association. As a homeowners association, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its nonmembership income, such as interest earnings, at regular federal and state corporate rates.

The IRS and North Carolina Department of Revenue may examine the returns of the Association for a three year period after they are filed. The Association has open tax years from December 31, 2021 through December 31, 2024 which can be reviewed.

**Estimates**

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

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 2 - CONCENTRATIONS OF CREDIT RISK**

The Association maintained its cash balances in one financial institution located in Raleigh, North Carolina in 2024 and 2023. The balances were insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2024 and 2023, the Association had no uninsured cash balances.

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:	<u><b>2024</b></u>	<u><b>2023</b></u>
Building and Improvements	\$14,286,790	\$13,348,856
Land Improvements	1,137,354	960,201
Furniture & Fixtures	3,546,413	3,488,372
Office Equipment	2,675	2,675
IT Equipment	61,995	61,995
Kitchen Equipment	453,736	453,736
Independent Living Furniture	23,718	23,718
Maintenance Equipment	17,691	17,691
Health Center Furniture	<u>362,171</u>	<u>362,171</u>
	19,892,543	18,719,415
Less accumulated depreciation	<u>6,207,654</u>	<u>5,216,896</u>
	<u><b>\$13,684,889</b></u>	<u><b>\$13,502,519</b></u>

Depreciation related to property and equipment totaled \$1,044,443 and \$963,110 for the years ended December 31, 2024 and 2023, respectively.



**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 4 - TRANSACTIONS WITH AFFILIATES**

At December 31, 2009, the Cypress of Raleigh, LLC transferred ownership of common area property to the Association per the agreement between the Association members and the Company. The assets were transferred at market value and consisted of furniture and fixtures of \$2,511,861.

The Company receives an overhead fee of 10% of the operating costs from the Club. The Club allocates a portion of these expenses to the Association. During 2024 and 2023, the Association's portion of the allocated costs were \$834,483 and \$811,361, respectively.

**NOTE 5 - LIFE CARE SERVICES**

On May, 2019 the Club entered into an agreement with Life Care Services LLC (LCS) to provide management services for the Club. LCS receives a management fee of the greater of \$45,000 per month (the Initial Base Fee) or 3.6% of the current month's total gross operating revenue, provided that the initial base fee shall be increased each January 1 by the same percentage increase as the United States Consumer Price index for All Urban Consumers published by the U.S. Bureau of Labor Statistics for the immediately preceding December as compared to the CPI-U for December of the prior year. No reduction shall be made in the Monthly Management fee in the event of a decrease in the CPI-U.

The Club is responsible for all operating expenses related to LCS's activities involving the Club. The Club allocates a portion of these expenses to the Association.

At December 31, 2024 and 2023, the Association's portion of the allocated costs were \$365,426 and \$335,648, respectively.

**NOTE 6 – ASSET REPLACEMENT RESERVE**

An Asset Replacement Reserve account is funded by payments made by each Member at the closing on his/her Cottage or Villa. The payment will be equal to two months of the Member's prorata share of Association common expenses. The Asset Replacement Reserve Account will only be used for purposes related to The Cypress' property, and any interest earned on funds held in the account shall be included in the asset replacement reserve fund. During 2024 and 2023, funds were transferred by the Club to a cash account for Asset Replacement Reserve totaling \$82,756 and \$77,047, respectively.

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 7 - FUTURE REPAIRS AND REPLACEMENTS**

As of December 31, 2015, all funds designated for an Asset Replacement Reserve account were transferred to the Club. Management of the Association conducted a study in 2009 to estimate the remaining useful lives of the components of common properties and to estimate the costs of future major repairs and replacements. This study was most recently updated in 2024 for a 20-year budget period beginning in 2024. The current policy is that these expenses will be paid from current amounts on hand or from assets maintained by the Club in designated and undesignated accounts, special assessments may be levied, as required, after utilizing these designated funds or funds may be borrowed.

**NOTE 8 - RESERVE FOR INSURANCE**

At closing, the member also pays a share of the condominium insurance premium for the year of closing. The amount of this fee is determined in accordance with each unit's statutory percentage interest in the condominium. During 2024 and 2023, \$34,401 and \$29,476, respectively, was transferred into a cash account by the Club for this purpose.

**NOTE 9 – RETIREMENT PLAN**

The Club began a 401(k) retirement plan for all eligible employees on January 1, 2009. 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 wages, tips and other compensation on form W-2 into the plan. The Club will match up to 50 cents on the dollar up to 3% of an employee's compensation. Employees are 100% vested in the portion they contribute to the plan. The Club matching funds are vested over a six-year period.

At December 31, 2024 and 2023, the Association's portion of the allocated costs were \$8,826 and \$20,146, respectively.

**NOTE 10 - MANAGEMENT'S REVIEW AND SUBSEQUENT EVENTS**

Subsequent events were evaluated through March 25, 2025, which is the date the financial statements were available to be issued.

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**  
**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS**  
**(UNAUDITED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

Management engaged a consultant to perform a study in 2009 to estimate the remaining useful lives and the replacement costs of the components of common property over a 20 year period. This study was most recently updated in 2024 for a 20 year period, beginning in 2024. The estimates were based on estimated current replacement costs. Funding requirements include an annual rate of inflation and interest on amounts funded for future major repairs and replacements.

The following table is based on the 2024 study (unless otherwise noted) 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>2024 Funding Requirements (2024 Study)</b>
Site Improvements 2.0	1-31	\$ 2,601,055	
Building Structures & Systems 3.0	0-51	10,694,833	
Building Mechanical Equipment (MEP) 4.0	0-41	11,314,293	
Common Area Interior & Finishes 5.0	0-36	3,182,318	
Unit Improvements 6.0	1-24	14,510,002	
Furniture, Fixtures & Equipment (FFE) 7.0	0-18	6,999,684	
Capital Projects 8.0	0-20	4,299,923	
<b>TOTALS</b>		<u>\$ 53,602,108</u>	<u>\$ 2,078,918</u>

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	Housekeeping	Plant	Total Program Service	General and Administrative	Total
Salaries and Wages	\$ 465,513	\$ 1,285,004	\$ 1,750,517	\$ 266,205	\$ 2,016,722
Pension Expense	4,663	-	4,663	4,163	8,826
Other Employee Benefits	120,050	202,558	322,608	46,818	369,426
Payroll Taxes	36,728	102,770	139,498	20,589	160,087
Accounting and Legal	-	-	-	69,474	69,474
Worker's Comp Insurance	4,670	12,869	17,539	366	17,905
Rent	-	28,406	28,406	747	29,153
Supplies	33,562	105,578	139,140	21,843	160,983
Licenses and Fees	-	19,237	19,237	-	19,237
Repairs and Maintenance	6,875	962,856	969,731	8,620	978,351
Vehicle Expense	-	6,760	6,760	-	6,760
Utilities	-	1,084,013	1,084,013	-	1,084,013
Other Employee Expense	7,018	6,386	13,404	10,717	24,121
Training	276	-	276	1,351	1,627
Professional Dues	-	-	-	4,893	4,893
IT Expense	-	-	-	56,048	56,048
Telephone	-	-	-	56,141	56,141
Other Expense	-	-	-	13,669	13,669
Printing and Postage	-	-	-	5,728	5,728
Management Fee	-	-	-	365,426	365,426
Insurance	-	-	-	277,077	277,077
Other Fees	-	-	-	157,940	157,940
Depreciation	-	-	-	1,044,443	1,044,443
Overhead Fee	-	-	-	834,483	834,483
<b>TOTAL</b>	<b>\$ 679,355</b>	<b>\$ 3,816,437</b>	<b>\$ 4,495,792</b>	<b>\$ 3,266,741</b>	<b>\$ 7,762,533</b>

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Housekeeping	Plant	Total Program Service	General and Administrative	Total
Salaries and Wages	\$ 454,758	\$ 1,192,811	\$ 1,647,569	\$ 261,448	\$ 1,909,017
Pension Expense	5,002	11,157	16,159	3,987	20,146
Other Employee Benefits	115,193	159,690	274,883	41,863	316,746
Payroll Taxes	35,188	93,426	128,614	19,806	148,420
Accounting and Legal	-	-	-	71,173	71,173
Travel		5	5	-	5
Worker's Comp Insurance	4,884	12,706	17,590	490	18,080
Rent	-	36,464	36,464	747	37,211
Supplies	28,623	133,853	162,476	24,176	186,652
Licenses and Fees	-	19,094	19,094	-	19,094
Repairs and Maintenance	5,260	925,113	930,373	8,493	938,866
Vehicle Expense	-	7,029	7,029	-	7,029
Utilities	-	1,013,090	1,013,090	-	1,013,090
Other Employee Expense	4,188	2,318	6,506	23,561	30,067
Training	511	4,655	5,166	5,284	10,450
Professional Dues	-	-	-	3,411	3,411
IT Expense	-	-	-	44,004	44,004
Telephone	-	-	-	52,936	52,936
Other Expense	-	-	-	12,869	12,869
Printing and Postage	-	-	-	10,856	10,856
Management Fee	-	-	-	335,648	335,648
Insurance	-	-	-	256,695	256,695
Other Fees	-	-	-	127,365	127,365
Depreciation	-	-	-	963,110	963,110
Overhead Fee	-	-	-	811,361	811,361
<b>TOTAL</b>	<b>\$ 653,607</b>	<b>\$ 3,611,411</b>	<b>\$ 4,265,018</b>	<b>\$ 3,079,283</b>	<b>\$ 7,344,301</b>

**EXHIBIT D**

**THE CYPRESS OF RALEIGH CLUB, INC. AND  
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.  
FINANCIAL REPORT (DECEMBER 31, 2024 and 2023)**

**{ATTACHED}**

**THE CYPRESS OF RALEIGH CLUB, INC.  
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**

**AUDITED COMBINED FINANCIAL STATEMENTS**

**DECEMBER 31, 2024 AND 2023**

## **C O N T E N T S**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
The Cypress of Raleigh Club, Inc.  
The Cypress of Raleigh Owners' Association, Inc.  
Raleigh, North Carolina

### **Opinion**

We have audited the accompanying combined financial statements of The Cypress of Raleigh Club, Inc. and The Cypress of Raleigh Owners' Association, Inc. which comprise the combined balance sheets as of December 31, 2024 and 2023, and the related combined statements of operations, changes in net assets and members' equity, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Cypress of Raleigh Club, Inc. and The Cypress of Raleigh Owners' Association, Inc. as of December 31, 2024 and 2023, and the results of their operations, changes in their net assets 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 audit in accordance with auditing standards generally accepted in the United States of America. 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 Cypress of Raleigh Club, Inc. and The Cypress of Raleigh Owners' Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of the 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 Cypress of Raleigh Club, Inc. and The Cypress of Raleigh Owners' Association, Inc.'s ability to continue as a going concern within 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 combined 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Cypress of Raleigh Club, Inc. and The Cypress of Raleigh Owners' Association, Inc.'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 Cypress of Raleigh Club, Inc. and The Cypress of Raleigh Owners' Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

**Report on Supplementary Information**

Accounting principles generally accepted in the United States of America require that the information on future repairs and replacements on page 29 be presented to supplement the basic financial statements. Such information, 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 limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in dark ink that reads "Dreher Martin CPAs, P.A." in a cursive, flowing script.

Raleigh, North Carolina  
March 25, 2025

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**  
**COMBINED BALANCE SHEETS**  
**DECEMBER 31, 2024 AND 2023**

ASSETS	2024	2023
Current Assets		
Cash and Cash equivalents	\$ 1,377,216	\$ 821,863
Cash and Cash equivalents - limited as to use	1,340,333	3,198,708
Accounts Receivable	972,169	886,595
Inventory	126,542	117,357
Prepaid Expenses	159,827	159,118
Total Current Assets	<u>3,976,087</u>	<u>5,183,641</u>
Assets Limited as to Use		
Restricted Reserves Required by State Statute, cash equivalents	218,139	217,025
Restricted Reserves Required by State Statute, investments	5,427,353	4,949,825
Asset Replacement Reserve, investments	7,048,578	4,478,999
Total Assets Limited to Use	<u>12,694,069</u>	<u>9,645,849</u>
Property and Equipment, Net	<u>15,329,898</u>	<u>14,946,450</u>
Other Assets		
Due from Affiliates	35,240	53,438
Refundable Deposits	62,327	62,327
Right-of-use Assets - Operating Leases	11,778	73,182
Total Other Assets	<u>109,344</u>	<u>188,947</u>
	<u>\$ 32,109,398</u>	<u>\$ 29,964,887</u>
<b>LIABILITIES, NET ASSETS AND MEMBERS' EQUITY</b>		
Current liabilities		
Accounts Payable	\$ 735,165	\$ 633,928
Accrued Expenses	1,221,942	1,090,994
Due to Members	27,265	31,498
Current Portion of Notes Payable	14,663	27,785
Current Portion of Operating Lease Liability	11,778	61,404
Current Portion of Finance Lease Liability	152,653	60,987
Total Current Liabilities	<u>2,163,466</u>	<u>1,906,596</u>
Long-term Liabilities		
Notes Payable, Net of Current Portion	16,441	31,056
Operating Lease Liability, Net of Current Portion	-	11,778
Finance Lease Liability, Net of Current Portion	329,290	108,847
Total Long-term Liabilities	<u>345,731</u>	<u>151,681</u>
Total Liabilities	<u>2,509,197</u>	<u>2,058,277</u>
Net Assets, Without donor restrictions	<u>(4,730,248)</u>	<u>(4,316,248)</u>
Net Assets, Without donor restrictions - Designated for asset replacement	<u>8,388,911</u>	<u>7,677,707</u>
Net Assets, With donor restrictions	<u>4,181,000</u>	<u>4,102,000</u>
Members' Equity		
Members' Equity, undesignated	21,760,538	20,443,151
Total Members' Equity	<u>21,760,538</u>	<u>20,443,151</u>
	<u>\$ 32,109,398</u>	<u>\$ 29,964,887</u>

**See Accompanying Notes and Independent Auditors' Report**

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**  
**COMBINED STATEMENTS OF OPERATIONS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

<b>Net Assets Without Donor Restrictions:</b>	<b>2024</b>	<b>2023</b>
<b>OPERATING REVENUES, GAINS, AND OTHER SUPPORT</b>		
Member fees and assessments	\$ 21,081,866	\$ 19,992,602
Health Center	6,809,530	5,733,629
Home Health	2,611,767	2,496,091
Asset Replacement	82,756	77,047
Insurance	34,401	29,476
Miscellaneous Income	2,689	900
Net Assets Released from Restriction	-	14,699
Total Operating Revenues, Gains and Other Support	<u>30,623,009</u>	<u>28,344,444</u>
<b>OPERATING EXPENSES</b>		
Program Services		
Housekeeping	2,761,239	2,646,564
Food and beverage	5,290,597	5,023,005
Health Center	5,679,771	5,841,451
Community Home Health	2,715,582	2,469,485
Resident services	831,146	929,713
Plant	4,301,640	4,083,422
	<u>21,579,975</u>	<u>20,993,640</u>
Supporting Services		
General and Administrative	6,710,084	6,373,927
Management fees	1,107,352	1,017,115
	<u>7,817,436</u>	<u>7,391,042</u>
Total Operating Expenses	<u>29,397,411</u>	<u>28,384,682</u>
Excess of Operating Revenues Over (Under) Expenses	1,225,598	(40,238)
<b>OTHER CHANGES</b>		
Contributions	-	4,090,861
Net Investment Income (Loss)	1,071,939	1,531,091
Other expenses	(575,303)	(504,651)
Interest expense	(42,499)	(28,927)
Gain/Loss on sale of assets	(65,144)	(45,344)
Change in net assets without donor restrictions and members' equity	<u>1,614,591</u>	<u>5,002,792</u>
<b>Net Assets With Donor Restrictions:</b>		
Reserves Required By State Statute Deposited	79,000	90,000
Contributions	-	14,699
Net Assets Released from Restriction	-	(14,699)
Change net assets with donor restrictions	<u>79,000</u>	<u>90,000</u>
<b>Change in net assets and members' equity</b>	<u>\$ 1,693,591</u>	<u>\$ 5,092,792</u>

**See Accompanying Notes and Independent Auditors' Report**

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**THE CYPRESS OF RALEIGH HOMEOWNERS' ASSOCIATION, INC.**  
**COMBINED STATEMENTS OF CHANGES IN NET ASSETS AND MEMBERS' EQUITY**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<b>Total Net Assets 2024</b>	<b>Total Net Assets 2023</b>
<b>Net Assets Without Donor Restrictions</b>		
Net assets Without Donor Restrictions-Beginning	\$ (4,316,248)	\$ (4,796,316)
Asset purchases transferred to Owners' Association	(1,261,766)	(703,191)
Change in net assets	<u>847,766</u>	<u>1,183,259</u>
Net Assets Without Donor Restrictitons	<u><u>\$ (4,730,248)</u></u>	<u><u>\$ (4,316,248)</u></u>
<b>Net Assets Without Donor Restrictions - Designated</b>		
Net Assets Without Donor Restrictions - Designated -Beginning	\$ 7,677,707	\$ 4,004,369
Amounts transferred to Association for reserves	117,157	106,523
Change in net assets without donor restrictions - designated	<u>594,047</u>	<u>3,566,815</u>
Net Assets Without Donor Restrictitons - Designated	<u><u>\$ 8,388,911</u></u>	<u><u>\$ 7,677,707</u></u>
<b>Net Assets With Donor Restrictions</b>		
Net Assets With Donor Restrictions - Beginning	\$ 4,102,000	\$ 4,012,000
Change in net assets with donor restrictions	<u>79,000</u>	<u>90,000</u>
Net Assets With Donor Restrictions	<u><u>\$ 4,181,000</u></u>	<u><u>\$ 4,102,000</u></u>
 <b>Members' Equity</b>	 <b><u>Undesignated</u></b>	
Members' Equity, January 1, 2023	\$ 19,593,765	
Excess of revenue, gains and other support over expense	252,718	
Asset purchases transferred from Club	703,191	
Amounts allocated to reserves	<u>(106,523)</u>	
Members' Equity, December 31, 2023	\$ 20,443,151	
Excess of revenue, gains and other support over expense	172,778	
Asset purchases transferred from Club	1,261,766	
Amounts allocated to reserves	<u>(117,157)</u>	
Members' Equity, December 31, 2024	<u><u>\$ 21,760,538</u></u>	

**See Accompanying Notes and Independent Auditors' Report**

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION INC.**  
**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	Housekeeping	Food & Beverage	Health Center	Community Home Health	Resident Services	Plant	Total Program Service	General and Administrative	Total
Salaries and Wages	\$ 1,862,050	\$ 2,715,354	\$ 3,820,132	\$ 2,125,873	\$ 450,994	\$ 1,494,191	\$ 12,468,594	\$ 858,725	\$ 13,327,319
Pension Expense	18,652	17,052	41,500	25,943	6,849	15,635	125,631	18,100	143,731
Other Employee Benefits	480,199	462,779	503,996	344,056	74,811	222,668	2,088,509	203,557	2,292,066
Payroll Taxes	146,911	216,808	296,672	169,541	33,591	119,500	983,023	66,417	1,049,440
Accounting and Legal	-	-	-	-	-	-	-	138,948	138,948
Travel	-	1,828	4,673	595	1,329	-	8,425	8,085	16,510
Worker's Comp Insurance	18,679	29,995	37,829	21,699	3,109	14,964	126,275	1,183	127,458
Food Expense	-	1,599,190	-	-	-	-	1,599,190	-	1,599,190
Rent	-	18,576	6,433	-	2,251	71,015	98,275	1,494	99,769
Supplies	134,249	192,507	50,813	3,109	3,631	111,184	495,493	72,810	568,303
Licenses and Fees	2,570	13,736	7,551	9,402	9,774	21,374	64,407	6,932	71,339
Repairs and Maintenance	68,753	9,708	2,436	-	1,358	1,013,533	1,095,788	24,629	1,120,417
Vehicle Expense	-	-	-	-	-	68,996	68,996	-	68,996
Utilities	-	-	-	-	-	1,141,066	1,141,066	-	1,141,066
Activity Expenses	-	-	19,368	-	76,535	-	95,903	-	95,903
Other Employee Expense	28,071	8,625	14,718	235	14,100	7,514	73,263	46,594	119,857
Medical Supplies	-	-	197,572	1,455	-	-	199,027	-	199,027
Other Medical Expenses	-	-	553,093	-	-	-	553,093	-	553,093
Training	1,105	1,810	6,350	432	41	-	9,738	5,874	15,612
Professional Dues	-	2,629	293	3,042	-	-	5,964	19,573	25,537
IT Expense	-	-	-	-	-	-	-	280,242	280,242
Telephone	-	-	-	10,200	-	-	10,200	112,282	122,482
Other Expense	-	-	-	-	-	-	-	27,393	27,393
Printing and Postage	-	-	-	-	-	-	-	11,456	11,456
Management Fee	-	-	-	-	-	-	-	1,107,352	1,107,352
Insurance	-	-	-	-	-	-	-	395,824	395,824
Other Fees	-	-	116,342	-	152,773	-	269,115	489,926	759,041
Depreciation and Amortization	-	-	-	-	-	-	-	1,391,303	1,391,303
Overhead Fee	-	-	-	-	-	-	-	2,528,737	2,528,737
<b>TOTAL</b>	<b>\$ 2,761,239</b>	<b>\$ 5,290,597</b>	<b>\$ 5,679,771</b>	<b>\$ 2,715,582</b>	<b>\$ 831,146</b>	<b>\$ 4,301,640</b>	<b>\$ 21,579,975</b>	<b>\$ 7,817,436</b>	<b>\$ 29,397,411</b>

See Accompanying Notes and Independent Auditors' Report

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION INC.**  
**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Housekeeping	Food & Beverage	Health Center	Community Home Health	Resident Services	Plant	Total Program Service	General and Administrative	Total
Salaries and Wages	\$ 1,819,032	\$ 2,601,754	\$ 4,011,583	\$ 1,969,922	\$ 531,356	\$ 1,386,989	\$ 12,320,636	\$ 843,381	\$ 13,164,017
Pension Expense	20,006	13,234	28,273	21,090	8,430	13,126	104,159	17,335	121,494
Other Employee Benefits	460,772	386,898	509,473	267,992	78,254	187,871	1,891,260	182,015	2,073,275
Payroll Taxes	140,751	203,516	298,063	157,462	39,117	108,635	947,544	63,890	1,011,434
Accounting and Legal	-	-	-	-	-	-	-	142,346	142,346
Travel	575	920	6,228	-	2,719	50	10,492	11,510	22,002
Worker's Comp Insurance	19,537	28,691	39,244	25,125	4,907	14,774	132,278	1,581	133,859
Food Expense	-	1,526,295	-	-	-	-	1,526,295	-	1,526,295
Rent	-	36,913	10,951	-	4,900	91,160	143,924	1,494	145,418
Supplies	114,493	194,583	30,525	650	4,556	140,898	485,705	83,309	569,014
Licenses and Fees	-	11,117	11,874	8,951	4,764	21,215	57,921	7,280	65,201
Repairs and Maintenance	52,602	4,822	1,682	-	2,635	973,803	1,035,544	24,265	1,059,809
Vehicle Expense	-	-	-	-	-	70,287	70,287	-	70,287
Utilities	-	-	-	-	-	1,066,410	1,066,410	-	1,066,410
Activity Expenses	-	-	16,065	-	103,916	-	119,981	-	119,981
Other Employee Expense	16,752	9,897	6,188	(50)	13,450	2,727	48,964	102,438	151,402
Medical Supplies	-	-	170,395	1,854	-	-	172,249	-	172,249
Other Medical Expenses	-	-	574,389	-	-	-	574,389	-	574,389
Training	2,044	1,609	4,635	3,364	4,539	5,477	21,668	22,973	44,641
Professional Dues	-	2,756	4,788	2,925	-	-	10,469	13,645	24,114
IT Expense	-	-	-	-	-	-	-	220,023	220,023
Telephone	-	-	-	10,200	-	-	10,200	105,872	116,072
Other Expense	-	-	-	-	-	-	-	24,452	24,452
Printing and Postage	-	-	-	-	-	-	-	21,711	21,711
Management Fee	-	-	-	-	-	-	-	1,017,115	1,017,115
Insurance	-	-	-	-	-	-	-	366,707	366,707
Other Fees	-	-	117,095	-	126,170	-	243,265	394,332	637,597
Depreciation and Amortization	-	-	-	-	-	-	-	1,264,698	1,264,698
Overhead Fee	-	-	-	-	-	-	-	2,458,670	2,458,670
<b>TOTAL</b>	<b>\$ 2,646,564</b>	<b>\$ 5,023,005</b>	<b>\$ 5,841,451</b>	<b>\$ 2,469,485</b>	<b>\$ 929,713</b>	<b>\$ 4,083,422</b>	<b>\$ 20,993,640</b>	<b>\$ 7,391,042</b>	<b>\$ 28,384,682</b>

See Accompanying Notes and Independent Auditors' Report



**THE CYPRESS OF RALEIGH CLUB, INC.**  
**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**  
**COMBINED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net change in net assets and members' equity	\$ 1,693,591	\$ 5,092,792
Adjustments to Reconcile Increase (Decrease) in Net Assets		
To Cash Provided by Operating Activities		
Depreciation	1,297,363	1,217,593
Gain/Loss on sale of assets	65,144	45,344
Realized and Unrealized Gains/Losses	(704,990)	(867,342)
Amortization of right-of-use financing lease asset	93,940	47,105
Changes in working capital components:		
(Increase) decrease in:		
Accounts and Other Receivables	(85,574)	(106,277)
Inventory	(9,185)	14,789
Prepaid Expenses	(709)	114,474
Due From Affiliate	18,199	(38,520)
Increase (decrease)		
Accounts payable	101,237	(238,214)
Accrued Expenses	130,948	137,139
Due to Members	(4,233)	15,712
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>2,595,732</u>	<u>5,434,595</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of Investments	(4,159,476)	(9,453,514)
Proceeds from Sales of Investments	1,817,154	9,198,234
Proceeds from Sales of Property and Equipment	-	55,000
Purchase of Property and Equipment	(1,433,856)	(987,995)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(3,776,178)</u>	<u>(1,188,275)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds on Line of Credit	-	165,000
Payments on Line of Credit	-	(560,000)
Payments on notes payable	(27,736)	(28,032)
Payments on Finance Lease Payable	(93,726)	(47,543)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>(121,462)</u>	<u>(470,575)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>	(1,301,908)	3,775,745
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR</b>	<u>4,237,596</u>	<u>461,851</u>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR</b>	<u><u>\$ 2,935,688</u></u>	<u><u>\$ 4,237,596</u></u>
<b>CASH CONSISTS OF:</b>		
Cash and cash equivalents	\$ 1,377,216	\$ 821,863
Cash and cash equivalents - without donor restrictions, designated	1,340,333	3,198,708
Restricted cash included in assets limited to use	218,139	217,025
	<u><u>\$ 2,935,688</u></u>	<u><u>\$ 4,237,596</u></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Schedule of Noncash Investing and Financing Transactions		
Finance lease obligation for the use of equipment	\$ 406,034	\$ 155,601
Transfer of property and equipment from the Company	<u>\$ 1,261,766</u>	<u>\$ 703,191</u>
Cash paid for interest	<u>\$ 42,499</u>	<u>\$ 28,927</u>

See Accompanying Notes and Independent Auditors' Report

**THE CYPRESS OF RALEIGH CLUB, INC.  
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

The Cypress of Raleigh Club, Inc. ("Club") was organized as a not-for-profit corporation under the laws of the State of North Carolina to manage the operations and membership services provided to owners of units in The Cypress of Raleigh ("Cypress" or "community"), a condominium continuing care retirement community organized under the North Carolina General Statutes.

The Cypress of Raleigh Owners' Association, Inc. ("Association") was created in accordance with the North Carolina Condominium Act to comply with North Carolina law regarding the ownership of commonly owned property of The Cypress. Pursuant to the Bylaws, the Association is governed by a Board of Directors comprised of five (5) persons. The Association has delegated to the Club all of the Association's responsibilities with respect to investment management and the maintenance of the common areas of The Cypress, including the clubhouse and health center. The Association began its operations in 2008.

The Cypress of Raleigh, LLC (the "Company") is the entity that originally planned, designed and built The Cypress. Phase I of The Cypress opened in Fall 2008 and included a Clubhouse, Health Center, 34 cottages with garages and 168 single-story villas in 3 mid-rise buildings. In 2010, Phase II of the development was completed, and the community added three cottages bringing the total number of cottages to 37 and the total number of units to 205. In September 2018, the Company completed construction on the first Villa building of Phase III (the "Villa D Building"), which contains fifty-seven units ("Villa D") and was ready for occupancy in 2018. The final building, Villa E, was constructed and completed in late 2020. The 57 units in Villa E have been sold and the community now has a total of 319 homes. There is currently no future development planned. The Club and Association engage in various transactions with the Company, which is an affiliated entity.

**Principles of Combination**

The accompanying combined financial statements include the accounts of the above named businesses. All material related-party balances and transactions have been eliminated in combination.

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

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, other liabilities and prepaid expenses.

**THE CYPRESS OF RALEIGH CLUB, INC.  
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

**Contributions and Net Assets**

Funds received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of the funding restrictions. When a restriction expires (that is, when a stipulated time restriction ends or when the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

All restrictions on long-lived assets are released from restriction when the asset is placed in service, unless there are explicit donor restrictions indicating otherwise.

The Club follows the recommendations of the Financial Accounting Standards Board in its FASB ASC 958, "Not-for-Profit Entities." Under FASB ASC 958, the Club is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Accordingly, net assets of the Club and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations.

**Net Assets With Donor Restrictions** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Club and/or the passage of time or net assets subject to donor imposed stipulations that must be maintained in perpetuity by the Club.

**Cash and Cash Equivalents and Restricted Cash**

For purposes of the statement of cash flows, the entities consider all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Restricted cash consists of funds that have donor or contractual restrictions for long-term purposes. The cash restricted, either by donor or contractually, is reflected in net assets with donor restrictions.

**Investments**

Investments consist of mutual fund investments, exchange traded funds and bonds. Consistent with FASB ASC 958-320, FASB 820-10 and FASB ASC 825-10, these investments are stated at fair value based on market quotes from identical investments or similar instruments in active markets.

**THE CYPRESS OF RALEIGH CLUB, INC.  
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

**Accounts Receivable**

The Club records accounts receivable at total unpaid balance, which approximates fair value as of December 31, 2024 and 2023. The Club determines past-due status of individual accounts receivable based on terms of the original contract (or based on how recently payments have been made, for example). The Club estimates an allowance for doubtful accounts 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 accounts receivable. Delinquent accounts are written off when deemed uncollectible. The Club's management considers all accounts currently collectible and does not establish an allowance for uncollectible accounts at this time.

**Assets Limited as to Use**

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

North Carolina General Statute Chapter 58, Article 64, requires continuing care retirement communities to maintain an operating reserve equal to a statutorily required percentage of total forecasted operating costs (less certain expenses) for a specific period. This operating reserve is not Board-controlled and cannot be used without the prior approval of the commissioner of the North Carolina Department of Insurance pursuant to GS § 58-64-33(c). At December 31, 2024 and 2023, this reserve totaled \$5,645,492 and \$5,166,850, respectively.

**Inventory**

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

**Prepaid Expenses**

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

**Property and Equipment**

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 seven to thirty-nine years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. The Club's policy is to capitalize property and equipment over \$1,000. Expenditures for maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense as incurred. Club equipment is capitalized at cost.

**THE CYPRESS OF RALEIGH CLUB, INC.  
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

The Association capitalizes all property and equipment to which it has title or other evidence of ownership over \$1,000. The Association does not recognize as assets real property directly associated with the members' units. Capitalized assets acquired by the Association are recorded at cost, while assets contributed by the developer are recorded at estimated fair value at the date of the contribution.

The Association assesses long-lived assets for impairment when events or circumstances exist that indicates the carrying amounts of these assets may not be recoverable.

**Leases**

The Club determines if an arrangement is a lease at inception. All leases are recorded on the statement of financial position except for leases with an initial term less than 12 months for which the Club made the short-term lease election.

Operating lease right-of-use assets (ROU) and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. Finance lease ROU assets are included in Property and equipment, net, and the related liabilities are included in lease liabilities in the statements of financial position. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the Club's risk free rate. Operating lease cost is recognized on a straight-line basis over the lease term as rent expense and printing and postage expense on the statement of functional expenses. Lease and non-lease components of lease agreements are accounted for separately. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

**Revenue Recognition**

Member fees represent amounts charged to residents under the terms of the Membership Agreement. Services are provided to members on an ongoing basis throughout the year and as a result revenue is recognized monthly at the time of billing.

Health Center and home health revenue is reported at the estimated net realizable amounts from residents, third-party payors and others for room and board and services/supplies received. Revenue is recognized monthly at the time of billing.

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**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

Revenues under third-party payer agreements are subject to audit and retroactive adjustment. Provisions for estimated third-party payer 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.

Contribution revenue includes conditional and unconditional contributions from FEMA reimbursement of healthcare expenses and Employee Retention Credit (ERC) refunds. Revenue from conditional contributions is recognized in the period the conditions are met. Amounts received prior to incurring qualifying expenses are reported as refundable advances. Revenue from unconditional contributions is recognized in the period received.

The Association's revenue is generated primarily through association fees from condominium owners in The Cypress and represent amounts charged to residents under the terms of the Membership Agreement. Services are provided to members on an ongoing basis throughout the year and as a result revenue is recognized monthly at the time of billing.

**Functional Allocation of Expenses**

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Individual expenses are reviewed and charged directly to each program based on time and effort and actual usage.

**Income Taxes**

The Club is a not-for-profit organization that applied for exemption from income taxes under Section 501(c) 4 of the Internal Revenue Code. The Club received its tax-exempt status on April 28, 2005.

Homeowners associations may be taxed either as homeowners associations or as regular corporations. For the years ended December 31, 2024 and 2023, the Association was taxed as a homeowners association. As a homeowners association, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its nonmembership income, such as interest earnings, at regular federal and state corporate rates.

The IRS and North Carolina Department of Revenue may examine the returns of the Club and Association for a three year period after they are filed. The Association has open tax years from December 31, 2021 through December 31, 2024 which can be reviewed.

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**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(concluded)**

**Obligation to Provide Future Services**

The Club annually calculates the present value of the net cost of providing certain future services to current members. If the present value of the cost of providing these services exceeds the present value of the anticipated revenues, a liability is recorded (obligation to provide future services) with a corresponding charge to income. The obligation is discounted at 3.28%, based on the expected long-term rate of return on government obligations. For December 31, 2024 and 2023, this net present value computation is expected to yield a surplus and, accordingly, no liability has been recorded.

**Estimates**

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

**Reclassifications**

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to current year presentation.

**NOTE 2 - CONCENTRATIONS OF CREDIT RISK**

The Club and Association maintained their cash balances in financial institutions located in Raleigh, North Carolina in 2024 and 2023.

The account balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2024 and 2023, the Club had uninsured cash balances of \$1,170,590 and \$606,013, respectively. At December 31, 2024 and 2023, the Association had no uninsured cash balances. The Entities also maintain investments in three brokerage accounts that are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 per customer. At December 31, 2024, the Club had total investments amounting to \$14,026,635, resulting in deposits of \$13,526,635 in excess of the SIPC insured amount. At December 31, 2023, the Club had total investments amounting to \$12,836,619, resulting in deposits of \$12,336,619 in excess of the SIPC insured amount.

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**NOTE 2 - CONCENTRATIONS OF CREDIT RISK (concluded)**

The Club grants credit without collateral to its residents, some of whom are insured under third-party payer agreements. At December 31, the Club had the following concentrations of receivables from members:

	<u><b>2024</b></u>	<u><b>2023</b></u>
Self-pay	84%	86%
Medicare	13%	12%
Other third-party payers	<u>3%</u>	<u>2%</u>
	<u><b>100%</b></u>	<u><b>100%</b></u>

**NOTE 3 - LIQUIDITY AND AVAILABILITY**

The table below represents financial assets available for general expenditures within one year at December 31:

Financial assets at year-end:	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,377,216	\$ 821,863
Accounts receivable	<u>972,169</u>	<u>886,595</u>
Financial assets available to meet general and program expenditures within one year	<u><u>\$ 2,349,385</u></u>	<u><u>\$ 1,708,458</u></u>

The Club has certain board-designated and donor-restricted assets limited to use which are designated for future capital expenditures and an operating reserve. These assets limited to use are more fully described in Notes 8 and 14 and are not available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.

Additionally, the Club has two lines of credit available for a total of \$1,500,000, as discussed in Note 11, to meet cash flow needs.



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**NOTE 4 - FINANCIAL RESULTS AND MANAGEMENT'S OPERATIONAL PLAN**

The Entities' operating revenues over (under) expenses include all operating revenues and expenses that are an integral part of its programs and supporting activities and net assets released from donor restrictions to support operating expenditures. The measure of operations includes support for operating activities from donor-restricted net assets. The measure of operations excludes contributions from receipt of the Employee Retention Credit. It also excludes expenses related to the refurbishment of member's residences which is included in other expenses.

**NOTE 5 - INVESTMENTS**

The Club's investments as of December 31, 2024, consist of stocks, mutual funds and bonds recorded at market value and are summarized as follows:

	<u>Cost</u>	<u>Fair Market Value</u>
Mutual Funds	\$ 1,244,491	\$ 1,261,936
ETFs	<u>10,178,281</u>	<u>11,213,995</u>
	<u>\$11,422,772</u>	<u>\$12,475,931</u>

The Club's investments as of December 31, 2023, consist of stocks, mutual funds and bonds recorded at market value and are summarized as follows:

	<u>Cost</u>	<u>Fair Market Value</u>
Mutual Funds	\$ 4,014,135	\$ 4,590,859
ETFs	<u>4,793,261</u>	<u>4,837,965</u>
	<u>\$ 8,807,396</u>	<u>\$ 9,428,824</u>

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**NOTE 5 – INVESTMENTS (continued)**

FASB ASC 820-10 establishes 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- measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3- measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) for identical investments in active markets.

Level 2 inputs are quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 inputs are model derived valuations in which one or more significant inputs or significant value drivers are unobservable.

In certain cases, the inputs to measure fair value may result in an asset or liability falling into more than one level of the fair value hierarchy. In such cases, the determination of the classification of an asset or liability within the fair value hierarchy is based on the least determinate input that is significant to the fair value measurement.

The following table represents investments that are measured at fair value on a recurring basis at December 31, 2024:

**Fair Value Measurements at December 31, 2024**

	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Mutual Funds	\$ 1,261,936	\$ -	\$ 1,261,936
ETFs	11,213,995	-	11,213,995
	<u>\$ 12,475,931</u>	<u>\$ -</u>	<u>\$ 12,475,931</u>

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**NOTE 5 - INVESTMENTS (concluded)**

The following table represents investments that are measured at fair value on a recurring basis at December 31, 2023:

**Fair Value Measurements at December 31, 2023**

	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Mutual Funds	\$ 4,590,859	\$ -	\$ 4,590,859
ETFs	4,837,965	-	4,837,965
	<u>\$ 9,428,824</u>	<u>\$ -</u>	<u>\$ 9,428,824</u>

**NOTE 6 - INVENTORY**

Inventory at December 31, 2024 and 2023 consists of the following:

	<b><u>2024</u></b>	<b><u>2023</u></b>
Food and Beverage	\$ 46,898	\$ 46,693
Housekeeping supplies	28,787	26,819
Plant supplies	<u>50,857</u>	<u>43,845</u>
	<u>\$126,542</u>	<u>\$117,357</u>

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**NOTE 7 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:	<b><u>2024</u></b>	<b><u>2023</u></b>
Building and Improvements	\$14,373,874	\$13,450,136
Land Improvements	1,137,354	960,201
Furniture & Fixtures	3,591,751	3,523,686
Housekeeping Equipment	57,861	59,926
Healthcare Equipment	216,309	196,490
Clinic Equipment	20,516	28,300
Office Equipment	177,638	86,057
IT Equipment	527,576	513,985
Communications Equipment	541,892	531,985
Independent Living Furniture	23,718	23,718
Kitchen Equipment	1,068,850	1,039,703
Maintenance Equipment	187,072	179,976
Laundry Equipment	84,694	82,996
Health Center Furniture	362,171	362,171
Vehicle	788,020	470,590
Construction in Process - Rosewood	<u>6,797</u>	<u>-</u>
	23,166,093	21,509,641
Less accumulated depreciation	<u>7,836,195</u>	<u>6,563,191</u>
	<u>\$15,329,898</u>	<u>\$14,946,450</u>

Depreciation and amortization related to property and equipment totaled \$1,391,303 and \$1,264,698 for the years ended December 31, 2024 and 2023, respectively.

**NOTE 8 - NET ASSETS**

Net assets with donor restrictions were available for the following purposes as of December 31:

	<b><u>2024</u></b>	<b><u>2023</u></b>
Resident deposits	<u>\$ 4,181,000</u>	<u>\$ 4,102,000</u>

Net assets released from restrictions for the year ended December 31 were as follows:

	<b><u>2024</u></b>	<b><u>2023</u></b>
COVID expenses & lost revenue	<u>\$ -</u>	<u>\$ 14,699</u>

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**NOTE 9 - TRANSACTIONS WITH AFFILIATE AND RELATED PARTY**

At December 31, 2009, the Cypress of Raleigh, LLC transferred ownership of common area property to the Association per the agreement between the Association members and the LLC. The assets were transferred at market value and consisted of the furniture and fixtures of \$2,511,861.

The Company receives an overhead fee of 10% of the operating costs from the Club and Association. During 2024 and 2023, a total of \$2,528,737 and \$2,458,670 was paid as management fees to the LLC, respectively. The amount due to the Company was \$0 and \$0 at December 31, 2024 and 2023, respectively.

During 2024 and 2023, the Club paid Michael G. Sandman, Attorney at Law \$5,623 and \$17,449, respectively, for legal services. At December 31, 2024 and 2023, the amount due was \$515 and \$1,983, respectively.

**NOTE 10 - LEASES**

The Club rents various equipment and vehicles under operating leases, which expire through November 2025. The Club's financing leases expire through August 2027.

The right-of-use asset and corresponding liability associated with future lease payments at December 31, 2024 are shown below:

	<u>Operating</u>	<u>Financing</u>	<u>Total</u>
Right-of-use assets	\$ 11,778	\$ -	\$ 11,778
Property and equipment	\$ -	\$ 481,857	\$ 477,902
Lease liability	\$ 11,778	\$ 481,943	\$ 493,721
Weighted average:			
Discount rate	3.8%	3.9%	
Remaining lease term (years)	1 year	3 years	

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**NOTE 10 - LEASES (continued)**

The right-of-use asset and corresponding liability associated with future lease payments at December 31, 2023 are shown below:

	<u><b>Operating</b></u>	<u><b>Financing</b></u>	<u><b>Total</b></u>
Right-of-use assets	\$ 73,182	\$ -	\$ 73,182
Property and equipment	\$ -	\$ 130,774	\$ 130,774
Lease liability	\$ 73,182	\$ 169,834	\$ 243,016
Weighted average:			
Discount rate	2.3%	4.5%	
Remaining lease term (years)	1 year	3 years	

Lease cost reported on the statement of activities for the year ended December 31 is as follows:

	<u><b>2024</b></u>	<u><b>2023</b></u>
Operating lease cost	\$ 62,961	\$ 94,243
Finance:		
Amortization of right-of-use assets	93,940	47,105
Interest on lease liability	12,620	6,983
Short-term lease cost	-	8,385
Total lease cost	<u>\$ 169,924</u>	<u>\$ 156,716</u>

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**NOTE 10 - LEASES (concluded)**

The following lease payments are expected to be paid for each of the following years ending December 31:

	<u>Operating</u>	<u>Financing</u>	<u>Total</u>
2025	\$ 11,974	\$ 168,345	\$ 180,319
2026	-	151,594	151,594
2027	-	122,194	122,194
2028	-	71,392	71,392
	<u>11,974</u>	<u>513,525</u>	<u>525,499</u>
Less amount representing interest	(196)	(31,582)	(31,778)
Present value of lease liabilities	<u>\$ 11,778</u>	<u>\$ 481,943</u>	<u>\$ 493,721</u>

The following summarizes cash flow information related to leases for the year ended December 31:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 54,575	\$ 94,243
Operating cash flows from finance leases	\$ 12,620	\$ 6,983
Financing cash flows from finance leases	\$ 93,726	\$ 47,543

**NOTE 11 - LINE OF CREDIT**

The Club has two lines of credit at one financial institution with a total credit limit of \$1,500,000 to fund upgrades and enhancements to the Club. The interest rate on both lines was SOFR + 1.75%, with all principal and accrued interest due February 22, 2025. The lines are secured by the asset replacement investment account. At December 31, 2024 and 2023, the balance due was \$0 and \$0, respectively.

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**NOTE 12 - NOTES PAYABLE**

Notes payable at December 31, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Note payable to Ally Bank, with 60 monthly payments of principal and interest of \$1,085 beginning November 1, 2019 and one final payment due on October 1, 2024. The note was secured by a vehicle and carried an interest rate of 7.04%.	\$ -	\$ 10,499
Note payable to BB&T Commercial Equipment Capital, with 60 monthly payments of principal and interest of \$326 beginning January 21, 2020 and one final payment due on January 21, 2025. The note is secured by golf carts and carries an interest rate of 6.35%.	324	4,084
Note payable to Ally Bank, with 60 monthly payments of principal and interest of \$1,312 beginning February 26, 2022 and one final payment due on January 26, 2027. The note is secured by a vehicle and carries an interest rate of 5.84%.	<u>30,780</u> 31,104	<u>44,258</u> 58,841
Less current portion	<u>(14,663)</u> <u>\$ 16,441</u>	<u>(27,785)</u> <u>\$ 31,056</u>



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**NOTE 12 - NOTES PAYABLE (concluded)**

Future maturities of long-term debt are as follows:

2025	\$ 14,663
2026	15,198
2027	<u>1,243</u>
	<u>\$ 31,104</u>

**NOTE 13 – COVID-19 PANDEMIC**

The Club recognized revenue of \$0 and \$14,699, respectively, from the Federal Emergency Management Agency (FEMA) for personal protective equipment and member COVID-19 testing reimbursement during the year ended December 31, 2024 and 2023.

In February 2023, the Club concluded its evaluation of eligibility for the Employee Retention Credit (“ERC”) under the CARES Act. The Club filed for refunds of the employer’s share of social security tax allocable to 2021 which is accounted for prospectively since the conditions for recording revenue were met in 2023, when uncertainty regarding qualification was resolved. The amount of the refund included in contribution revenue is \$4,090,861.

**NOTE 14 - 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 after the opening of a facility an operating reserve equal to 50% of the total operating costs of the facility forecasted for the 12 month period following the period covered by the most recent disclosure statement filed with the Department of Insurance. The forecast statements, as required by GS 58-64-20(a) (12), shall serve as a basis for the reserve. Continuing care retirement communities with occupancy levels in excess of 90% are required to maintain an operating reserve equal to 25% of total operating costs projected for the twelve month period following the most recent annual statement filed with the Department of Insurance, upon approval of the Commissioner. Continuing care retirement communities with less than 90% occupancy are required to maintain an operating reserve equal to 50% of projected total operating costs.

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**NOTE 14 - REGULATORY MATTERS (concluded)**

Total operating costs shall include budgeted operating expenses plus debt service less depreciation and amortization expense and revenue associated with non-contractual expenses. These reserves are to be used for the benefit of the Club in the event of emergencies or unexpected shortfalls.

To meet this obligation, at closing, each purchaser was responsible for paying a reserve deposit of \$9,000 to the Club through December 31, 2011. So long as it has not been necessary for the Club to use proceeds or assets from the reserve account, interest and/or dividends have been paid to each purchaser on a prorata basis in February of each year. For the year ended December 31, 2024 and 2023, the Club did not use proceeds or assets from the reserve account and the balance of interest and dividends is shown as due to members. Each subsequent purchaser shall be obligated to pay \$14,000 into the reserve account, so that upon resale of the unit, any unused portion of the deposit shall be returned to the original purchaser.

Notwithstanding the foregoing, the amount of the reserve deposit may be increased as reasonably necessary to remain consistent with the purposes of the reserve account, provided that such increase would be subject to approval by the Department of Insurance.

The balance held by the Club in the related restricted investment account was \$5,427,353 at December 31, 2024, and \$4,949,825 at December 31, 2023. The balance held by the Club in the related restricted cash and cash equivalent accounts was \$218,139 at December 31, 2024, and \$217,025 at December 31, 2023.

The Cypress of Raleigh, LLC reserves the right, if necessary or appropriate, to loan funds for the reserve account and to be reimbursed as funding occurs through future sales.

**NOTE 15 - LIFE CARE SERVICES**

On May, 2019 the Club and Association entered into an agreement with Life Care Services LLC (LCS) to provide management services for the Club. LCS receives a management fee of the greater of \$45,000 per month (the Initial Base Fee) or 3.6% of the current month's total gross operating revenue, provided that the initial base fee shall be increased each January 1 by the same percentage increase as the United States Consumer Price index for All Urban Consumers published by the U.S. Bureau of Labor Statistics for the immediately preceding December as compared to the CPI-U for December of the prior year. No reduction shall be made in the Monthly Management fee in the event of a decrease in the CPI-U.

The Club and Association are responsible for all operating expenses related to LCS's activities involving the Club and Association. At December 31, 2024 and 2023 the Club and Association had paid \$1,107,352 and \$1,017,115 in management fees to LCS, respectively.

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**NOTE 16 – ASSET REPLACEMENT RESERVE**

As of December 31, 2024 and 2023, there were funds of \$8,388,911 and \$7,677,707, respectively, designated for this Fund. An Asset Replacement Reserve account is funded by payments made by each Member at the closing on his/her Cottage or Villa. The payment will be equal to two months of the Member's prorata share of Association common expenses. The Asset Replacement Reserve Account will only be used for purposes related to The Cypress' property, and any interest earned on funds held in the account shall be included in the asset replacement reserve fund. During 2024 and 2023, funds were transferred by the Club to a cash account for Asset Replacement Reserve totaling \$82,756 and \$77,047, respectively. Capital expenditures of \$0 and \$0 were paid from the asset replacement reserve investments account for capital expenditures in 2024 and 2023, respectively.

**NOTE 17 - FUTURE REPAIRS AND REPLACEMENTS**

Management of the Association conducted a study in 2009 to estimate the remaining useful lives of the components of common properties and to estimate the costs of future major repairs and replacements. This study was most recently updated in 2024 for a 20-year budget period beginning in 2024. The current policy is that these expenses will be paid from current amounts on hand or from assets maintained by the Club in designated and undesignated accounts, special assessments may be levied, as required, after utilizing these designated funds or funds may be borrowed.

**NOTE 18 - RESERVE FOR INSURANCE**

At closing, the member also pays a share of the condominium insurance premium for the year of closing. The amount of this fee is determined in accordance with each unit's statutory percentage interest in the condominium. During 2024 and 2023, \$34,401 and \$29,476, respectively, was transferred into a cash account by the Club for this purpose.

**NOTE 19 - RETIREMENT PLAN**

The Club began a 401(k) retirement plan for all eligible employees on January 1, 2009. 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 wages, tips and other compensation on form W-2 into the plan. The Club will match up to 50 cents on the dollar up to 3% of an employee's compensation. Employees are 100% vested in the portion they contribute to the plan. The Club matching funds are vested over a six-year period.

Retirement expense for the plan was \$143,731 and \$121,494 for the years ended December 31, 2024 and 2023, respectively.

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**NOTE 20 – COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES**

Full-time employees accrue 18 days of paid time off (PTO) per year during their first year of employment and an additional day each year up to 22 days in their fifth year of employment. Employees accrue 24 days in their sixth year of employment and 29 days in their 15<sup>th</sup> year of employment. Part-time employees earn PTO on a pro-rated basis per hours worked. The maximum carryover from one year to the next is 460 hours. At December 31, 2024 and 2023, the Club's total liability for PTO days was \$708,289 and \$668,365, respectively, and is included as accrued expense.

In February 2018, the North Carolina Department of Revenue completed an examination of sales & use tax for the period February 1, 2015 to November 30, 2017. The examining agent proposed adjustments related to additional sales tax of approximately \$193,000 plus penalties and interest of approximately \$48,000 and \$16,000, respectively. In May 2024, the Club reached a settlement agreement with the North Carolina Department of Revenue and paid \$104,401.

**NOTE 21 – MANAGEMENT'S REVIEW AND SUBSEQUENT EVENTS**

Subsequent events were evaluated through March 25, 2025, which is the date the financial statements were available to be issued.

In January 2025, the Club renewed its two lines of credit for \$1,500,000 with First-Citizens Bank.

In January 2025, the Club entered into an agreement with a firm to provide construction services for the dining room expansion. The Club will compensate the firm \$884,691.

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**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS**  
**(UNAUDITED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

Management engaged a consultant to perform a study in 2009 to estimate the remaining useful lives and the replacement costs of the components of common property over a 20 year period. This study was most recently updated in 2024 for a 20 year period, beginning in 2024. The estimates were based on estimated current replacement costs. Funding requirements include an annual rate of inflation and interest on amounts funded for future major repairs and replacements.

The following table is based on the 2024 study (unless otherwise noted) 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>2024 Funding Requirements (2024 Study)</b>
Site Improvements 2.0	1-31	\$ 2,601,055	
Building Structures & Systems 3.0	0-51	10,694,833	
Building Mechanical Equipment (MEP) 4.0	0-41	11,314,293	
Common Area Interior & Finishes 5.0	0-36	3,182,318	
Unit Improvements 6.0	1-24	14,510,002	
Furniture, Fixtures & Equipment (FFE) 7.0	0-18	6,999,684	
Capital Projects 8.0	0-20	<u>4,299,923</u>	
	<b>TOTALS</b>	<u>\$ 53,602,108</u>	<u>\$ 2,078,918</u>

**EXHIBIT E**

**MATERIAL VARIANCE STATEMENTS -- NARRATIVES REGARDING ANNUAL  
DISCLOSURE STATEMENT REVISION PURSUANT TO NORTH CAROLINA  
GENERAL STATUTES SECTION 58-64-30(A) FOR THE CYPRESS OF RALEIGH  
CLUB, INC. AND THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.  
(COMBINED) AND FOR THE CYPRESS OF RALEIGH, LLC**

**{ATTACHED}**

**THE CYPRESS OF RALEIGH CLUB, INC.**

**AND**

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC. - COMBINED**

**MATERIAL VARIANCE STATEMENTS**

Narrative describing any material differences between the forecasted balance sheets, statements of operations, and the actual results of operations during the prior fiscal year (2024).

Scope for variance explanation-management considers \$100,000 to be significant to the financial statement reader.

**Balance Sheet & Cash flows:**

- 1 – Cash and cash equivalents is higher than expected due to lower than expected expenses.  
Cash and cash equivalents – limited as to use higher than expected due to timing of planned expenditures.
- 2 – Accounts receivable higher than expected due to timing of member payments.
- 3 – Capital asset purchases lower than forecasted based on the needs of the Organization.  
Accumulated depreciation and depreciation expense was lower than forecasted due to lower capital asset purchases.
- 4 – Fair value of investments higher than expected due to market performance. Realized and unrealized gain/loss activity is not forecasted.
- 5 – Accounts payable and accrued expenses higher than expected due to timing of disbursements.
- 6 – Finance lease liability higher than forecasted due to management evaluation of lease versus purchase decisions. These items are not forecasted.

**Statement of Operations & Cash flows:**

- 7 – Health Center revenue higher than expected due to more members transitioning to the Rosewood.
- 8 – Housekeeping expense lower than expected due to decrease in salary and benefits due to employee leave of absence. Food and beverage expense lower than expected due to decrease in salaries due to difficulty in employee recruitment. Health Center expenses higher than expected due to increased occupancy. Plant expenses lower than expected due to decrease in salaries, lease expense, maintenance and repairs due to difficulty in employee recruitment, unknown lease needs and unexpected repairs and supply needs.

9 – Forecasted purchase of investments is limited to increases in available cash for investments, whereas the actual investment purchases are based on management's investment decisions. Therefore, actual is higher than forecasted.

Actual sales of investments are higher than forecasted due to management investment decisions. These items are not forecasted.



**THE CYPRESS OF RALEIGH CLUB, INC.  
AND THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.  
COMBINED FORECAST TO ACTUAL - BALANCE SHEET  
Schedule of 2024 Forecast Versus Actual Comparison - Material Variance Statement**

	<u>Forecast</u>	<u>Actual</u>	<u>Over/(Under) Variance \$</u>	<u>Over/(Under) Variance %</u>	
<u>Assets</u>					
Current Assets:					
Cash and Cash Equivalents	\$ 1,100,000	\$ 1,377,216	277,216	25.20%	(1)
Cash and Cash Equivalents - limited as to use	132,600	1,340,333	1,207,733	910.81%	(1)
Accounts Receivable	842,091	972,169	130,078	15.45%	(2)
Inventory	117,357	126,542	9,185	7.83%	
Prepaid Expenses	164,687	159,827	(4,860)	-2.95%	
Total Current Assets	<u>2,356,735</u>	<u>3,976,087</u>			
Property, Plant & Equipment:					
Furniture, Fixtures, & Equipment	23,498,557	23,166,093	(332,464)	-1.41%	(3)
	<u>23,498,557</u>	<u>23,166,093</u>			
Less Accumulated Depreciation	(8,062,108)	(7,836,195)	225,913	-2.80%	(3)
Net Property, Plant & Equipment	<u>15,436,449</u>	<u>15,329,898</u>			
Assets Limited as to Use					
Restricted Reserves Required by State Statute, Cash Equivalents	221,366	218,139	(3,227)	-1.46%	
Restricted Reserves Required by State Statute, Investments	5,149,820	5,427,353	277,533	5.39%	(4)
Asset Replacement Reserve, Investments	6,617,867	7,048,578	430,711	6.51%	(4)
Total Assets Limited as to Use	<u>11,989,052</u>	<u>12,694,069</u>			
Other Assets					
Due from Affiliate	-	35,240	35,240	100.00%	
Refundable Deposits	62,327	62,327	-	0.00%	
Right-of-use Assets - Operating Leases	11,778	11,778	-	0.00%	
Total Other Assets	<u>74,105</u>	<u>109,344</u>			
Total Assets	<u>\$ 29,856,341</u>	<u>\$ 32,109,398</u>			
<u>Liabilities &amp; Net Assets</u>					
Current Liabilities:					
Accounts Payable	\$ 627,799	\$ 735,165	107,366	17.10%	(5)
Accrued Expenses	1,080,446	1,221,942	141,496	13.10%	(5)
Due to Members	19,544	27,265	7,721	39.51%	
Current Portion of Notes Payable	14,663	14,663	-	0.00%	
Current Portion of Operating Lease Liability	11,778	11,778	-	0.00%	
Current Portion of Finance Lease Liability	55,518	152,653	97,135	174.96%	
Total Current Liabilities	<u>1,809,748</u>	<u>2,163,466</u>			
Long-term Liabilities:					
Note Payable, Net of Current Portion	16,393	16,441	48	0.29%	
Finance Lease Liability Net of Current Portion	53,329	329,290	275,961	517.47%	(6)
Total Long-term Liabilities	<u>69,722</u>	<u>345,731</u>			
Total Liabilities	<u>1,879,470</u>	<u>2,509,197</u>			
Net Assets:					
Without donor restrictions	1,409,272	(4,730,248)			
Without donor restrictions, Designated for asset replacement	6,750,467	8,388,911			
With donor restrictions	4,152,000	4,181,000			
Member's Equity, Undesignated	15,665,133	21,760,538			
Total Net Assets	<u>27,976,871</u>	<u>29,600,201</u>			
Total Liabilities & Net Assets	<u>\$ 29,856,341</u>	<u>\$ 32,109,398</u>			

Scope for variance explanation-management considers \$100,000 to be significant to the financial statement reader.

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**AND THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**  
**COMBINED FORECAST TO ACTUAL - OPERATIONS**  
**Schedule of 2024 Forecast Versus Actual Comparison - Material Variance Statement**

	<u>Forecast</u>	<u>Actual</u>	<u>Over/(Under) Variance \$</u>	<u>Over/(Under) Variance %</u>	
<b>Net Assets Without Donor Restrictions</b>					
Operating Revenue					
Service Fees	\$ 21,149,256	\$ 21,081,866	\$ (67,390)	-0.32%	
Health Center	5,794,647	6,809,530	1,014,883	17.51%	(7)
Asset Replacement	155,800	82,756	(73,044)	-46.88%	
Insurance	26,318	34,401	8,083	30.71%	
Home Health Revenue	2,664,660	2,611,767	(52,893)	-1.98%	
Other Income	5,063	2,689	(2,374)	-46.89%	
Total Operating Revenue	<u>29,795,744</u>	<u>30,623,009</u>			
Operating Expenses:					
Program Services					
Housekeeping	2,869,574	2,761,239	(108,335)	-3.78%	(8)
Food and Beverage	5,432,346	5,290,597	(141,749)	-2.61%	(8)
Health Center	5,461,259	5,679,771	218,512	4.00%	(8)
Community Home Health	2,629,806	2,715,582	85,776	3.26%	
Resident Services	871,401	831,146	(40,255)	-4.62%	
Plant	4,421,297	4,301,640	(119,657)	-2.71%	(8)
	<u>21,685,683</u>	<u>21,579,975</u>			
Supportive Services					
General & Administrative	4,392,034	4,181,347	(210,687)	-4.80%	(3)
Management Fee - Life Care Services	1,066,091	1,107,352	41,261	3.87%	
Management Fee - The Cypress of Raleigh, LLC	2,555,717	2,528,737	(26,980)	-1.06%	
	<u>8,013,841</u>	<u>7,817,436</u>			
Total Operating Expenses	<u>29,699,524</u>	<u>29,397,411</u>			
Excess of Operating Revenue Over (Under) Expense	96,221	1,225,598			
Other Changes:					
Net Investment Income	464,043	1,071,939	607,896	131.00%	(4)
Other expenses	(540,000)	(575,303)	(35,303)	6.54%	
Interest expense	-	(42,499)	(42,499)	100.00%	
Gain/Loss on sale of assets	-	(65,144)	(65,144)	100.00%	
Income Taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.00%</u>	
Increase (Decrease) in					
Net Assets without Donor Restrictions	<u>20,264</u>	<u>1,614,591</u>			
<b>Net Assets With Donor Restrictions</b>					
Reserves Required by State Statute Deposited	50,000	79,000	29,000	58.00%	
Increase (Decrease) in					
Net Assets with Donor Restrictions	<u>50,000</u>	<u>79,000</u>			
Increase (Decrease) in					
Net Assets	<u>\$ 70,264</u>	<u>\$ 1,693,591</u>			

Scope for variance explanation-management considers \$100,000 to be significant to the financial statement reader.

**THE CYPRESS OF RALEIGH CLUB, INC.  
AND THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.  
COMBINED FORECAST TO ACTUAL - CASH FLOWS  
Schedule of 2024 Forecast Versus Actual Comparison - Material Variance Statement**

	<u>Forecast</u>	<u>Actual</u>	<u>Over/(Under) Variance \$</u>	<u>Over/(Under) Variance %</u>	
<u>Cash Flows from Operating Activities</u>					
Change in Net Assets	\$ 70,264	\$ 1,693,591	1,623,327	2310.33%	(2), (3), (4), (5), (7), (8), (9)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:					
Depreciation	1,498,917	1,297,363	(201,554)	-13.45%	(3)
Gain/Loss on sale of assets	-	65,144	65,144	100.00%	
Realized and Unrealized Gains/Losses	-	(704,990)	(704,990)	100.00%	(4)
Amortization of right-of-use financing lease asset	61,404	93,940	32,536	52.99%	
(Increase) Decrease in:					
Accounts Receivable	44,504	(85,574)	(130,078)	-292.28%	(2)
Inventory	-	(9,185)	(9,185)	100.00%	
Due from Affiliate	53,438	18,199	(35,239)	-65.94%	
Prepaid Expenses	(5,569)	(709)	4,860	-87.27%	
Increase (Decrease) in:					
Accounts Payable	(6,128)	101,237	107,365	-1752.04%	(5)
Due to Members	(11,954)	(4,233)	7,721	-64.59%	
Accrued Expense	(10,548)	130,948	141,496	-1341.45%	(5)
Operating Lease Assets and Liabilities	(61,404)	-	61,404	-100.00%	
Net Cash Provided by Operating Activities	<u>1,632,923</u>	<u>2,595,732</u>			
Cash Flow from Investing Activities					
Purchase of Investments	(2,338,863)	(4,159,476)	(1,820,613)	77.84%	(9)
Proceeds from Sales of Investments	-	1,817,154	1,817,154	100.00%	(9)
Purchase of Property & Equipment	(1,988,918)	(1,433,856)	555,062	-27.91%	(3)
Net Cash Used by Investing Activities	<u>(4,327,781)</u>	<u>(3,776,178)</u>			
Cash Flow from Financing Activities					
Payments on Notes Payable	(27,785)	(27,736)	49	-0.18%	
Payments on Finance Lease Liability	(60,987)	(93,726)	(32,739)	53.68%	
Net Cash Used by Financing Activities	<u>(88,772)</u>	<u>(121,462)</u>			
Net Increase in Cash and Cash Equivalents and Restricted Cash	(2,783,631)	(1,301,908)			
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	<u>4,237,596</u>	<u>4,237,596</u>			
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 1,453,965</u>	<u>\$ 2,935,688</u>			
CASH CONSISTS OF:					
Cash and Cash equivalents	\$ 1,100,000	\$ 1,377,216			
Cash and Cash Equivalents- with donor restriction, designated	132,600	1,340,333			
Restricted Cash Included in Assets Limited to Use	221,366	218,139			
	<u>\$ 1,453,965</u>	<u>\$ 2,935,688</u>			

**THE CYPRESS OF RALEIGH, LLC**  
**MATERIAL VARIANCE STATEMENTS**

Narrative describing any material differences between the forecasted balance sheets, statements of operations and cash flows and the actual results of operations during the prior fiscal year (2024).

Scope for variance explanation - management considers \$100,000 to be significant to the financial statement reader.

**Balance Sheet and Cash Flows:**

- 1 - Cash and cash equivalents was lower than expected due to distributing excess cash.
- 2 - Accounts and notes receivable higher than expected due to new short term member financing agreement and member revolving lines of credit not yet extended.
- 3 - Notes payable, related party higher than expected due to new related party loan.
- 4 - Members' capital distribution higher than expected due to distributing excess cash.

**Statement of Operations:**

- 5 - Sales proceeds were higher than forecasted due to higher than anticipated resales and unit sales prices.
- 6 - Marketing expense was higher than forecasted due to higher than expected expenses.

**THE CYPRESS OF RALEIGH, LLC - BALANCE SHEET**  
**Schedule of 2024 Forecast Versus Actual Comparison - Material Variance Statement**

	<b>Forecast</b>	<b>Actual</b>	<b>Over/(Under) Variance \$</b>	<b>Over/(Under) Variance %</b>	
<u>Assets</u>					
Current Assets:					
Cash & Cash Equivalents	\$ 1,013,176	\$ 682,529	\$ (330,647)	-32.63%	(1)
Accounts Receivable and Notes Receivable, current portion	226,665	1,187,259	960,594	423.79%	(2)
Total Current Assets	1,239,841	1,869,788	629,947		
Property & Equipment					
Furniture, Fixtures, & Equipment	84,328	29,705	(54,623)	-64.77%	
Rental Units	666,731	666,731	-	0.00%	
Less Accumulated Depreciation	(165,903)	(111,280)	54,623	-32.92%	
	585,156	585,156	-		
Naming Rights	900,000	900,000	-	0.00%	
Restricted Assets					
Cash and Cash Equivalents for deposit escrow in money market fund	250,000	264,056	14,056	5.62%	
Other Assets					
Notes Receivable, net of current portion	348,480	-	(348,480)	-100.00%	(2)
Deposits	23,000	23,000	-	0.00%	
Assets Held for Investment	30,000	54,000	24,000	80.00%	
Accrued interest receivable	106,791	105,346	(1,445)	-1.35%	
Total Other Assets	508,271	182,346	(325,925)		
Total Assets	<u>\$ 3,483,268</u>	<u>\$ 3,801,346</u>	<u>\$ 318,078</u>		
<u>Liabilities &amp; Members' Equity</u>					
Current Liabilities					
Accounts Payable & Other Accrued Expenses	\$ 100,000	\$ 75,830	\$ (24,170)	-24.17%	
Notes payable, Related Party	327,484	927,484	600,000	183.22%	(3)
Lease payable, current portion	806	806	-	0.00%	
Reservation Deposits	250,000	264,000	14,000	5.60%	
Total Current Liabilities	678,290	1,268,120	589,830		
Long-Term Liabilities					
Long Term Debt - Related Party	605,401	605,196	(205)	-0.03%	
Total Long-term Liabilities	605,401	605,196	(205)		
Total Liabilities	1,283,691	1,873,316	589,625		
Members' Equity (Deficit)					
Members' Equity	2,199,577	1,928,030	(271,547)	-12.35%	(4)
Total Members' Equity (Deficit)	2,199,577	1,928,030	(271,547)		
Total Liabilities & Members' Equity	<u>\$ 3,483,268</u>	<u>\$ 3,801,346</u>	<u>\$ 318,078</u>		

Scope for variance explanation-management considers \$100,000 to be significant to the financial statement reader.

# THE CYPRESS OF RALEIGH, LLC - OPERATIONS

## Schedule of 2024 Forecast Versus Actual Comparison - Material Variance Statement

	Forecast	Actual	Over/(Under) Variance \$	Over/(Under) Variance %	
<u>Revenue:</u>					
Resale Membership Fees	\$ 1,937,500	\$ 1,936,600	\$ (900)	-0.05%	
Resale Commissions	871,875	1,067,058	195,183	22.39%	(5)
Management Fee	2,555,717	2,548,953	(6,764)	-0.26%	
Interest Income	25,724	77,674	51,950	201.95%	
Total Revenue	5,390,816	5,630,285	239,469		
 Operating Expenses					
Legal and Accounting	79,568	55,526	(24,042)	-30.22%	
Management and Other Expense	360,000	360,000	-	0.00%	
Interest Expense, Not Capitalized	45,349	45,254	(95)	-0.21%	
Contribution	25,750	33,021	7,271	28.24%	
Depreciation and Amortization	28,818	28,818	-	0.00%	
Marketing Expense	750,000	1,062,475	312,475	41.66%	(6)
Total Operating Expenses	1,289,485	1,585,094	295,609		
 Other Income/(Expense)					
Miscellaneous income	-	22,344	22,344	100.00%	
Miscellaneous expense	(100,000)	(51,456)	48,544	-48.54%	
 Net Income	<u>\$ 4,001,331</u>	<u>\$ 4,016,079</u>	<u>\$ 14,748</u>		

Scope for variance explanation-management considers \$100,000 to be significant to the financial statement reader.

**THE CYPRESS OF RALEIGH, LLC - CASH FLOWS**  
**Schedule of 2024 Forecast Versus Actual Comparison - Material Variance Statement**

	<u>Forecast</u>	<u>Actual</u>	<u>Over/(Under) Variance \$</u>	<u>Over/(Under) Variance %</u>	
Cash Provided by Operating Activities:					
Net Income	\$ 4,001,331	\$ 4,016,079	\$ 14,748	0.37%	
Adjustments					
Depreciation and amortization	28,818	28,818	-	0.00%	
Adjustments to Reconcile Change in Operating Activities to Net Cash Provided:					
(Increase)/Decrease in:					
Accounts receivable and notes receivable	545,961	(66,153)	(612,114)	-112.12%	(2)
Accrued interest receivable	(20,724)	(19,279)	1,445	-6.97%	
Increase/(Decrease) in:					
Reservation Deposits Due	38,000	52,000	14,000	36.84%	
Accounts Payable & Other Accrued Expenses	47,603	23,433	(24,170)	-50.77%	
Net Cash Provided by Operating Activities	<u>4,640,989</u>	<u>4,034,898</u>	<u>(606,091)</u>		
Cash Used by Investing Activities					
Sale of Assets Held for Investment	24,000	-	(24,000)	-100.00%	
Net Cash Used by Investing Activities	<u>24,000</u>	<u>-</u>	<u>(24,000)</u>		
Cash Used by Financing Activities					
Activities:					
Proceeds from Notes Payable, Related Party	-	600,000	600,000	100.00%	(3)
Payments on Notes Payable, Related Party	(314,706)	(314,911)	(205)	0.07%	
Payments on Finance Lease Payable	(3,126)	(3,126)	-	0.00%	
Members' Capital Distribution	(3,561,185)	(3,847,480)	(286,295)	8.04%	(4)
Net Cash Used by Financing Activities	<u>(3,879,017)</u>	<u>(3,565,517)</u>	<u>313,500</u>		
Net Decrease In Cash	785,972	469,381	(316,591)	-40.28%	
Beginning Cash	<u>477,204</u>	<u>477,204</u>	<u>-</u>		
Ending Cash	<u>\$ 1,263,176</u>	<u>\$ 946,585</u>	<u>\$ (316,591)</u>		
Cash Consists of:					
Cash & Cash Equivalents		\$ 682,529			
Restricted Cash		<u>264,056</u>			
		<u>\$ 946,585</u>			

Scope for variance explanation-management considers \$100,000 to be significant to the financial statement reader.

**EXHIBIT F**

**THE CYPRESS OF RALEIGH CLUB, INC. AND THE CYPRESS OF RALEIGH  
OWNERS' ASSOCIATION, INC. – INTERIM FINANCIAL STATEMENTS  
FOR THREE MONTHS ENDED MARCH 2025**

**(CONSOLIDATED BALANCE SHEET)**

**{ATTACHED}**



**THE CYPRESS OF RALEIGH CLUB, INC.**  
**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**  
**COMBINED BALANCE SHEET**  
**MARCH 31, 2025**

**ASSETS**

Current Assets	
Cash and cash equivalents	\$ 1,206,058
Cash and cash equivalents - limited as to use	1,945,826
Accounts Receivable	1,028,512
Inventory	126,542
Prepaid Expenses	139,024
Total Current Assets	<u>4,445,962</u>
Assets Limited as to Use	
Restricted Reserves Required by State Statute, cash equivalents	165,249
Restricted Reserves Required by State Statute, investments	5,516,994
Asset Replacement Reserve, investments	7,156,901
Total Assets Limited to Use	<u>12,839,144</u>
Property and Equipment, Net	<u>15,398,188</u>
Other Assets	
Due from Affiliate	23,269
Refundable Deposits	62,327
Right-of-use Assets - Operating Leases	26,027
Total Other Assets	<u>111,622</u>
	<u><u>\$ 32,794,916</u></u>

**LIABILITIES, NET ASSETS AND MEMBERS' EQUITY**

Current liabilities	
Accounts Payable	\$ 834,239
Accrued Expenses	1,334,544
Due to members	5,252
Current Portion of Notes Payable	10,842
Current Portion of Operating Lease Liability	25,301
Current Portion of Finance Lease Liability	361,457
Total Current Liabilities	<u>2,571,635</u>
Long-term Liabilities	
Notes Payable, Net of Current Portion	16,442
Operating Lease Liability, Net of Current Portion	2,107
Finance Lease Liability, Net of Current Portion	80,838
Total Long-term Liabilities	<u>99,387</u>
Total Liabilities	<u>2,671,022</u>
Net Assets, Without Donor Restrictions	<u>(5,523,349)</u>
Net Assets, Without Donor Restrictions - designated for asset replacement	<u>9,102,727</u>
Net Assets, With Donor Restrictions	<u>4,186,000</u>
Members' Equity	
Members' Equity, undesignated	<u>22,358,516</u>
Total Members' Equity	<u>22,358,516</u>
	<u><u>\$ 32,794,916</u></u>

**See Independent Accountants' Compilation Report**

**EXHIBIT G**

**THE CYPRESS OF RALEIGH CLUB, INC. AND THE CYPRESS OF RALEIGH  
OWNERS' ASSOCIATION, INC. – INTERIM FINANCIAL STATEMENTS  
FOR THREE MONTHS ENDED MARCH 2025**

**(CONSOLIDATED OPERATING STATEMENT)**

**{ATTACHED}**

**THE CYPRESS OF RALEIGH CLUB, INC.  
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.  
COMBINED STATEMENT OF OPERATIONS  
THREE MONTHS ENDED MARCH 31, 2025**

**Unrestricted Net Assets:**

**OPERATING REVENUES, GAINS, AND OTHER SUPPORT**

Member fees and assessments	\$ 5,533,106
Health Center	1,653,821
Home Health	721,208
Asset Replacement	4,143
Miscellaneous	1,553
Total Operating Revenues, Gains and Other Support	<u>7,913,831</u>

**OPERATING EXPENSES**

Program Services	
Food and beverage	1,314,816
Health Center	1,452,750
Community Home Health	757,682
Plant	1,068,240
Resident services	204,818
Housekeeping	651,346
	<u>5,449,652</u>

Supporting Services

General and Administrative	1,726,766
Management fees	284,012
	<u>2,010,778</u>

Total Operating Expenses	<u>7,460,430</u>
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Excess of Operating Revenue Over Expenses	453,401
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**OTHER CHANGES**

Net Investment Income	147,365
Other expenses	(76,053)
Interest Expense	<u>(6,020)</u>

Change in net assets without donor restrictions and members' equity	<u>518,693</u>
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**Net Assets With Donor Restrictions:**

Reserves Required By State Statute Deposited	<u>5,000</u>
Change in net assets with donor restrictions	<u>5,000</u>

Change in net assets and members' equity	<u><u>\$ 523,693</u></u>
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**See Independent Accountants' Compilation Report**

**EXHIBIT H**

**THE CYPRESS OF RALEIGH CLUB, INC. AND THE CYPRESS OF RALEIGH  
OWNERS' ASSOCIATION, INC. – INTERIM FINANCIAL STATEMENTS  
FOR THREE MONTHS ENDED MARCH 2025**

**(CONSOLIDATED STATEMENT OF CASH FLOW)**

**{ATTACHED}**

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**  
**COMBINED STATEMENT OF CASH FLOWS**  
**THREE MONTHS ENDED MARCH 31, 2025**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net change in net assets and members' equity	\$ 523,693
Adjustments to Reconcile Increase in Net Assets	
To Cash Provided by Operating Activities	
Depreciation	294,730
Realized and Unrealized Gains/Losses	(83,963)
Accrued Interest and Dividend income	349
Amortization of right-of-use financing lease asset	39,279
Changes in working capital components:	
(Increase)decrease in:	
Accounts and Other Receivables	(56,343)
Prepaid Expenses	20,803
Due From Affiliate	11,970
Increase (decrease)	
Accounts payable	99,073
Accrued Expenses	112,602
Due to Members	(22,013)
Operating Lease Assets and Liabilities	1,381
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>941,561</u>
<b>INVESTING ACTIVITIES</b>	
Purchase of Investments	(2,448,423)
Proceeds from Sales of Investments	2,334,073
Purchase of Property and Equipment	<u>(402,298)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(516,648)</u>
<b>FINANCING ACTIVITIES</b>	
Payments on Notes Payable	(3,820)
Payments on Finance Lease Liability	<u>(39,648)</u>
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<u>(43,468)</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>	381,445
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR</b>	<u>2,935,688</u>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR</b>	<u><u>\$ 3,317,133</u></u>
<b>CASH CONSISTS OF:</b>	
Cash and cash equivalents	\$ 1,206,058
Cash and cash equivalents - without donor restrictions, designated	1,945,826
Restricted cash included in assets limited to use	<u>165,249</u>
	<u><u>\$ 3,317,133</u></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>	
Cash paid for Interest	<u><u>\$ 6,020</u></u>

**See Independent Accountants' Compilation Report**

**EXHIBIT I**

**THE CYPRESS OF RALEIGH CLUB, INC.  
FORECASTED FINANCIAL STATEMENTS FOR THE  
YEARS ENDED DECEMBER 31, 2025 THROUGH 2029**

**{ATTACHED}**

**THE CYPRESS OF RALEIGH CLUB, INC.**

**FORECASTED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDING DECEMBER 31, 2025 THROUGH 2029**

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FORECASTED FINANCIAL STATEMENTS	
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Statements of Activities	3
Statements of Changes in Net Assets	4
Statements of Cash Flows	5
Summary of Significant Accounting Policies and Forecasted Assumptions	6 -13





## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors  
The Cypress of Raleigh Club, Inc.

Management is responsible for the accompanying forecast of The Cypress of Raleigh Club, Inc., which comprises the forecasted statements of financial position as of December 31, 2025 through 2029 and the related forecasted statements of activities, changes in net assets and cash flows, for the years then ending, and the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the forecast or were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this forecast.

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

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

*Dreher Martin CPAs, P.A.*

Raleigh, North Carolina  
March 25, 2025

DREHER MARTIN CPAs, P.A.  
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**THE CYPRESS OF RALEIGH CLUB, INC.**  
**Forecasted Statements of Financial Position for the Years Ending December 31, 2025 Through 2029**

**See Accompanying Summaries of Significant Accounting Policies  
and Forecasted Assumptions and Independent Accountants' Compilation Report**

	2025	2026	2027	2028	2029
<u>Assets</u>					
Current Assets:					
Cash and Cash Equivalents	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Cash and Cash Equivalents - limited as to use	214,864	219,161	223,545	228,015	232,576
Accounts Receivable	954,779	987,285	1,031,809	1,078,104	1,126,225
Inventory	126,542	126,542	126,542	126,542	126,542
Prepaid Expenses	165,421	171,211	177,203	183,405	189,824
Total Current Assets	2,461,606	2,504,200	2,559,099	2,616,067	2,675,167
Property, Plant & Equipment:					
Furniture, Fixtures, & Equipment	3,756,323	3,878,649	4,045,207	4,284,067	4,527,045
	3,756,323	3,878,649	4,045,207	4,284,067	4,527,045
Less Accumulated Depreciation	(2,063,508)	(2,471,666)	(2,846,893)	(3,187,978)	(3,451,293)
Net Property, Plant & Equipment	1,692,815	1,406,983	1,198,314	1,096,089	1,075,752
Assets Limited as to Use					
Assets Limited as to Use					
Restricted Reserves Required by State Statute, Cash Equivalents	222,502	226,952	231,491	236,121	240,843
Restricted Reserves Required by State Statute, Investments	5,641,674	5,862,424	6,089,797	6,323,990	6,565,210
Asset Replacement Reserve, Investments	7,073,240	8,154,362	9,177,750	9,977,330	11,036,303
Total Assets Limited as to Use	12,937,416	14,243,738	15,499,038	16,537,441	17,842,356
Other Assets					
Due (to) from Association	(2,657,717)	(612,181)	(859,831)	(1,266,544)	(1,286,878)
Refundable Deposits	62,327	62,327	62,327	62,327	62,327
Total Other Assets	(2,595,390)	(549,854)	(797,504)	(1,204,217)	(1,224,551)
Total Assets	\$ 14,496,447	\$ 17,605,067	\$ 18,458,947	\$ 19,045,379	\$ 20,368,724
<u>Liabilities &amp; Net Assets</u>					
Current Liabilities:					
Accounts Payable	\$ 731,854	\$ 758,721	\$ 787,232	\$ 816,815	\$ 847,512
Accrued Expenses	1,216,439	1,261,096	1,308,484	1,357,656	1,408,677
Due to Members	16,233	16,720	17,222	17,738	18,271
Current Portion of Notes Payable	15,198	1,243	-	-	-
Current Portion of Finance Lease Liability	141,579	117,308	70,403	-	-
Deferred Revenue - Refundable	-	-	-	-	-
Deferred Revenue - Non-Refundable	-	-	-	-	-
Total Current Liabilities	2,121,303	2,155,088	2,183,341	2,192,209	2,274,460
Notes Payable, Net of Current Portion	1,243	-	-	-	-
Finance Lease Liability, Net of Current Portion	187,711	70,403	-	-	-
Total Long-term Liabilities	188,954	70,403	-	-	-
Total Liabilities	2,310,257	2,225,491	2,183,341	2,192,209	2,274,460
Net Assets:					
Without donor restrictions					
Undesignated	667,087	2,725,053	2,543,311	2,266,825	2,394,385
Designated	7,288,104	8,373,523	9,401,295	10,205,345	11,268,879
With donor restrictions	4,231,000	4,281,000	4,331,000	4,381,000	4,431,000
Total Net Assets	12,186,191	15,379,576	16,275,606	16,853,170	18,094,264
Total Liabilities & Net Assets	\$ 14,496,447	\$ 17,605,067	\$ 18,458,947	\$ 19,045,379	\$ 20,368,724

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**Forecasted Statements of Activities for the Years Ending December 31, 2025 Through 2029**

**See Accompanying Summaries of Significant Accounting Policies  
and Forecasted Assumptions and Independent Accountants' Compilation Report**

	2025	2026	2027	2028	2029
<b>Net Assets Without Donor Restrictions</b>					
Operating Revenue:					
Service Fees	\$ 11,678,980	\$ 12,146,139	\$ 12,631,558	\$ 13,136,383	\$ 13,661,390
Health Center	6,511,235	6,694,183	7,030,693	7,380,523	7,743,995
Home Health Revenue	2,866,315	2,980,968	3,100,206	3,224,215	3,353,183
Other Income	23,885	18,000	18,900	19,845	20,440
Total Operating Revenue	21,080,415	21,839,290	22,781,357	23,760,966	24,779,008
Operating Expenses:					
Program Services					
Housekeeping	2,179,199	2,255,471	2,334,413	2,416,118	2,500,682
Food and beverage	5,608,756	5,805,062	6,037,265	6,278,756	6,529,906
Health Center	5,705,564	5,933,787	6,171,138	6,417,984	6,674,703
Community Home Health	2,725,524	2,841,359	2,962,117	3,088,006	3,219,247
Resident Services	913,788	945,771	978,873	1,013,133	1,048,593
Plant	689,074	716,637	745,303	775,115	806,119
	17,821,905	18,498,087	19,229,109	19,989,112	20,779,250
Supportive Services					
General & Administrative	2,421,539	2,470,064	2,509,301	2,549,850	2,549,386
Management Fee - Life Care Services	759,473	787,817	820,973	855,451	891,290
Management Fee - Cypress of Raleigh, LLC	1,782,542	1,850,474	1,922,725	1,997,801	2,075,811
	4,963,554	5,108,355	5,252,999	5,403,102	5,516,487
Total Operating Expenses	22,785,459	23,606,442	24,482,108	25,392,214	26,295,737
Excess of Operating Revenues Over (Under) Expenses	(1,705,044)	(1,767,151)	(1,700,750)	(1,631,248)	(1,516,729)
Other Changes:					
Net Investment Income (Loss)	405,835	409,600	448,928	482,938	515,795
Other expenses	(556,200)	(572,886)	(590,073)	(607,775)	(626,008)
Increase (Decrease) in Net Assets without Donor Restrictions	(1,855,409)	(1,930,437)	(1,841,895)	(1,756,085)	(1,626,942)
<b>Net Assets With Donor Restrictions</b>					
Reserves Required by State Statute Deposited	50,000	50,000	50,000	50,000	50,000
Net Assets with Donor Restrictions	50,000	50,000	50,000	50,000	50,000
Increase (Decrease) in Net Assets	\$ (1,805,409)	\$ (1,880,437)	\$ (1,791,895)	\$ (1,706,085)	\$ (1,576,942)

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**Forecasted Statements of Changes in Net Assets for the Years Ending December 31, 2025 Through 2029**

**See Accompanying Summaries of Significant Accounting Policies  
and Forecasted Assumptions and Independent Accountants' Compilation Report**

	2025	2026	2027	2028	2029
Net Assets without Donor Restrictions:					
Undesignated Net Assets without Donor Restrictions:					
Undesignated Net Assets without Donor Restrictions-beginning of year	\$ (4,730,248)	\$ 667,087	\$ 2,725,053	\$ 2,543,311	\$ 2,266,825
Increase (Decrease) in Undesignated Net Assets without Donor Restrictions	(2,088,348)	(2,160,539)	(2,104,528)	(2,045,728)	(1,942,235)
Transfer from (to) net assets designated for asset replacement	1,411,746	(774,317)	(681,139)	(427,407)	(658,241)
Transfer from (to) Association	8,809,654	5,686,003	3,547,756	3,550,193	4,104,914
Asset purchases transferred to Owners' Association	(2,735,717)	(693,181)	(943,831)	(1,353,544)	(1,376,878)
Increase (Decrease) in Undesignated Net Assets without Donor Restrictions-end of year	667,087	2,725,053	2,543,311	2,266,825	2,394,385
Designated Net Assets without Donor Restrictions:					
Designated Net Assets without Donor Restrictions-beginning of year	8,388,911	7,288,104	8,373,523	9,401,295	10,205,345
Transfer (to) from Undesignated Net Assets without Donor Restrictions	(1,411,746)	774,317	681,139	427,407	658,241
Increase (Decrease) in Designated Net Assets without Donor Restrictions	232,939	230,102	262,633	289,643	315,293
Amounts transferred from Owners' Association for reserves	78,000	81,000	84,000	87,000	90,000
Increase (Decrease) in Designated Net Assets without Donor Restrictions -end of year	7,288,104	8,373,523	9,401,295	10,205,345	11,268,879
Net Assets with Donor Restrictions:					
Net assets with Donor Restrictions -beginning of year	4,181,000	4,231,000	4,281,000	4,331,000	4,381,000
Additions from new units	50,000	50,000	50,000	50,000	50,000
Net assets with Donor Restrictions -end of year	4,231,000	4,281,000	4,331,000	4,381,000	4,431,000
Net Assets-end of year	\$ 12,186,191	\$ 15,379,576	\$ 16,275,606	\$ 16,853,170	\$ 18,094,264

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**Forecasted Statements of Cash Flows From Operations for the Years Ending December 31, 2025 Through 2029**

**See Accompanying Summaries of Significant Accounting Policies and Forecasted Assumptions  
and Independent Accountants' Compilation Report**

	2025	2026	2027	2028	2029
<u>Cash Flows from Operating Activities</u>					
Change in Net Assets	\$ (1,805,409)	\$ (1,880,437)	\$ (1,791,895)	\$ (1,706,085)	\$ (1,576,942)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:					
Depreciation	341,025	336,497	303,568	308,324	263,315
Amortization of right-of-use financing lease asset	93,940	71,661	71,661	32,761	-
(Increase) Decrease in:					
Accounts Receivable	17,390	(32,506)	(44,524)	(46,295)	(48,120)
Due from Association	(5,282,516)	(2,045,536)	247,650	406,714	20,333
Prepaid Expenses	(5,594)	(5,790)	(5,992)	(6,202)	(6,419)
Increase (Decrease) in:					
Accounts Payable	(3,311)	26,867	28,510	29,583	30,697
Due to Members	(11,032)	487	502	517	532
Accrued Expense	(5,503)	44,657	47,388	49,172	51,022
Net Cash Used by Operating Activities	(6,661,010)	(3,484,100)	(1,143,132)	(931,512)	(1,265,582)
Cash Flow from Investing Activities					
Sale (Purchase) of Investments	(238,983)	(1,301,872)	(1,250,761)	(1,033,773)	(1,300,193)
Purchase of Property & Equipment	(3,218,490)	(815,507)	(1,110,389)	(1,592,405)	(1,619,856)
Net Cash Used by Investing Activities	(3,457,473)	(2,117,379)	(2,361,150)	(2,626,178)	(2,920,049)
Cash Flow from Financing Activities					
Transfers from (to) Association	8,887,654	5,767,003	3,631,756	3,637,193	4,194,914
Payments on notes payable	(14,663)	(15,198)	(1,243)	-	-
Payments on Finance Lease Liability	(152,653)	(141,579)	(117,308)	(70,403)	-
Net Cash Provided by Financing Activities	8,720,338	5,610,226	3,513,205	3,566,790	4,194,914
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash	(1,398,145)	8,747	8,923	9,100	9,283
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	2,835,511	1,437,366	1,446,113	1,455,036	1,464,136
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	\$ 1,437,366	\$ 1,446,113	\$ 1,455,036	\$ 1,464,136	\$ 1,473,419
CASH AND CASH EQUIVALENTS RECONCILIATION					
Cash and Cash Equivalents	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Cash and Cash Equivalents-Without Donor Restrictions, Designated	214,864	219,161	223,545	228,015	232,576
Restricted Cash Included in Assets Limited to Use	222,502	226,952	231,491	236,121	240,843
	\$ 1,437,366	\$ 1,446,113	\$ 1,455,036	\$ 1,464,136	\$ 1,473,419

**THE CYPRESS OF RALEIGH CLUB, INC.  
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies  
and Forecasted Assumptions**

**Years Ending December 31, 2025 through 2029**

**See Independent Accountants' Compilation Report**

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 March 25, 2025, the date of these forecasts, of the expected conditions and management's expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecasts. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

**1. Summary of Significant Accounting Policies**

**Nature of Organization and Activities**

The accompanying forecasted financial statements include the accounts of The Cypress of Raleigh Club, Inc. ("Club"). 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 of Raleigh, a condominium continuing care retirement community located in Raleigh ("The Cypress" or "community"). The Cypress of Raleigh Owners' Association, Inc. ("Association") was created in accordance with the North Carolina Condominium Act to manage The Cypress.

The Club engages in various transactions with affiliates, The Cypress of Raleigh, LLC (the "Company") and Association. The Company is the developer of 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 Association has delegated to the Club all of the Association's responsibilities with respect to investment management and maintenance of the community's common areas, including the clubhouse and health center. Life Care Services, LLC, a specialist in continuing care, has been retained to manage the daily operations of the Club.

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, other liabilities and prepaid expenses.

**THE CYPRESS OF RALEIGH CLUB, INC.  
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies  
and Forecasted Assumptions**

**Years Ending December 31, 2025 through 2029**

**See Independent Accountants' Compilation Report**

**1. Summary of Significant Accounting Policies (continued)**

**Contributions and Net Assets**

Funds received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of the funding restrictions. When a restriction expires (that is, when a stipulated time restriction ends or when the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

All restrictions on long-lived assets are released from restriction when the asset is placed in service, unless there are explicit donor restrictions indicating otherwise.

The Club follows the recommendations of the Financial Accounting Standards Board in its FASB ASC 958, "Not-for-Profit Entities." Under FASB ASC 958, the Club is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Accordingly, net assets of the Club and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations.

**Net Assets With Donor Restrictions** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Club and/or the passage of time or net assets subject to donor imposed stipulations that must be maintained in perpetuity by the Club.

**Cash and Cash Equivalents and Restricted Cash**

For purposes of the statement of cash flows, the entities consider all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Restricted cash consists of funds that have donor or contractual restrictions for long-term purposes. The cash restricted, either by donor or contractually, is reflected in net assets with donor restrictions.

**THE CYPRESS OF RALEIGH CLUB, INC.  
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies  
and Forecasted Assumptions**

**Years Ending December 31, 2025 through 2029**

**See Independent Accountants' Compilation Report**

**1. Summary of Significant Accounting Policies (continued)**

**Investments**

Investments consist of mutual fund investments, exchange traded funds and bonds. Consistent with FASB ASC 958-320, FASB 820-10 and FASB ASC 825-10, these investments are stated at fair value based on market quoted from identical investments or similar instruments in active markets.

**Accounts Receivable**

The Club records accounts receivable at total unpaid balance, which approximates fair value. The Club determines past-due status of individual accounts receivable based on terms of the original contract (or based on how recently payments have been made, for example). The Club estimates an allowance for doubtful accounts 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 accounts receivable. Delinquent accounts are written off when deemed uncollectible. The Club's management considers all accounts currently collectible and does not establish an allowance for uncollectible accounts at this time.

**Inventory**

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

**Prepaid Expenses**

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



**THE CYPRESS OF RALEIGH CLUB, INC.  
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies  
and Forecasted Assumptions**

**Years Ending December 31, 2025 through 2029**

**See Independent Accountants' Compilation Report**

**1. Summary of Significant Accounting Policies (continued)**

**Property and Equipment**

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 seven to thirty-nine years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. The Club's policy is to capitalize property and equipment over \$1,000. Expenditures for maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense as incurred. Club equipment is capitalized at cost.

**Assets Limited as to Use**

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

North Carolina General Statute Chapter 58, Article 64, requires continuing care retirement communities to maintain an operating reserve equal to a statutorily required percentage of total forecasted operating costs (less certain expenses) for a specific period. This operating reserve is not Board-controlled and cannot be used without the prior approval of the commissioner of the North Carolina Department of Insurance pursuant to GS § 58-64-33(c).

**Due to Association and Affiliate**

Cash funds are maintained in the Club where all income is collected, and all expenses are paid. The Club holds these cash funds for the Association.

**Leases**

The Club determines if an arrangement is a lease at inception. All leases are recorded on the statement of financial position except for leases with an initial term less than 12 months for which the Club made the short-term lease election.

**THE CYPRESS OF RALEIGH CLUB, INC.  
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies  
and Forecasted Assumptions**

**Years Ending December 31, 2025 through 2029**

**See Independent Accountants' Compilation Report**

**1. Summary of Significant Accounting Policies (concluded)**

**Leases (concluded)**

Operating lease right-of-use assets (ROU) and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. Finance lease ROU assets are included in Property, plant and equipment, net, and the related liabilities are included in lease liabilities in the forecasted statements of financial position based on the present value of the remaining lease payments.

**Revenue Recognition**

Service fees represent amounts charged to residents under the terms of the Membership Agreement. Services are provided to members on an ongoing basis throughout the year and as a result revenue is recognized monthly at the time of billing.

Health Center and home health revenue is reported at the estimated net realizable amounts from residents, third-party payers and others for room and board and services/supplies received. Revenue is recognized monthly at the time of billing.

Revenues under third-party payer agreements are subject to audit and retroactive adjustment. Provisions for estimated third-party payer 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.

**Income Taxes**

The Club is a not-for-profit organization that applied for exemption from income taxes under Section 501(c) 4 of the Internal Revenue Code. The Club received its tax-exempt status on April 28, 2005.

**Estimates**

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

**THE CYPRESS OF RALEIGH CLUB, INC.  
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies  
and Forecasted Assumptions**

**Years Ending December 31, 2025 through 2029**

**See Independent Accountants' Compilation Report**

**2. Summary of Significant Forecasted Assumptions**

**Cash and Cash Equivalents**

Cash and cash equivalents are based on the forecasted statements of activities and the related changes in the statements of financial position as noted in the forecasted statements of cash flows.

**Investments**

Investments have been calculated based on historical data adjusted for estimated growth of between 2 – 3 % depending on investment type.

**Accounts Receivable**

Accounts receivable have been calculated based on historical data adjusted for estimated inflation of between 4 – 5 % depending on revenue type.

**Property, Plant and Equipment**

Property and equipment has been calculated based upon expected capital budget.

**Assets Whose Use is Limited**

Operating reserves are forecast to meet the minimum operating reserve requirements which will be required by the North Carolina Department of Insurance. The Cypress is required to maintain reserve funds equal to 50% of the total annual operating expenses if the occupancy is below 90%. Since the occupancy exceeds 90%, the reserve requirement is required to be 25%. The Company reserves the right, if necessary or appropriate, to loan funds for the reserve account and to be reimbursed as funding occurs through future sales. The Association has also adopted a resolution to designate funds from the asset replacement reserve account to meet the statutory reserve requirement, if necessary. This fund was transferred from the Association to the Club in 2015.

A reserve for asset replacement has also been established, funded through monthly condominium fees budgeted annually. This fund was transferred from the Association to the Club in 2015.

**THE CYPRESS OF RALEIGH CLUB, INC.  
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies  
and Forecasted Assumptions**

**Years Ending December 31, 2025 through 2029**

**See Independent Accountants' Compilation Report**

**2. Summary of Significant Forecasted Assumptions (continued)**

**Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses have been calculated based on historical data adjusted for estimated inflation of 4% over the term of the forecast.

**Revenue**

The revenue and expense estimates have been calculated based upon full occupancy of the 319 Independent Living villas and cottages. The Cypress also has a five-star skilled nursing facility (the "Rosewood") with 61 beds. The occupancy for the Rosewood is estimated at anticipated continuing care from independent living.

Monthly payments from residents of The Cypress include a service fee component and a condominium fee component. These monthly payments vary by unit, and the amounts included herein are the weighted average monthly payments for the villas and cottages. The monthly payments, second person fees and health center fees are based upon expected fill up budget. Revenues on the monthly payments and second person fees are calculated based upon the occupancy numbers and the weighted average service fees/second person fees.

Health Center revenues are based on historic occupancy rates; prices for services are adjusted for an average inflation rate of 4%.

Community Home Health revenues are based on growth rates achieved by comparable services provided by continuing care retirement communities similar to The Cypress of Raleigh.

**Operating Expenses**

Expenses for program services are based on historic data and adjusted for estimated inflation of 4%.

General and administrative expenses have been estimated based on historic data of the Club and adjusted for estimated inflation over the term of the forecast. Management fees consist of fees paid to Life Care Services of the greater of \$45,000 or 3.6% of gross operating revenue and the overhead fee paid to the Company, which is 10% of the operating expense of the community before depreciation, income taxes and overhead fee.

**THE CYPRESS OF RALEIGH CLUB, INC.  
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies  
and Forecasted Assumptions**

**Years Ending December 31, 2025 through 2029**

**See Independent Accountants' Compilation Report**

**2. Summary of Significant Forecasted Assumptions (concluded)**

**Depreciation and Amortization**

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. Amortization expense reflects the straight-line reduction of finance lease assets over the shorter of the lease term or the asset's estimated useful life.

Buildings and Improvements	40 years
Furniture, fixtures & equipment	7 years
Vehicles	4-5 years

**Other Expenses**

Other expenses represent scheduled unit refurbishment costs expected to be incurred as the units age. Refurbishment includes costs such as replacing appliances, flooring and painting.

**Income Taxes**

The Club is a non-profit organization under Section 501(c) (4) of the Internal Revenue Code and, accordingly, no provision for income taxes was recorded.

**EXHIBIT J**

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.  
FORECASTED FINANCIAL STATEMENTS FOR THE YEARS  
ENDED DECEMBER 31, 2025 THROUGH 2029**

**{ATTACHED}**

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**

**FORECASTED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDING DECEMBER 31, 2025 THROUGH 2029**

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## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors  
The Cypress of Raleigh Owners' Association, Inc.

Management is responsible for the accompanying forecast of The Cypress of Raleigh Owners' Association, Inc., which comprises the forecasted statements of financial position as of December 31, 2025 through 2029 and the related forecasted statements of activities, changes in 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 forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the forecast or were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this forecast.

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

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

*Dreher Martin CPAs, P.A.*

Raleigh, North Carolina  
March 25, 2025

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**  
**Forecasted Statements of Financial Position for the Years Ending December 31, 2025 Through 2029**

**See Accompanying Summaries of Significant Accounting Policies and Forecasted Assumptions  
and Independent Accountants' Compilation Report**

	2025	2026	2027	2028	2029
Current Assets					
Cash	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Total current assets	100,000	100,000	100,000	100,000	100,000
Property, Plant & Equipment:					
Furniture & Fixtures	22,628,259	23,321,441	24,265,272	25,618,816	26,995,694
	22,628,259	23,321,441	24,265,272	25,618,816	26,995,694
Less Accumulated Depreciation	(7,417,198)	(8,685,478)	(10,024,234)	(11,474,760)	(13,017,703)
Net Property, Plant & Equipment	15,211,061	14,635,963	14,241,038	14,144,056	13,977,991
Due from Club	2,657,717	612,181	859,831	1,266,544	1,286,878
Total Assets	\$ 17,968,778	\$ 15,348,144	\$ 15,200,869	\$ 15,510,600	\$ 15,364,869
Members' Equity					
Undesignated	\$ 17,968,778	\$ 15,348,144	\$ 15,200,869	\$ 15,510,600	\$ 15,364,869
Total Members' Equity	17,968,778	15,348,144	15,200,869	15,510,600	15,364,869
Total Liabilities & Members' Equity	\$ 17,968,778	\$ 15,348,144	\$ 15,200,869	\$ 15,510,600	\$ 15,364,869

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**  
**Forecasted Statements of Activities for the Years Ending December 31, 2025 Through 2029**

**See Accompanying Summaries of Significant Accounting Policies and Forecasted Assumptions  
and Independent Accountants' Compilation Report**

	2025	2026	2027	2028	2029
Operating Revenue:					
Service Fees	\$ 10,406,837	\$ 10,823,111	\$ 11,255,655	\$ 11,705,491	\$ 12,173,311
Asset Replacement	78,000	81,000	84,000	87,000	90,000
Insurance	34,401	35,724	37,047	38,370	39,693
Total Operating Revenue	10,519,238	10,939,835	11,376,702	11,830,861	12,303,004
Operating Expenses:					
Program Services					
Housekeeping	871,410	901,909	933,476	966,147	999,962
Plant	3,802,936	3,955,053	4,113,255	4,277,785	4,448,897
	4,674,346	4,856,962	5,046,731	5,243,932	5,448,859
Supportive Services					
General & Administrative	2,232,678	2,330,232	2,437,947	2,588,216	2,720,431
Management Fee - Life Care Services	374,069	388,029	404,360	421,342	438,994
Management Fee - Cypress of Raleigh, LLC	877,968	911,428	947,014	983,991	1,022,415
	3,484,715	3,629,689	3,789,321	3,993,549	4,181,840
Total Operating Expenses	8,159,061	8,486,649	8,836,052	9,237,480	9,630,699
Excess of Operating Revenue Over Expense	2,360,177	2,453,186	2,540,650	2,593,381	2,672,305
Other Changes:					
Amortization of Entrance Fees	-	-	-	-	-
Increase (Decrease) in Members' Equity	\$ 2,360,177	\$ 2,453,186	\$ 2,540,650	\$ 2,593,381	\$ 2,672,305

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**  
**Forecasted Statements of Changes in Members' Equity for the Years Ending December 31, 2025 Through 2029**

**See Accompanying Summaries of Significant Accounting Policies and Forecasted Assumptions  
and Independent Accountants' Compilation Report**

	2025	2026	2027	2028	2029
Members' Equity - undesignated					
Beginning balance	\$ 21,760,538	\$ 17,968,778	\$ 15,348,144	\$ 15,200,869	\$ 15,510,600
Excess of revenue, gains and other support over expense	2,360,177	2,453,186	2,540,650	2,593,381	2,672,305
Assets purchases transferred from Club	2,735,717	693,181	943,831	1,353,544	1,376,878
Transfers (to) from Club	(8,809,654)	(5,686,003)	(3,547,756)	(3,550,193)	(4,104,914)
Amounts transferred to Club for reserves	(78,000)	(81,000)	(84,000)	(87,000)	(90,000)
Members' Equity - undesignated - end of year	<u>\$ 17,968,778</u>	<u>\$ 15,348,144</u>	<u>\$ 15,200,869</u>	<u>\$ 15,510,600</u>	<u>\$ 15,364,869</u>

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**  
**Forecasted Statements of Cash Flows From Operations for the Years Ending December 31, 2025 Through 2029**

**See Accompanying Summaries of Significant Accounting Policies and Forecasted Assumptions  
and Independent Accountants' Compilation Report**

	2025	2026	2027	2028	2029
<u>Cash Flows from Operating Activities</u>					
Change in Members' Equity	\$ 2,360,177	\$ 2,453,186	\$ 2,540,650	\$ 2,593,381	\$ 2,672,305
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:					
Depreciation	1,209,544	1,268,281	1,338,756	1,450,526	1,542,942
(Increase)Decrease in:					
Due (to) from Club	5,317,756	2,045,536	(247,650)	(406,714)	(20,333)
Net Cash Provided by Operating Activities	8,887,477	5,767,003	3,631,756	3,637,193	4,194,914
Cash Flow from Financing Activities					
Transfers to Club	(8,887,654)	(5,767,003)	(3,631,756)	(3,637,193)	(4,194,914)
Cash Used by Financing Activities	(8,887,654)	(5,767,003)	(3,631,756)	(3,637,193)	(4,194,914)
Net Increase (Decrease) in Cash and Cash Equivalents	(177)	(0)	0	(0)	0
Cash and Cash Equivalents at Beginning of Year	\$ 100,177	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Cash and Cash Equivalents at End of Year	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.  
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies  
and Forecasted Assumptions**

**Years Ending December 31, 2025 through 2029**

**See Independent Accountants' Compilation Report**

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 March 25, 2025, the date of these forecasts, of the expected conditions and management's expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecasts. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

**1. Summary of Significant Accounting Policies**

**Nature of Organization and Activities**

The accompanying forecasted financial statements include the accounts of The Cypress of Raleigh Owners' Association, Inc. (the "Association") (a not-for-profit entity) organized under the laws of the State of North Carolina in connection with the development of The Cypress of Raleigh, a condominium continuing care retirement community located in Raleigh ("The Cypress" or "community").

The Association engages in various transactions with affiliates, The Cypress of Raleigh, LLC (the "Company") and Club. The Company is the developer of The Cypress. The Association is comprised of the owners of units in The Cypress and serves as the governing body for all issues related to the real estate aspects of the units and the common areas of the community. The Association has delegated to the Club all of the Association's responsibilities with respect to investment management and maintenance of the community's common areas, including the clubhouse and health center.

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, other liabilities and prepaid expenses.

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.  
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies  
and Forecasted Assumptions**

**Years Ending December 31, 2025 through 2029**

**See Independent Accountants' Compilation Report**

**1. Summary of Significant Accounting Policies (continued)**

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Association considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Property and Equipment**

The Association capitalizes all property and equipment to which it has title or other evidence of ownership over \$1,000. The Association does not recognize as assets real property directly associated with the members' units. Capitalized assets acquired by the Association are recorded at cost, while assets contributed by the developer are recorded at estimated fair value at the date of the contribution.

The Association assesses long-lived assets for impairment when events or circumstances exist that indicates the carrying amounts of these assets may not be recoverable.

**Due from Club**

Cash funds are maintained in the Club where all income is collected, and all expenses are paid. The Club holds these cash funds for the Association.

**Revenue Recognition**

The Association's revenue is generated primarily through association fees from condominium owners in The Cypress and represent amounts charged to residents under the terms of the Membership Agreement. Services are provided to members on an ongoing basis throughout the year and as a result revenue is recognized monthly at the time of billing.

**Income Taxes**

Homeowners associations may be taxed either as homeowners associations or as regular corporations. As a homeowners association, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its nonmembership income, such as interest earnings, at regular federal and state corporate rates.

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**  
**FINANCIAL FORECAST**

**Summary of Significant Accounting Policies  
and Forecasted Assumptions**

**Years Ending December 31, 2025 through 2029**

**See Independent Accountants' Compilation Report**

**1. Summary of Significant Accounting Policies (concluded)**

**Estimates**

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

**2. Summary of Significant Forecasted Assumptions**

**Cash and Cash Equivalents**

Cash and cash equivalents are based on the forecasted statements of activities and the related changes in the statements of financial position as noted in the forecasted statements of cash flows.

**Property, Plant and Equipment**

Property and equipment has been calculated based upon expected capital budget.

**Revenue**

The revenue and expense estimates have been calculated based upon full occupancy of the 319 Independent Living villas and cottages. The Cypress also has a five-star skilled nursing facility (the "Rosewood") with 61 beds. The occupancy for the Rosewood is estimated at anticipated continuing care from independent living.

Monthly payments from residents of The Cypress include a service fee component and a condominium fee component. These monthly payments vary by unit and the amounts included herein are the weighted average monthly payments for the villas and cottages. The monthly payments, second person fees and health center fees are based upon expected fill up budget. Revenues on the monthly payments and second person fees are calculated based upon the occupancy numbers and the weighted average service fees/second person fees.



**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.  
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies  
and Forecasted Assumptions**

**Years Ending December 31, 2025 through 2029**

**See Independent Accountants' Compilation Report**

**2. Summary of Significant Forecasted Assumptions (concluded)**

**Operating Expenses**

Expenses for program services are based on historical data for each service adjusted for estimated inflation of 4%.

General and administrative expenses have been estimated based on historic data and adjusted for estimated inflation over the term of the forecast. Management fees consist of fees paid to Life Care Services of the greater of \$45,000 or 3.6% of gross operating revenue and the overhead fee paid to the Company, which is 10% of the operating expense of the community before depreciation, income taxes and overhead fee.

**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.

Buildings and improvements	40 years
Furniture, fixtures & equipment	7 years

**EXHIBIT K**

**THE CYPRESS OF RALEIGH CLUB, INC. AND  
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.  
COMBINED FORECASTED FINANCIAL STATEMENTS FOR  
THE YEARS ENDED DECEMBER 31, 2025 THROUGH 2029**

**{ATTACHED}**

**THE CYPRESS OF RALEIGH CLUB, INC.**

**AND**

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**

**COMBINED FORECASTED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDING DECEMBER 31, 2025 THROUGH 2029**

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## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors

The Cypress of Raleigh Club, Inc.

The Cypress of Raleigh Owners' Association, Inc.

Management is responsible for the accompanying forecast of The Cypress of Raleigh Club, Inc. and The Cypress of Raleigh Owners' Association, Inc., which comprises the forecasted statements of financial position as of December 31, 2025 through 2029 and the related forecasted statements of activities, changes in net assets and cash flows, for the years then ending, and the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the forecast or were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this forecast.

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

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

*Dreher Martin CPAs, P.A.*

Raleigh, North Carolina

March 25, 2025

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**  
**Combined Forecasted Statements of Financial Position for the Years Ending December 31, 2025 Through 2029**

See Accompanying Summaries of Significant Accounting Policies and Forecasted Assumptions  
and Independent Accountants' Compilation Report

	2025	2026	2027	2028	2029
<u>Assets</u>					
Current Assets:					
Cash and Cash Equivalents	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000
Cash and Cash Equivalents-limited as to use	214,864	219,161	223,545	228,015	232,576
Accounts Receivable	954,779	987,285	1,031,809	1,078,104	1,126,225
Inventory	126,542	126,542	126,542	126,542	126,542
Prepaid Expenses	165,421	171,211	177,203	183,405	189,824
Total Current Assets	2,561,606	2,604,199	2,659,099	2,716,066	2,775,167
Property, Plant & Equipment:					
Furniture, Fixtures, & Equipment	26,384,581	27,200,090	28,310,479	29,902,883	31,522,739
	26,384,581	27,200,090	28,310,479	29,902,883	31,522,739
Less Accumulated Depreciation	(9,480,705)	(11,157,143)	(12,871,126)	(14,662,738)	(16,468,997)
Net Property, Plant & Equipment	16,903,876	16,042,947	15,439,353	15,240,145	15,053,742
Assets Limited as to Use					
Restricted Reserves Required by State Statute, Cash Equivalent	222,502	226,952	231,491	236,121	240,843
Restricted Reserves Required by State Statute, Investments	5,641,674	5,862,424	6,089,797	6,323,990	6,565,210
Asset Replacement Reserve, Investments	7,073,240	8,154,362	9,177,750	9,977,330	11,036,303
Total Assets Limited as to Use	12,937,416	14,243,738	15,499,038	16,537,441	17,842,356
Other Assets					
Refundable Deposits	62,327	62,327	62,327	62,327	62,327
Total Other Assets	62,327	62,327	62,327	62,327	62,327
Total Assets	\$ 32,465,225	\$ 32,953,211	\$ 33,659,817	\$ 34,555,979	\$ 35,733,592
<u>Liabilities &amp; Net Assets</u>					
Current Liabilities:					
Accounts Payable	\$ 731,854	\$ 758,721	\$ 787,232	\$ 816,815	\$ 847,512
Accrued Expenses	1,216,439	1,261,096	1,308,484	1,357,656	1,408,677
Due to Members	16,233	16,720	17,222	17,738	18,271
Current Portion of Notes Payable	15,198	1,243	-	-	-
Current Portion of Finance Lease Liability	141,579	117,308	70,403	-	-
Deferred Revenue - Refundable	-	-	-	-	-
Deferred Revenue - Non-Refundable	-	-	-	-	-
Total Current Liabilities	2,121,303	2,155,088	2,183,341	2,192,209	2,274,460
Long-term Liabilities:					
Notes Payable, Net of Current Portion	1,243	-	-	-	-
Finance Lease Liability, Net of Current Portion	187,711	70,403	-	-	-
Total Long-term Liabilities	188,954	70,403	-	-	-
Total Liabilities	2,310,257	2,225,491	2,183,341	2,192,209	2,274,460
Net Assets:					
Net Assets without Donor Restriction, Undesignated	667,087	2,725,053	2,543,311	2,266,825	2,394,385
Net Assets without Donor Restriction, Designated	7,288,104	8,373,523	9,401,295	10,205,345	11,268,879
Net Assets with Donor Restrictions	4,231,000	4,281,000	4,331,000	4,381,000	4,431,000
Member's Equity, Undesignated	17,968,778	15,348,144	15,200,869	15,510,600	15,364,869
Total Net Assets	30,154,968	30,727,720	31,476,475	32,363,770	33,459,132
Total Liabilities & Net Assets	\$ 32,465,225	\$ 32,953,211	\$ 33,659,817	\$ 34,555,979	\$ 35,733,592

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**  
**Combined Forecasted Statements of Activities for the Years Ending December 31, 2025 Through 2029**

**See Accompanying Summaries of Significant Accounting Policies and Forecasted Assumptions  
and Independent Accountants' Compilation Report**

	2025	2026	2027	2028	2029
<b>Net Assets Without Donor Restrictions</b>					
<u>Operating Revenue:</u>					
Service Fees	\$ 22,085,816	\$ 22,969,254	\$ 23,887,213	\$ 24,841,873	\$ 25,834,700
Health Center	6,511,235	6,694,183	7,030,693	7,380,523	7,743,995
Asset Replacement	78,000	81,000	84,000	87,000	90,000
Insurance	34,401	35,724	37,047	38,370	39,693
Home Health Revenue	2,866,315	2,980,968	3,100,206	3,224,215	3,353,183
Other income	23,885	18,000	18,900	19,845	20,440
Total Operating Revenue	31,599,652	32,779,129	34,158,059	35,591,826	37,082,011
 Expenses:					
Program Services					
Housekeeping	3,050,609	3,157,380	3,267,889	3,382,265	3,500,644
Food and Beverage	5,608,756	5,805,062	6,037,265	6,278,756	6,529,906
Health Center	5,705,564	5,933,787	6,171,138	6,417,984	6,674,703
Community Home Health	2,725,524	2,841,359	2,962,117	3,088,006	3,219,247
Resident Services	913,788	945,771	978,873	1,013,133	1,048,593
Plant	4,492,010	4,671,690	4,858,558	5,052,900	5,255,016
	22,496,251	23,355,049	24,275,840	25,233,044	26,228,109
 Supportive Services					
General & Administrative	4,654,217	4,800,296	4,947,248	5,138,065	5,269,817
Management Fee - Life Care Services	1,133,541	1,175,846	1,225,332	1,276,792	1,330,283
Management Fee - The Cypress of Raleigh, LLC	2,660,510	2,761,902	2,869,739	2,981,792	3,098,226
	8,448,268	8,738,044	9,042,319	9,396,649	9,698,326
Total Operating Expenses	30,944,519	32,093,093	33,318,159	34,629,693	35,926,435
Excess of Operating Revenue Over Expenses	655,133	686,036	839,900	962,133	1,155,576
 Other Changes:					
Net Investment Income (Loss)	405,835	409,600	448,928	482,938	515,795
Other expenses	(556,200)	(572,886)	(590,073)	(607,775)	(626,008)
Amortization of Entrance Fees	-	-	-	-	-
Increase (Decrease) in Net Assets without Donor Restrictions	504,768	522,750	698,755	837,296	1,045,363
 <b>Net Assets With Donor Restrictions</b>					
Reserves Required by State Statute Deposited	50,000	50,000	50,000	50,000	50,000
Increase (Decrease) in Net Assets with Donor Restrictions	50,000	50,000	50,000	50,000	50,000
 Increase (Decrease) in Net Assets	\$ 554,768	\$ 572,750	\$ 748,755	\$ 887,296	\$ 1,095,363

**THE CYPRESS OF RALEIGH CLUB, INC.**  
**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**  
**Combined Forecasted Statements of Changes in Net Assets for the Years Ending December 31, 2025 Through 2029**

**See Accompanying Summaries of Significant Accounting Policies and Forecasted Assumptions  
and Independent Accountants' Compilation Report**

	2025	2026	2027	2028	2029
Net Assets without Donor Restriction:					
Undesignated Net Assets without Donor Restriction:					
Undesignated Net Assets without Donor Restriction-beginning of year	\$ (4,730,248)	\$ 667,087	\$ 2,725,053	\$ 2,543,311	\$ 2,266,825
Increase (Decrease) in Undesignated Net Assets without Donor Restriction	(2,088,348)	(2,160,539)	(2,104,528)	(2,045,728)	(1,942,235)
Transfer from (to) net assets designated for asset replacement	1,411,746	(774,317)	(681,139)	(427,407)	(658,241)
Transfer from (to) Association	8,809,654	5,686,003	3,547,756	3,550,193	4,104,914
Asset purchases transferred to Owners' Association	(2,735,717)	(693,181)	(943,831)	(1,353,544)	(1,376,878)
Increase (Decrease) in Undesignated Net Assets without donor restriction-end of year	667,087	2,725,053	2,543,311	2,266,825	2,394,385
Designated Net Assets without Donor Restriction:					
Designated Net Assets without Donor Restriction-beginning of year	8,388,911	7,288,104	8,373,523	9,401,295	10,205,345
Increase (Decrease) in Designated Net Assets	232,939	230,102	262,633	289,643	315,293
Transfer (to) from Undesignated Net Assets without Donor Restriction	(1,411,746)	774,317	681,139	427,407	658,241
Amounts transferred from Owners' Association for reserves	78,000	81,000	84,000	87,000	90,000
Increase (Decrease) in Designated Net Assets without Donor Restriction-end of year	7,288,104	8,373,523	9,401,295	10,205,345	11,268,879
Total Net Assets without Donor Restriction - end of year	7,955,191	11,098,576	11,944,606	12,472,170	13,663,264
Net Assets with Donor Restrictions:					
Net assets with Donor Restrictions-beginning of year	4,181,000	4,231,000	4,281,000	4,331,000	4,381,000
Additions from new units	50,000	50,000	50,000	50,000	50,000
Increase (Decrease) in Net Assets with Donor Restrictions - end of year	4,231,000	4,281,000	4,331,000	4,381,000	4,431,000
Net Assets - end of year	\$ 12,186,191	\$ 15,379,576	\$ 16,275,606	\$ 16,853,170	\$ 18,094,264
Members' Equity - Undesignated:					
Beginning Balance	\$ 21,760,538	\$ 17,968,778	\$ 15,348,144	\$ 15,200,869	\$ 15,510,600
Excess of Revenue, Gains, and Other					
Support Over Expense	2,360,177	2,453,186	2,540,650	2,593,381	2,672,305
Asset purchases transferred from Club	2,735,717	693,181	943,831	1,353,544	1,376,878
Transfer (to) from Club	(8,809,654)	(5,686,003)	(3,547,756)	(3,550,193)	(4,104,914)
Amounts transferred to Club for reserves	(78,000)	(81,000)	(84,000)	(87,000)	(90,000)
Total Member's Equity-Undesignated - end of year	\$ 17,968,778	\$ 15,348,144	\$ 15,200,869	\$ 15,510,600	\$ 15,364,869



**THE CYPRESS OF RALEIGH CLUB, INC.**  
**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**  
**Combined Forecasted Statements of Cash Flows From Operations for the Years Ending December 31, 2025 Through 2029**

See Accompanying Summaries of Significant Accounting Policies and Forecasted Assumptions  
and Independent Accountants' Compilation Report

	2025	2026	2027	2028	2029
<u>Cash Flows from Operating Activities</u>					
Change in Net Assets	\$ 554,768	\$ 572,750	\$ 748,755	\$ 887,296	\$ 1,095,363
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:					
Depreciation	1,550,569	1,604,778	1,642,324	1,758,850	1,806,257
Amortization of right-of-use financing lease asset	93,940	71,661	71,661	32,761	-
(Increase) Decrease in:					
Accounts Receivable	17,390	(32,506)	(44,524)	(46,295)	(48,120)
Due from Affiliate	35,240	-	-	-	-
Prepaid Expenses	(5,594)	(5,790)	(5,992)	(6,202)	(6,418)
Increase (Decrease) in:					
Accounts Payable	(3,311)	26,866	28,510	29,583	30,696
Due to Members	(11,032)	487	502	517	532
Accrued Expense	(5,503)	44,657	47,388	49,172	51,022
Net Cash Provided by Operating Activities	<u>2,226,467</u>	<u>2,282,903</u>	<u>2,488,623</u>	<u>2,705,682</u>	<u>2,929,332</u>
Cash Flow from Investing Activities					
Proceeds (Purchases) of Investments	(238,983)	(1,301,872)	(1,250,761)	(1,033,773)	(1,300,193)
Purchase of Property & Equipment	<u>(3,218,490)</u>	<u>(815,507)</u>	<u>(1,110,389)</u>	<u>(1,592,405)</u>	<u>(1,619,856)</u>
Net Cash Used by Investing Activities	<u>(3,457,473)</u>	<u>(2,117,379)</u>	<u>(2,361,150)</u>	<u>(2,626,178)</u>	<u>(2,920,049)</u>
Cash Flow from Financing Activities					
Payments on Notes Payable	(14,663)	(15,198)	(1,243)	-	-
Payments on Finance Lease Liability	<u>(152,653)</u>	<u>(141,579)</u>	<u>(117,308)</u>	<u>(70,403)</u>	<u>-</u>
Net Cash Used by Financing Activities	<u>(167,316)</u>	<u>(156,777)</u>	<u>(118,551)</u>	<u>(70,403)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash	(1,398,322)	8,747	8,922	9,101	9,283
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	<u>2,935,688</u>	<u>1,537,366</u>	<u>1,546,113</u>	<u>1,555,035</u>	<u>1,564,136</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 1,537,366</u>	<u>\$ 1,546,113</u>	<u>\$ 1,555,035</u>	<u>\$ 1,564,136</u>	<u>\$ 1,573,419</u>
CASH AND CASH EQUIVALENTS RECONCILIATION					
Cash and Cash Equivalents	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000
Cash and Cash Equivalents-With Donor Restrictions, Designated	214,864	219,161	223,545	228,015	232,576
Restricted Cash Included in Assets Limited to Use	<u>222,502</u>	<u>226,952</u>	<u>231,491</u>	<u>236,121</u>	<u>240,843</u>
	<u>\$ 1,537,366</u>	<u>\$ 1,546,113</u>	<u>\$ 1,555,035</u>	<u>\$ 1,564,136</u>	<u>\$ 1,573,419</u>

**THE CYPRESS OF RALEIGH CLUB, INC.  
AND  
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.  
COMBINED FINANCIAL FORECAST**

**Summary of Significant Accounting Policies  
and Forecasted Assumptions**

**Years Ending December 31, 2025 through 2029**

**See Independent Accountants' Compilation Report**

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 March 25, 2025, the date of these forecasts, of the expected conditions and management's expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecasts. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

**1. Summary of Significant Accounting Policies**

**Nature Organization and Activities**

The accompanying forecasted financial statements include the accounts of The Cypress of Raleigh Club, Inc. (a not for profit entity) (the "Club") and The Cypress of Raleigh Owners' Association, Inc. (a not for profit entity) (the "Association"). The Club and the Association were organized under the laws of the State of North Carolina in connection with the development of a condominium continuing care retirement community located in Raleigh, North Carolina and known as The Cypress of Raleigh ("The Cypress" or the "community").

The Club engages in various transactions with affiliates, The Cypress of Raleigh, LLC (the "Company") and Association. The Company is the developer of The Cypress. The Association, which is comprised of the owners of units in The Cypress in accordance with the North Carolina Condominium Act, serves as the governing body for all issues related to the real estate aspects of the units and the common areas of the community. The Association has delegated to the Club all of the Association's responsibilities with respect to investment management and maintenance of the community's common areas, including the clubhouse and health center. The Club has retained Life Care Services, LLC, specialists in continuing care, to manage the daily operations of the Club and the Association.

**Principles of Combination**

The accompanying combined financial statements include the accounts of the above named businesses. All material related-party balances and transactions have been eliminated in combination.

**THE CYPRESS OF RALEIGH CLUB, INC.  
AND  
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**See Independent Accountants' Compilation Report**

**1. Summary of Significant Accounting Policies (continued)**

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, other liabilities and prepaid expenses.

**Contributions and Net Assets**

Funds received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of the funding restrictions. When a restriction expires (that is, when a stipulated time restriction ends or when the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

All restrictions on long-lived assets are released from restriction when the asset is placed in service, unless there are explicit donor restrictions indicating otherwise.

The Club follows the recommendations of the Financial Accounting Standards Board in its FASB ASC 958, "Not-for-Profit Entities." Under FASB ASC 958, the Club is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Accordingly, net assets of the Club and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations.

**Net Assets With Donor Restrictions** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Club and/or the passage of time or net assets subject to donor imposed stipulations that must be maintained in perpetuity by the Club.

**THE CYPRESS OF RALEIGH CLUB, INC.  
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**Years Ending December 31, 2025 through 2029**

**See Independent Accountants' Compilation Report**

**1. Summary of Significant Accounting Policies (continued)**

**Cash and Cash Equivalents and Restricted Cash**

For purposes of the statement of cash flows, the entities consider all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Restricted cash consists of funds that have donor or contractual restrictions for long-term purposes. The cash restricted, either by donor or contractually, is reflected in net assets with donor restrictions.

**Investments**

Investments consist of mutual fund investments, exchange traded funds and bonds. Consistent with FASB ASC 958-320, FASB 820-10 and FASB ASC 825-10, these investments are stated at fair value based on market quoted from identical investments or similar instruments in active markets.

**Accounts Receivable**

The Club records accounts receivable at total unpaid balance, which approximates fair value. The Club determines past-due status of individual accounts receivable based on terms of the original contract (or based on how recently payments have been made, for example). The Club estimates an allowance for doubtful accounts 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 accounts receivable. Delinquent accounts are written off when deemed uncollectible. The Club's management considers all accounts currently collectible and does not establish an allowance for uncollectible accounts at this time.

**Inventory**

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

**THE CYPRESS OF RALEIGH CLUB, INC.  
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**See Independent Accountants' Compilation Report**

**1. Summary of Significant Accounting Policies (continued)**

**Prepaid Expenses**

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

**Property and Equipment**

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 seven to thirty-nine years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. The Club's policy is to capitalize property and equipment over \$1,000. Expenditures for maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense as incurred. Club equipment is capitalized at cost.

The Association capitalizes all property and equipment to which it has title or other evidence of ownership over \$1,000. The Association does not recognize as assets real property directly associated with the members' units. Capitalized assets acquired by the Association are recorded at cost, while assets contributed by the developer are recorded at estimated fair value at the date of the contribution.

The Association assesses long-lived assets for impairment when events or circumstances exist that indicates the carrying amounts of these assets may not be recoverable.

**Assets Limited as to Use**

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

**THE CYPRESS OF RALEIGH CLUB, INC.  
AND  
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COMBINED FINANCIAL FORECAST**

**Summary of Significant Accounting Policies  
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**Years Ending December 31, 2025 through 2029**

**See Independent Accountants' Compilation Report**

**1. Summary of Significant Accounting Policies (continued)**

**Assets Limited as to Use (concluded)**

North Carolina General Statute Chapter 58, Article 64, requires continuing care retirement communities to maintain an operating reserve equal to a statutorily required percentage of total forecasted operating costs (less certain expenses) for a specific period. This operating reserve is not Board-controlled and cannot be used without the prior approval of the commissioner of the North Carolina Department of Insurance pursuant to GS § 58-64-33(c).

**Leases**

The Club determines if an arrangement is a lease at inception. All leases are recorded on the statement of financial position except for leases with an initial term less than 12 months for which the Club made the short-term lease election.

Operating lease right-of-use assets (ROU) and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. Finance lease ROU assets are included in Property, plant and equipment, net, and the related liabilities are included in lease liabilities in the forecasted statements of financial position based on the present value of the remaining lease payments.

**Revenue Recognition**

Service fees represent amounts charged to residents under the terms of the Membership Agreement. Services are provided to members on an ongoing basis throughout the year and as a result revenue is recognized monthly at the time of billing.

Health Center and home health revenue is reported at the estimated net realizable amounts from residents, third-party payers and others for room and board and services/supplies received. Revenue is recognized monthly at the time of billing.

**THE CYPRESS OF RALEIGH CLUB, INC.  
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**1. Summary of Significant Accounting Policies (concluded)**

**Revenue Recognition (concluded)**

Revenues under third-party payer agreements are subject to audit and retroactive adjustment. Provisions for estimated third-party payer 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 Association's revenue is generated primarily through association fees from condominium owners in The Cypress and represent amounts charged to residents under the terms of the Membership Agreement. Services are provided to members on an ongoing basis throughout the year and as a result revenue is recognized monthly at the time of billing.

**Income Taxes**

The Club is a not-for-profit organization that applied for exemption from income taxes under Section 501(c) 4 of the Internal Revenue Code. The Club received its tax-exempt status on April 28, 2005.

Homeowners associations may be taxed either as homeowners associations or as regular corporations. As a homeowners association, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its nonmembership income, such as interest earnings, at regular federal and state corporate rates.

**Estimates**

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

**THE CYPRESS OF RALEIGH CLUB, INC.  
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COMBINED FINANCIAL FORECAST**

**Summary of Significant Accounting Policies  
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**Years Ending December 31, 2025 through 2029**

**See Independent Accountants' Compilation Report**

**2. Summary of Significant Forecasted Assumptions**

**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.

**Investments**

Investments have been calculated based on historical data adjusted for estimated growth of between 2 – 3 % depending on investment type.

**Accounts Receivable**

Accounts receivable have been calculated based on historical data adjusted for estimated inflation of between 4 – 5 % depending on revenue type.

**Property, Plant and Equipment**

Property and equipment has been calculated based upon expected capital budget.

**Assets Whose Use is Limited**

Operating reserves are forecast to meet the minimum operating reserve requirements which will be required by the North Carolina Department of Insurance. The Cypress is required to maintain reserve funds equal to 50% of the total annual operating expenses if the occupancy is below 90%. Since the occupancy exceeds 90%, the reserve requirement is required to be 25%. The Company reserves the right, if necessary or appropriate, to loan funds for the reserve account and to be reimbursed as funding occurs through future sales. The Association has also adopted a resolution to designate funds from the asset replacement reserve account to meet the statutory reserve requirement if necessary. This fund was transferred from the Association to the Club in 2015.



**THE CYPRESS OF RALEIGH CLUB, INC.  
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**See Independent Accountants' Compilation Report**

**2. Summary of Significant Forecasted Assumptions (continued)**

**Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses have been calculated based on historical data adjusted for estimated inflation of 4% over the term of the forecast.

**Revenue**

The revenue and expense estimates have been calculated based upon full occupancy of the 319 Independent Living villas and cottages. The Cypress also has a five-star skilled nursing facility (the "Rosewood") with 61 beds. The occupancy for the Rosewood is estimated at anticipated continuing care from independent living.

Monthly payments from residents of The Cypress include a service fee component and a condominium fee component. These monthly payments vary by unit and the amounts included herein are the weighted average monthly payments for the villas and cottages. The monthly payments, second person fees and health center fees are based upon expected fill up budget. Revenues on the monthly payments and second person fees are calculated based upon the occupancy numbers and the weighted average service fees/second person fees.

Health Center revenues are based on historic occupancy rates; prices for services adjusted for an average inflation rate of 4%.

Community Home Health revenues are based on growth rates achieved by comparable services provided by continuing care retirement communities similar to Cypress of Raleigh.

**Operating Expenses**

Expenses for program services are based on historical data for each service adjusted for estimated inflation of 4%.

General and administrative expenses have been estimated based on historic data and adjusted for estimated inflation over the term of the forecast. Management fees consist of fees paid to Life Care Services of the greater of \$45,000 or 3.6% of gross operating revenue and the overhead fee paid to the Company, which is 10% of the operating expense of the community before depreciation, income taxes and overhead fee.

**THE CYPRESS OF RALEIGH CLUB, INC.  
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**See Independent Accountants' Compilation Report**

**2. Summary of Significant Forecasted Assumptions (concluded)**

**Depreciation and Amortization**

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. Amortization expense reflects the straight-line reduction of finance lease assets over the shorter of the lease term or the asset's estimated useful life.

Buildings and improvements	40 years
Furniture, fixtures & equipment	7 years
Vehicles	4-5 years

**Other Expenses**

Other expenses represent scheduled unit refurbishment costs expected to be incurred as the units age. Refurbishment includes costs such as replacing appliances, flooring and painting.

**Income Taxes**

The Club is a non-profit organization under Section 501(c) (4) of the Internal Revenue Code and, accordingly, no provision for income taxes was recorded.

**EXHIBIT L**

**THE CYPRESS OF RALEIGH, LLC  
AUDITED FINANCIAL STATEMENTS FOR THE  
YEARS ENDED DECEMBER 31, 2023 and 2024**

**{ATTACHED}**

**THE CYPRESS OF RALEIGH, LLC**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

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## **INDEPENDENT AUDITORS' REPORT**

To the Members of  
The Cypress of Raleigh, LLC

### **Opinion**

We have audited the accompanying financial statements of The Cypress of Raleigh, LLC (a North Carolina Limited Liability Company), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations and members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Cypress of Raleigh, LLC as of December 31, 2024 and 2023, 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. 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 Cypress of Raleigh, LLC 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 Cypress of Raleigh, LLC's ability to continue as a going concern within 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

*Dreher Martin CPAs, P.A.*

Raleigh, North Carolina  
March 25, 2025

**THE CYPRESS OF RALEIGH, LLC**  
**BALANCE SHEETS**  
**DECEMBER 31, 2024 AND 2023**

**Assets**

	<b>2024</b>	<b>2023</b>
Current Assets		
Cash & cash equivalents	\$ 682,529	\$ 265,075
Accounts receivable	240,279	220,063
Notes receivable, current portion	946,980	606,563
Total Current Assets	1,869,788	1,091,701
Property & Equipment		
Furniture, fixtures & equipment	29,705	84,328
Rental units	666,731	666,731
Less accumulated depreciation	(111,280)	(137,085)
	585,156	613,974
Naming Rights	900,000	900,000
Restricted Assets		
Cash and cash equivalents for deposit escrow in money market fund	264,056	212,129
	264,056	212,129
Other Assets		
Notes receivable, net of current portion	-	294,480
Deposits	23,000	23,000
Assets held for investment	54,000	54,000
Accrued interest receivable	105,346	86,067
Total Other Assets	182,346	457,547
Total Assets	<u>\$ 3,801,346</u>	<u>\$ 3,275,351</u>

**Liabilities & Members' Equity**

Current Liabilities		
Accounts payable	\$ 39,167	\$ 5,156
Accounts payable-related parties	32,697	47,620
Accrued trust liabilities	56	129
Accrued payroll liabilities	3,910	(508)
Notes payable - current portion, related party	927,484	314,706
Lease payable - current portion	806	3,126
Reservation deposits	264,000	212,000
Total Current Liabilities	1,268,120	582,229
Long-term Liabilities		
Long-term debt, related party	605,196	932,885
Lease payable	-	806
Total Long-term Liabilities	605,196	933,691
Total Liabilities	1,873,316	1,515,920
<b><u>Members' Equity</u></b>		
Members' Equity	1,928,030	1,759,431
Total Liabilities & Members' Equity	<u>\$ 3,801,346</u>	<u>\$ 3,275,351</u>

See Accompanying Notes and Auditors' Report.



**THE CYPRESS OF RALEIGH, LLC**  
**STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Revenue		
Resale Membership Fees	\$ 1,936,600	\$ 2,571,150
Resale Commissions	1,067,058	1,284,944
Management Fees	2,548,953	2,467,253
Total Revenue	<u>5,552,611</u>	<u>6,323,347</u>
Operating Expenses		
Bank Service Charges	2,921	2,856
Computer Expense	5,561	9,798
Contributions	33,021	59,550
Consulting	129,633	160,472
Depreciation and Amortization Expense	28,818	30,002
Dues & Subscriptions	13,974	13,065
Insurance-Health & Dental	18,167	9,693
Insurance-Liability	1,124	808
Licenses & Fees	247	247
Maintenance and Repairs	10,304	367
Management Fee	360,000	360,000
Marketing Expense	284,044	302,396
Meals & Entertainment	368	3,762
Office Supplies	5,771	2,739
Payroll Expenses	534,324	482,254
Postage & Shipping	6,399	9,152
Professional Fees	55,526	87,204
Property Taxes	995	389
Retirement Expense	-	103
Telephone Expense	3,092	1,524
Travel	3,268	2,531
Office Administrative Expenses	42,283	34,395
Total Operating Expenses	<u>1,539,840</u>	<u>1,573,307</u>
Operating Income	<u>4,012,771</u>	<u>4,750,040</u>
Other Income/(Expense)		
Miscellaneous Income	22,344	-
Miscellaneous Expense	(51,456)	(38,909)
Interest Expense	(45,254)	(57,781)
Interest Income	77,674	60,655
Total Other Income/(Expenses)	<u>3,308</u>	<u>(36,035)</u>
Net Income	<u>\$ 4,016,079</u>	<u>\$ 4,714,005</u>

**See Accompanying Notes and Auditors' Report.**

**THE CYPRESS OF RALEIGH, LLC**  
**STATEMENTS OF MEMBERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u><b>Members'</b></u> <u><b>Equity</b></u>
Balance, January 1, 2023	\$ 1,277,426
Distributions	(4,232,000)
Net Income - 2023	<u>4,714,005</u>
Balance, December 31, 2023	<u>\$ 1,759,431</u>
Distributions	(3,847,480)
Net Income - 2024	<u>4,016,079</u>
Balance, December 31, 2024	<u><u>\$ 1,928,030</u></u>

**See Accompanying Notes and Auditors' Report.**

**THE CYPRESS OF RALEIGH, LLC**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Cash Provided by Operating Activities:		
Net Income	\$ 4,016,079	\$ 4,714,005
Depreciation and amortization expense	28,818	30,002
Adjustments to Reconcile Change in Operating Activities to Net Cash Provided:		
(Increase)/Decrease in:		
Accounts and notes receivable	(66,153)	(674,145)
Accrued interest receivable	(19,279)	(17,031)
Increase/(Decrease) in:		
Accounts payable	19,088	9,657
Reservation deposits due	52,000	(10,000)
Accrued trust liability	(73)	(241,455)
Accrued payroll	4,418	(813)
Net Cash Provided by Operating Activities	<u>4,034,898</u>	<u>3,810,220</u>
Cash Used by Investing Activities:		
Purchase of assets held for investment	-	(54,000)
Net Cash Used by Investing Activities	<u>-</u>	<u>(54,000)</u>
Cash Used by Financing Activities:		
Distributions	(3,847,480)	(4,232,000)
Proceeds on notes payable - related parties	600,000	-
Payments on notes payable - related parties	(314,911)	(302,426)
Payments on finance lease payable	(3,126)	(2,974)
Net Cash Used by Financing Activities	<u>(3,565,517)</u>	<u>(4,537,400)</u>
Net increase (decrease) in cash	469,381	(781,180)
Beginning Cash	477,204	1,258,384
Ending Cash	<u>\$ 946,585</u>	<u>\$ 477,204</u>
Cash Consists of:		
Cash & Cash Equivalents	\$ 682,529	\$ 265,075
Restricted Cash	264,056	212,129
	<u>\$ 946,585</u>	<u>\$ 477,204</u>
Supplemental disclosures:		
Cash paid for interest	<u>\$ 45,254</u>	<u>\$ 57,781</u>

See Accompanying Notes and Auditors' Report.

**THE CYPRESS OF RALEIGH, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

**NOTE 1 - NATURE OF ORGANIZATION**

The Cypress of Raleigh, LLC (the “Company”), a Limited Liability Company, was organized on September 28, 2004 under the laws of the State of North Carolina to engage in the business of developing The Cypress of Raleigh, a condominium continuing care retirement community in Raleigh, North Carolina (“The Cypress” or “community”). The managing member is The Cypress Management Group, LLC with management delegated to three members, Michael G. Sandman, Craig C. Huggins and Mark T. Andrews.

The Company secured the licenses and permits necessary to construct The Cypress. All construction phases are complete. The Company has developed and sold 319 homes. The Cypress of Raleigh Owners’ Association, Inc. (the “Association”), which is comprised of the owners of units in the community, serves as the governing body for all issues related to the real estate aspects of the units and the common areas of the community. The Association has delegated to The Cypress of Raleigh Club, Inc. (the “Club”) the Association’s responsibilities with respect to the maintenance of the community’s common areas.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Accounting Method**

Activities are accounted for using the accrual method of accounting. This method of accounting conforms to accounting principles generally accepted in the United States of America.

**Revenue and Cost Recognition**

The Company receives revenue from the sale of villas and cottages. Revenue from unit sales are recognized when title passes to the member at the date of closing.

The Company also receives a membership fee from each resident member for services that are provided to them pursuant to their membership in the Club. These services are provided for in each new member’s Membership Agreement. Membership in The Club is a contractual right and is not incidental to the ownership of a real property interest in a villa or cottage. The cost of Membership is a separate, non-refundable Membership Fee paid to the Company, which is calculated as ten percent (10%) of the condominium unit’s gross purchase price. Since the Club, not the Company, is obligated to provide the future services associated with membership, revenue is recognized at the date of closing.

In addition, a real estate commission (typically 5% of the sales price of the unit without regard to the purchaser’s membership fee) may be earned on resales. Commission revenue is recognized at the date of closing.

**THE CYPRESS OF RALEIGH, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Company acts as management agent for the Club and in return receives a management fee of 10% of the operating costs of the Club. Management fee revenue is recognized monthly as services are performed and billed to the Club.

**Use of Estimates**

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

**Cash, Cash Equivalents and Restricted Cash**

For purposes of the balance sheet and statement of cash flows, cash and cash equivalents consist of cash on hand, depository accounts, money market funds with an original maturity of three months or less when purchased and money market mutual funds. Restricted cash consists of reservation and escrow.

**Property & Equipment**

The Company's policy is to capitalize property and equipment over \$5,000. Lesser amounts are expensed. Furniture, fixtures and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets.

**Intangible Assets**

In accordance with GAAP, the Company does not amortize indefinite-lived intangible assets. Management evaluates the remaining useful life of an intangible asset that is not being amortized each reporting period to determine whether events and circumstances continue to support an indefinite useful life. If an intangible asset that is not being amortized is subsequently determined to have a finite useful life, it is amortized prospectively over its estimated remaining useful life. Amortizable intangible assets are amortized on a straight-line basis over 3 to 40 years.

**Leases**

The Company determines if an arrangement is a lease at inception. All leases are recorded on the balance sheet except for leases with an initial term less than 12 months for which the Company made the short-term lease election.

Operating lease right-of-use assets (ROU) and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date.

**THE CYPRESS OF RALEIGH, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Finance lease ROU assets are included in Property and equipment, net, and the related liabilities are included in lease payable in the balance sheets. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the Company's incremental borrowing rate. Lease and non-lease components of lease agreements are accounted for separately. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

**Advertising Costs and Commissions**

The Company expenses advertising costs and commissions as incurred. Advertising costs and commissions for the years ended December 31, 2024 and 2023 was \$284,044 and \$302,396 respectively.

**Limited Liability Company/Income Taxes**

Since limited liability companies have the tax attributes of a partnership, the entity does not incur federal and state income taxes; instead, its taxable income and losses are included in the tax returns of its members and taxed depending on their tax situations.

**NOTE 3 - CONCENTRATIONS**

The Company maintains its cash balances in several financial institutions located in Raleigh, North Carolina. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 for interest and non-interest bearing accounts. At December 31, 2024 and 2023, the Company's uninsured cash balances totaled \$515,511 and \$2,175,699, respectively. The Company also maintained investments in a brokerage account insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 per customer. At December 31, 2024, the Company had total investments of \$574,885 resulting in deposits in excess of \$74,885 of the SIPC insured amount. At December 31, 2023, the Company had total investments of \$59,858 resulting in no deposits in excess of the SIPC insured amount.

Approximately 46% and 39% of the Company's revenues for the years ended December 31, 2024 and 2023, respectively, were derived from the Club.

**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable are reported at contract value. The Company has not established an allowance for uncollectible accounts as it is management's opinion that they are fully collectible.

**THE CYPRESS OF RALEIGH, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

**NOTE 5 - NOTES RECEIVABLE**

Notes receivable consist of the following at December 31:

	<u><b>2024</b></u>	<u><b>2023</b></u>
Revolving line of credit with current resident at 5% per annum through July 2025.	\$ 247,980	\$ 231,480
Revolving line of credit with current resident at 5% per annum through August 2025.	99,000	63,000
Promissory note with current resident at 6.5% per annum payable on the earlier of (a) 5 days after the closing date on the sale of the resident's property or (b) June 2024.	-	606,563
Promissory note with current resident at 6% per annum payable on the earlier of (a) 5 days after the closing date on the sale of the resident's property or (b) December 2025.	600,000	-
	<u>946,980</u>	<u>901,043</u>
Less current portion	<u>(946,980)</u>	<u>(606,563)</u>
Long term portion	<u>\$ -</u>	<u>\$ 294,480</u>

**THE CYPRESS OF RALEIGH, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

**NOTE 6 - RELATED PARTY TRANSACTIONS**

As the managing member, The Cypress Management Group, LLC, is reimbursed for expenses paid on behalf of the Company. The managing members of The Cypress Management Group, LLC are Michael G. Sandman, Craig C. Huggins and Mark T. Andrews. For the years ended December 31, 2024 and 2023, the management fee was \$360,000 and \$360,000, respectively.

During 2024 and 2023, the Company paid TME Investments \$18,659 and \$18,362, respectively for office administrative services.

During 2024 and 2023, the Company paid Michael G. Sandman, Attorney at Law \$25,371 and \$27,919, respectively, for legal and accounting services. At December 31, 2024 and 2023, the amount due was \$5,313 and \$0, respectively.

During 2023, the Company paid Chandler Financial \$8,446 for office administrative services. At December 31, 2023, the amount due was \$0.

The Company receives a 10% management fee from the Club and the Association. During 2024 and 2023 the Company collected \$2,548,953 and \$2,467,253, respectively. At December 31, 2024 and 2023, \$240,279 and \$220,064 respectively, was due to the Company.

During 2024 and 2023 the Company paid the Club a total of \$75,099 and \$26,470, respectively. As of December 31, 2024 and 2023 the Company owed \$25,885 and \$47,620, respectively, to the Club.

The Company entered into a Membership Agreement with the spouse of a related party for occupancy (and related benefits) of a condominium unit (the "Unit") owned by the Company. Fee ownership of the Unit remains in the name of the Company. Per the Membership Agreement, annual ad valorem taxes assessed against the Unit will be paid by the Member. A nominal Membership fee was paid to the Company. All other terms of the Company's standard Membership Agreement are substantially similar.

During 2024, Michael G. Sandman, Craig C. Huggins and Mark T. Andrews loaned the Company \$60,000 each for operating expenses. As of December 31, 2024, there were no amounts due to Michael G. Sandman, Craig C. Huggins and Mark T. Andrews.

See Note 11 for related party debt.



**THE CYPRESS OF RALEIGH, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

**NOTE 7 - RESERVATION DEPOSITS**

The Company receives deposits from the potential residents for the purchase of units, which are held in a First Citizens escrow account, until the closing of the property. Each deposit is applied to the subsequent purchase of the unit, or is refundable less an administrative fee, at the request of the depositor.

**NOTE 8 - PROPERTY & EQUIPMENT**

These assets are recorded at cost when constructed or purchased by the Company and will be depreciated using the straight-line method over 5 to 27.5 years estimated useful lives once they are placed in service. Depreciation expense was \$28,818 and \$30,002 for 2024 and 2023, respectively.

**NOTE 9 – NAMING RIGHTS**

In December 2020, the Company paid The Cypress Group, LLC a fee of \$900,000 for the right to use the name “The Cypress of Raleigh”. Per agreement with The Cypress Group, LLC, the Company has earned the right to the name. In accordance with FASB ASC 350-30-35, the rights are evaluated for impairment annually.

**NOTE 10 – ASSETS HELD FOR INVESTMENT**

In 2023, the Company purchased parking spaces from members. The Company plans to hold the investments and sell to members at a future date.

**THE CYPRESS OF RALEIGH, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

**NOTE 11 - NOTES PAYABLE**

	<u><b>2024</b></u>	<u><b>2023</b></u>
Notes payable to related parties, with 40 quarterly payments of interest and principal beginning December 31, 2017. The notes mature September 30, 2027, are unsecured and carry interest rates of 4%.	\$ 932,680	\$ 1,247,591
Note payable to related party, with 4 quarterly payments of interest and principal beginning April 1, 2025. The note matures on the earlier of (a) 5 days after Lender has received payment in full on the loan or (b) December 16, 2025, is secured and carries an interest rate of 6%.	<u>600,000</u>	<u>-</u>
Total	<u>1,532,680</u>	<u>1,247,591</u>
Less current portion	<u>927,484</u>	<u>314,706</u>
	<u><u>\$ 605,196</u></u>	<u><u>\$ 932,885</u></u>

Future maturities of long-term debt are as follows:

2025	\$ 927,484
2026	340,782
2027	<u>264,414</u>
	<u><u>\$ 1,532,680</u></u>

**THE CYPRESS OF RALEIGH, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

**NOTE 12 - LEASES**

The Company leases equipment under a financing lease expiring March 2025.

The right-of-use asset and corresponding liability associated with future lease payments at December 31 are shown below:

	<u><b>2024</b></u>	<u><b>2023</b></u>
Furniture, fixtures & equipment	\$735	\$3,677
Lease liability	\$806	\$3,932
Weighted average:		
Discount rate	5%	5%
Remaining lease term (years)	-	1 year

Lease cost reported on the statement of operations for the year ended December 31 is as follows:

	<u><b>2024</b></u>	<u><b>2023</b></u>
Finance Lease Costs (included in depreciation and amortization expense and interest expense):		
Amortization of right-of-use assets	\$ 2,942	\$ 2,942
Interest on lease liability	<u>126</u>	<u>278</u>
Total lease cost	<u>\$ 3,068</u>	<u>\$ 3,220</u>

The following finance lease payments are expected to be paid for each of the following years ending December 31:

Year Ending December 31:	<b>Finance</b>
2025	\$ 813
Less amount representing interest	<u>(7)</u>
Present value of lease liabilities	<u><u>\$ 806</u></u>

**THE CYPRESS OF RALEIGH, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

**NOTE 12 – LEASES (continued)**

The following summarizes cash flow information related to leases for the year ended December 31:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 126	\$ 278
Financing cash flows from finance leases	\$ 3,126	\$ 2,974

**NOTE 13 - INCOME TAXES**

The IRS and North Carolina Department of Revenue may examine the returns of the Company for a three-year period after they are filed. The Company has open tax years from December 31, 2021 through December 31, 2024 which can be reviewed.

The members are liable for individual income taxes on their share of the Company's taxable income for both federal and state tax purposes. Distributions of \$3,847,480 and \$4,232,000 were made in 2024 and 2023, respectively.

The Company pays the North Carolina Pass-Through Entity ("PTE") tax ("PTE Tax") on behalf of its partners. This tax is assessed as 4.5% of the Company's business income and is applied to reduce the partners' federal taxable income reportable on their personal income tax returns. Accordingly, the partners recognize a federal income tax benefit as if the partners' state income tax were fully deductible on their personal federal income tax returns. Since the income tax benefits associated with the PTE Tax exclusively benefit the partners, the tax is recognized as a distribution. Distributions include \$39,120 and \$232,000, respectively, representing the PTE Tax paid on their behalf for the year ended December 31, 2024 and 2023.

**NOTE 14 - SUBSEQUENT EVENTS**

Subsequent events were evaluated through March 25, 2025 which is the date the financial statements were available to be issued.

In January 2025, the Company took out a \$1,000,000 revolving line of credit with First Citizens Bank.

**EXHIBIT M**

**THE CYPRESS OF RALEIGH, LLC  
FORECASTED FINANCIAL STATEMENTS FOR THE  
YEARS ENDED DECEMBER 31, 2025 THROUGH 2029**

**{ATTACHED}**

**THE CYPRESS OF RALEIGH, LLC**

**FORECASTED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDING DECEMBER 31, 2025 THROUGH 2029**

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## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors  
The Cypress of Raleigh LLC

Management is responsible for the accompanying forecast of The Cypress of Raleigh, LLC, which comprises the forecasted balance sheets as of December 31, 2025 through 2029 and the related forecasted statements of operations and members' equity and statements of cash flows, for the years then ending, and the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements of Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this forecast.

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

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

*Dreher Martin CPAs, P.A.*

Raleigh, North Carolina  
March 25, 2025



**THE CYPRESS OF RALEIGH, LLC**

**Forecasted Balance Sheets for the Years Ending December 31, 2025 Through 2029**

**See Accompanying Summaries of Significant Assumptions and Accounting Policies and Independent Accountants' Compilation Report**

	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
<u><b>Assets</b></u>					
<b>Current Assets:</b>					
Cash & Cash Equivalents	\$ 543,832	\$ 522,306	\$ 533,468	\$ 553,453	\$ 525,346
Accounts Receivable and Notes Receivable, current portion	247,487	254,912	262,559	270,436	278,549
Total Current Assets	<u>791,319</u>	<u>777,218</u>	<u>796,027</u>	<u>823,889</u>	<u>803,895</u>
<b>Property &amp; Equipment</b>					
Furniture, Fixtures, & Equipment	29,705	29,705	29,705	29,705	29,705
Rental Units	666,731	666,731	666,731	666,731	666,731
Less Accumulated Depreciation	<u>(137,784)</u>	<u>(163,551)</u>	<u>(187,796)</u>	<u>(212,041)</u>	<u>(236,286)</u>
	558,652	532,885	508,640	484,395	460,150
<b>Naming Rights</b>					
	900,000	900,000	900,000	900,000	900,000
<b>Restricted Assets</b>					
Cash and Cash Equivalents for deposit escrow in money market fund	275,000	300,000	325,000	350,000	350,000
<b>Other Assets</b>					
Notes Receivable	265,980	283,980	301,980	319,980	337,980
Deposits	23,000	23,000	23,000	23,000	23,000
Assets Held for Investment	54,000	-	-	-	-
Accrued interest receivable	<u>118,472</u>	<u>138,560</u>	<u>160,596</u>	<u>184,681</u>	<u>210,919</u>
Total Other Assets	<u>461,452</u>	<u>445,540</u>	<u>485,576</u>	<u>527,661</u>	<u>571,899</u>
<b>Total Assets</b>					
	<u><u>\$ 2,986,423</u></u>	<u><u>\$ 2,955,643</u></u>	<u><u>\$ 3,015,244</u></u>	<u><u>\$ 3,085,945</u></u>	<u><u>\$ 3,085,944</u></u>
<u><b>Liabilities &amp; Members' Equity</b></u>					
<b>Current Liabilities</b>					
Accounts Payable & Other Accrued Expenses	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Current Portion of Long-Term-Debt, related party	340,782	264,414	-	-	-
Deferred Revenue - Refundable	-	-	-	-	-
Deferred Revenue - Non-refundable	-	-	-	-	-
Reservation Deposits	<u>275,000</u>	<u>300,000</u>	<u>325,000</u>	<u>350,000</u>	<u>350,000</u>
Total Current Liabilities	715,782	664,414	425,000	450,000	450,000
<b>Long-Term Liabilities</b>					
Deferred Revenue - Refundable	-	-	-	-	-
Deferred Revenue - Non-refundable	-	-	-	-	-
Long Term Debt - Related Party	<u>264,414</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Long-term Liabilities	264,414	-	-	-	-
<b>Total Liabilities</b>					
	<u>980,196</u>	<u>664,414</u>	<u>425,000</u>	<u>450,000</u>	<u>450,000</u>
<b>Members' Equity (Deficit)</b>					
Members' Equity	2,006,227	2,291,229	2,590,244	2,635,945	2,635,944
Total Members' Equity (Deficit)	<u>2,006,227</u>	<u>2,291,229</u>	<u>2,590,244</u>	<u>2,635,945</u>	<u>2,635,944</u>
<b>Total Liabilities &amp; Members' Equity (Deficit)</b>					
	<u><u>\$ 2,986,423</u></u>	<u><u>\$ 2,955,643</u></u>	<u><u>\$ 3,015,244</u></u>	<u><u>\$ 3,085,945</u></u>	<u><u>\$ 3,085,944</u></u>

**THE CYPRESS OF RALEIGH, LLC**

**Forecasted Statements of Operations and Members' Equity for the Years Ending December 31, 2025 Through 2029**

**See Accompanying Summaries of Significant Assumptions and Accounting Policies and Independent Accountants' Compilation Report**

	2025	2026	2027	2028	2029
<b>Revenue:</b>					
Resale Membership Fees	\$ 2,015,000	\$ 2,092,500	\$ 2,170,000	\$ 2,320,000	\$ 2,475,000
Resale Commissions	906,750	941,625	976,500	1,044,000	1,113,750
Management Fee	2,660,510	2,761,902	2,869,739	2,981,792	3,098,226
Interest Income	55,020	25,088	27,036	29,085	31,238
<b>Total Revenue</b>	<b>5,637,280</b>	<b>5,821,115</b>	<b>6,043,275</b>	<b>6,374,877</b>	<b>6,718,214</b>
<b>Operating Expenses</b>					
Legal and Accounting	81,955	84,414	86,946	89,554	92,241
Management and Other Expense	360,000	360,000	360,000	360,000	360,000
Miscellaneous Expense	100,000	100,000	100,000	100,000	100,000
Interest Expense, Not Capitalized	32,444	19,147	5,309	-	-
Contributions	26,523	27,319	28,138	28,982	29,852
Depreciation and Amortization	26,504	25,767	24,245	24,245	24,245
Amortization of Entrance fees	-	-	-	-	-
Marketing Expense and other	1,100,000	1,133,000	1,166,990	1,202,000	1,238,060
<b>Total Operating Expenses</b>	<b>1,727,426</b>	<b>1,749,646</b>	<b>1,771,628</b>	<b>1,804,782</b>	<b>1,844,398</b>
<b>Net Income</b>	<b>\$ 3,909,854</b>	<b>\$ 4,071,469</b>	<b>\$ 4,271,646</b>	<b>\$ 4,570,095</b>	<b>\$ 4,873,816</b>
<b>Beginning Members' Equity</b>	<b>1,928,030</b>	<b>2,006,227</b>	<b>2,291,229</b>	<b>2,590,244</b>	<b>2,635,945</b>
<b>Distributions</b>	<b>(3,831,657)</b>	<b>(3,786,466)</b>	<b>(3,972,630)</b>	<b>(4,524,395)</b>	<b>(4,873,816)</b>
<b>Ending Members' Equity</b>	<b>\$ 2,006,227</b>	<b>\$ 2,291,229</b>	<b>\$ 2,590,244</b>	<b>\$ 2,635,945</b>	<b>\$ 2,635,944</b>

**THE CYPRESS OF RALEIGH, LLC**

**Forecasted Statements of Cash Flows for the Years Ending December 31, 2025 Through 2029**

**See Accompanying Summaries of Significant Assumptions and Accounting Policies and Independent Accountants' Compilation Report**

	2025	2026	2027	2028	2029
Cash Provided by Operating					
Activities:					
Net Income	\$ 3,909,854	\$ 4,071,469	\$ 4,271,646	\$ 4,570,095	\$ 4,873,816
Adjustments					
Depreciation and amortization	26,504	25,767	24,245	24,245	24,245
Adjustments to Reconcile Change in Operating					
Activities to Net Cash Provided:					
(Increase)/Decrease in:					
Accounts receivable and notes receivable	673,792	(25,425)	(25,648)	(25,875)	(26,114)
Accrued interest receivable	(13,126)	(20,088)	(22,036)	(24,085)	(26,238)
Increase/(Decrease) in:					
Reservation Deposits Due	11,000	25,000	25,000	25,000	-
Accounts Payable & Other Accrued Expenses	24,170	-	-	-	-
Net Cash Provided by Operating Activities	4,632,194	4,076,723	4,273,206	4,569,380	4,845,709
Cash Provided by Investing Activities					
Sale of Assets Held for Investment	-	54,000	-	-	-
Net Cash Provided by Investing Activities	-	54,000	-	-	-
Cash Used by Financing Activities					
Activities:					
Payments on Notes Payable, Related Party	(927,483)	(340,784)	(264,414)	-	-
Payments on Finance Lease Payable	(806)	-	-	-	-
Members' Capital Distribution	(3,831,657)	(3,786,466)	(3,972,630)	(4,524,395)	(4,873,816)
Net Cash Used by Investing Activities	(4,759,946)	(4,127,250)	(4,237,044)	(4,524,395)	(4,873,816)
Net Increase (Decrease) in Cash	(127,753)	3,474	36,162	44,985	(28,107)
Beginning Cash	946,585	818,832	822,306	858,468	903,453
Ending Cash	\$ 818,832	\$ 822,306	\$ 858,468	\$ 903,453	\$ 875,346
Cash Consists of:					
Cash & Cash Equivalents	\$ 543,832	\$ 522,306	\$ 533,468	\$ 553,453	\$ 525,346
Restricted Cash	275,000	300,000	325,000	350,000	350,000
	\$ 818,832	\$ 822,306	\$ 858,468	\$ 903,453	\$ 875,346

# **THE CYPRESS OF RALEIGH, LLC FINANCIAL FORECAST**

## **Summary of Significant Accounting Policies and Forecasted Assumptions**

**Years Ending December 31, 2025 through 2029**

### **See Independent Accountants' Compilation Report**

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 March 25, 2025, the date of these forecasts, of the expected conditions and management's expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecasts. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

#### **1. Summary of Significant Accounting Policies and Assumptions**

##### **Nature of Organization**

The accompanying forecasted financial statements include the accounts of The Cypress of Raleigh, LLC (the Company), a Limited Liability Company, organized under the laws of the State of North Carolina, to engage in the business of purchasing and developing real property and related facilities, more specifically a condominium continuing care retirement community in Raleigh, North Carolina. The Company's managing member is The Cypress Management Group, LLC, a North Carolina Limited Liability Company, which is managed by three members, Michael G. Sandman, Craig C. Huggins and Mark T. Andrews.

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

Partners (Members of the LLC) contributed the aggregate amount of \$5,543,000 in original capital contributions. Members also contributed the aggregate amount of \$8,457,000 to satisfy the cash flow needs of the development. In addition, a related party contributed a note in the amount of \$7,220,000 in exchange for an equity interest in the LLC. The total expected costs for the entire facility are \$200,000,000 including an amount of \$2,500,000 to be used to cover the start-up costs for The Cypress of Raleigh Club, Inc. (the "Club") and The Cypress of Raleigh Owners' Association, Inc. (the "Association").

The major sources of revenue include sales of villas or cottage units and garage spaces. These sales commenced in Fall 2008 and continued through late 2020. A total of 319 units have been completed and sold as of December 31, 2020. By agreement with the parties, the Company will receive 10% of the annual operating costs from the Club and the Association as an overhead and management fee. The Company will also receive, from new members, a membership fee for services that are provided to them on account of their membership in the Club. These services are provided in each new member's Membership Agreement. Membership in the Club is a contractual right and is not incidental to the ownership of a real property interest in a villa or cottage. The cost of Membership is a separate, non-refundable Membership Fee paid to the Company, which is calculated as ten percent (10%) of the condominium unit's gross purchase price.

**THE CYPRESS OF RALEIGH, LLC  
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies  
and Forecasted Assumptions**

**Years Ending December 31, 2025 through 2029**

**See Independent Accountants' Compilation Report**

**1. Summary of Significant Accounting Policies and Assumptions (continued)**

**Nature of Operations (continued)**

In addition, a market real estate commission (typically 5% of the price of the condominium, net of the new purchasers' membership fee) may be earned by the Company on resales.

As an integral component of the application to and approval by the State of North Carolina Department of Insurance for The Cypress to operate as a life care community, on September 10, 2008, the Association entered into a Management Agreement with the Club pursuant to which the Club agreed to undertake the management and operation of the affairs of the condominium. Further, and effective the same date, the Club entered into a Management Agreement with the Company to provide management services as outlined therein, the failure or termination of which would deprive the Condominium Unit Owners and the Members of the Club of a material benefit intended by their purchase of a Unit and a membership interest in the Club.

Operating expenses consist of administrative salaries and expenses and ongoing marketing costs. Estimated operating and future development costs are in part based on actual costs incurred from previous development projects.

Phase I of The Cypress opened in Fall 2008 and included a Clubhouse, Health Center, 34 cottages with garages and 168 single-story villas in 3 mid-rise buildings. In 2010, Phase II of the development was completed, and the community added three cottages bringing the total number of cottages to 37 and the total number of units to 205. In September 2018, the Company completed construction on the first Villa building of Phase III (the "Villa D Building"), which contains fifty-seven units ("Villa D") and was ready for occupancy in 2018. The final building, Villa E, was constructed and completed in late 2020. The 57 units in Villa E have been sold and the community now has a total of 319 homes. There is currently no future development planned.

**Accounting Method**

Activities are accounted for using the accrual method of accounting. This method of accounting conforms to accounting principles generally accepted in the United States of America.

**THE CYPRESS OF RALEIGH, LLC  
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies  
and Forecasted Assumptions**

**Years Ending December 31, 2025 through 2029**

**See Independent Accountants' Compilation Report**

**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. Accordingly, actual results could differ from these estimates.

**Cash, Cash Equivalents and Restricted Cash**

Cash and cash equivalents consist of cash on hand, depository accounts and money market funds with an original maturity of three months or less when purchased. Restricted cash consists of reservation and escrow.

**Accounts Receivable**

Accounts receivable are reported at contract value. The Company has not established an allowance for uncollectible accounts as it is management's opinion that they are fully collectible.

**Property & Equipment**

Property and equipment are stated at their original purchase cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets.

**Naming Rights**

In December 2020, the Company paid The Cypress Group, LLC a fee of \$900,000 for the right to use the name "The Cypress of Raleigh". Per agreement with The Cypress Group, LLC, the Company has earned the right to the name. In accordance with FASB ASC 350-30-35, the rights are evaluated for impairment annually.

**Assets Held for Investment**

The Company purchased parking spaces from members in 2023 and are reported at cost on the forecasted balance sheets. The Company plans to hold the investments and sell to members at a future date.

**THE CYPRESS OF RALEIGH, LLC  
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies  
and Forecasted Assumptions**

**Years Ending December 31, 2025 through 2029**

**See Independent Accountants' Compilation Report**

**1. Summary of Significant Accounting Policies and Assumptions (continued)**

**Deposits**

The Company receives deposits from potential residents for the purchase of units which are held in a separate trust account until closing at which time the deposits are released and credited to the buyer. In addition, the Company collects waitlist deposits from interested residents.

**Notes Receivable**

Notes receivable consist of loans made to current residents as revolving lines of credit and financing unit purchases.

**Notes Payable**

The Company has unsecured notes payable with related parties requiring 40 quarterly payments of principal and interest beginning December 31, 2017. The notes mature September 30, 2027 and carry interest rates of 4%.

The Company has a \$1,000,000 line of credit secured by accounts receivable, intangibles, inventory and property and equipment. The line matures January 21, 2027. No amounts are expected to be drawn down.

**Distributions**

Distributions will be paid based upon the availability of cash of the Company.

**Advertising Costs/Commissions**

The Company expenses advertising costs/commissions as incurred. These costs are included in the forecasted statements of operations under marketing expense and other.

**Income Taxes**

Since limited liability companies have the tax attributes of a partnership, the entity does not incur federal and state income taxes; instead, its taxable income and losses are included in the tax returns of its members and taxed depending on their individual tax situations.

**THE CYPRESS OF RALEIGH, LLC  
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies  
and Forecasted Assumptions**

**Years Ending December 31, 2025 through 2029**

**See Independent Accountants' Compilation Report**

**1. Summary of Significant Accounting Policies and Assumptions (continued)**

**Transactions with Affiliates**

The Company engages in various transactions with its affiliates, the Club and the Association. The Association, which is comprised of the owners of units in The Cypress, serves as the governing body for all issues related to the real estate aspects of the units and the common areas of the community. The Association has delegated to the Club the Association's responsibilities with respect to the maintenance of the community's common elements.

Pursuant to a Management Agreement entered into between the Club and the Company, the Company will perform services for which it earns a management fee (overhead payment) based on 10% the total operating costs of the Cypress.



**EXHIBIT N**  
**THE CYPRESS OF RALEIGH, LLC – INTERIM FINANCIAL**  
**STATEMENTS FOR THREE MONTHS ENDED MARCH 2025**  
**{ATTACHED}**

**THE CYPRESS OF RALEIGH, LLC**  
**COMPILED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2025**

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## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Members  
The Cypress of Raleigh, LLC  
Raleigh, North Carolina

Management is responsible for the accompanying financial statements of The Cypress of Raleigh, LLC (a North Carolina Limited Liability Company), which comprise the balance sheet as of March 31, 2025, and the related statements of operations, members' equity and cash flows for the three months then ended, in accordance with accounting principles generally accepted in the United States of America. 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 audit or review the financial statements 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 these financial statements.

Management has elected to omit substantially, all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

*Dreher Martin CPAs, P.A.*

Raleigh, North Carolina  
April 17, 2025

**THE CYPRESS OF RALEIGH, LLC**  
**BALANCE SHEET**  
**March 31, 2025**

**Assets**

Current Assets		
Cash & Cash Equivalents	\$	663,292
Accounts Receivable		240,280
Notes Receivable		252,480
Total Current Assets		<u>1,156,052</u>
Property & Equipment		
Furniture, Fixtures, & Equipment		29,705
Rental Unit		666,731
Less Accumulated Depreciation		<u>(117,906)</u>
		578,530
Naming Rights		900,000
Restricted Assets		
Cash and Cash Equivalents for Deposit Escrow in Money Market Fund		<u>781,309</u>
		781,309
Other Assets		
Deposits		23,000
Assets held for investment		54,000
Accrued Interest Receivable, Net of Current Portion		<u>104,628</u>
		<u>181,628</u>
Total Assets	\$	<u><u>3,597,519</u></u>

**Liabilities & Members' Equity**

Current Liabilities		
Accounts Payable	\$	27,304
Accounts Payable-Related Parties		95,412
Accrued Trust Liabilities		499,654
Accrued Payroll Liabilities		4,088
Current Portion of Long-Term Debt, Related Party		327,484
Reservation Deposits Due		<u>274,000</u>
Total Current Liabilities		1,227,942
Long-term Liabilities		
Long-Term Debt, Related Party		<u>524,542</u>
Total Long-term Liabilities		<u>524,542</u>
Total Liabilities		1,752,484
<b><u>Members' Equity</u></b>		
Members' Equity		<u>1,845,035</u>
Total Liabilities & Members' Equity	\$	<u><u>3,597,519</u></u>

See Independent Accountants' Compilation Report.

**THE CYPRESS OF RALEIGH, LLC**  
**STATEMENT OF OPERATIONS**

	<b>Three Months Ended March 31, 2025</b>
Revenue	
Resale Membership Fees	\$ 158,000
Resale Commissions	71,100
Management Fees	665,220
Total Revenue	<u>894,320</u>
Operating Expenses	
Bank Service Charges	3,197
Computer Expense	4,130
Consulting	35,040
Depreciation & Amortization Expense	6,626
Dues & Subscriptions	121
Maintenance and Repairs	17,030
Management Fee	90,000
Marketing Expense	64,202
Meals & Entertainment	188
Office Supplies	(3)
Office Expense	5,412
Payroll Expenses	110,338
Postage & Shipping	260
Professional Fees	39,805
Property Taxes	1,609
Telephone Expense	829
Total Operating Expenses	<u>378,784</u>
Net Operating Income	515,536
Other Income/(Expense)	
Miscellaneous Expense	(2,172)
Interest Expense	(17,621)
Interest & Dividend Income	21,262
Total Other Income	<u>1,469</u>
Net Income	<u><u>\$ 517,005</u></u>

**See Independent Accountants' Compilation Report.**

**THE CYPRESS OF RALEIGH, LLC**  
**STATEMENT OF CASH FLOWS**

	<b>Three Months Ended March 31, 2025</b>
Cash Provided by Operating Activities:	
Net Income	\$ 517,005
Depreciation and Amortization Expense	6,626
Adjustments to Reconcile Change in Operating Activities to Net Cash Provided by:	
(Increase)/Decrease in:	
Accounts & Notes Receivable	694,499
Accrued interest receivable	718
Increase/(Decrease) in:	
Accounts Payable	50,852
Reservation Deposits Due	10,000
Accrued Trust Liability	499,598
Accrued Payroll	178
Net Cash Provided by Operating Activities	<u>1,779,476</u>
Cash Used by Financing Activities:	
Distributions	(600,000)
Payments on Note Payable - Related Parties	(680,654)
Payments on Capital Lease Payable	(806)
Net Cash Used by Financing Activities	<u>(1,281,460)</u>
Net Increase In Cash	498,016
Beginning Cash	946,585
Ending Cash	<u><u>\$ 1,444,601</u></u>
Cash Consists of:	
Cash	\$ 663,292
Restricted Cash	781,309
	<u><u>\$ 1,444,601</u></u>
Supplemental Disclosures:	
Cash Paid for Interest	<u><u>\$ 17,621</u></u>

**See Independent Accountants' Compilation Report.**

**EXHIBIT O**  
**COMMUNITIES PLANNED, DEVELOPED AND/OR MANAGED**  
**BY LIFE CARE SERVICES, LLC**

**{ATTACHED}**



**EXHIBIT A**  
**SENIOR LIVING COMMUNITIES MANAGED**  
**BY LIFE CARE SERVICES**  
**AS OF 4/29/2025**

Alabama, Birmingham – Galleria Woods  
Alabama, Hoover – Danberry at Inverness  
Arizona, Chandler – Clarendale of Chandler  
Arizona, Fountain Hills – Fountain View Village  
Arizona, Phoenix – Clarendale of Arcadia  
Arizona, Phoenix – Sagewood  
Arizona, Tempe (Phoenix) – Friendship Village of Tempe  
California, Cupertino – Forum at Rancho San Antonio, The  
California, Palo Alto – Moldaw Residences  
California, San Diego – Casa de las Campanas  
California, San Rafael – Aldersly  
California, Santa Rosa – Arbol Residences of Santa Rosa  
California, Santa Rosa – Oakmont Gardens  
Connecticut, Essex – Essex Meadows  
Connecticut, Mystic – StoneRidge  
Connecticut, Southbury – Pomperaug Woods  
Delaware, Newark – Millcroft Living  
Delaware, Wilmington – Foulk Living  
Delaware, Wilmington – Shipley Living  
Florida, Aventura – Sterling Aventura  
Florida, Bradenton – Freedom Village of Bradenton  
Florida, Celebration – Windsor at Celebration  
Florida, Clearwater – Regency Oaks  
Florida, Hollywood – Presidential Place  
Florida, Jacksonville – Cypress Village  
Florida, Leesburg – Lake Port Square  
Florida, Naples – The Glenview at Pelican Bay  
Florida, Naples – The Arlington of Naples  
Florida, Palm City – Sandhill Cove  
Florida, Port Charlotte – South Port Square  
Florida, Seminole – Freedom Square of Seminole  
Florida, Seminole – Lake Seminole Square  
Florida, Sun City Center – Freedom Plaza  
Florida, The Villages – Freedom Point at The Villages  
Georgia, Evans – Brandon Wilde  
Georgia, Savannah – Marshes of Skidaway Island, The  
Illinois, Addison – Clarendale of Addison  
Illinois, Algonquin – Clarendale of Algonquin  
Illinois, Bartlett – The Oaks at Bartlett  
Illinois, Chicago – Clare, The  
Illinois, Chicago – Clarendale Six Corners  
Illinois, Godfrey – Asbury Village  
Illinois, Lincolnshire – Sedgebrook  
Illinois, Mokena – Clarendale of Mokena  
Illinois, Naperville – Monarch Landing

Illinois, Wheaton – Wyndemere  
Indiana, Carmel – Rose Senior Living – Carmel  
Indiana, Greenwood (Indianapolis) – Greenwood Village South  
Indiana, Indianapolis – Marquette  
Indiana, West Lafayette – Westminster Village West Lafayette  
Iowa, Ames – Green Hills Community  
Iowa, Cedar Rapids – Cottage Grove Place  
Kansas, Atchison – Dooley Center  
Kentucky, Lexington – Richmond Place Senior Living  
Maryland, Columbia – Residences at Vantage Point  
Maryland, Timonium – Mercy Ridge  
Maryland, Towson (Baltimore) – Blakehurst  
Massachusetts, Woburn – The Delaney at The Vale  
Michigan, Ann Arbor – Clarendale Ann Arbor  
Michigan, Auburn Hills – The Avalon of Auburn Hills  
Michigan, Battle Creek – NorthPointe Woods  
Michigan, Bloomfield Township – The Avalon of Bloomfield Township  
Michigan, Clinton Township – Rose Senior Living – Clinton Township  
Michigan, East Lansing – Burcham Hills  
Michigan, Holland – Freedom Village  
Michigan, Kalamazoo – Friendship Village  
Michigan, Novi – Rose Senior Living at Providence Park  
Michigan, Commerce Township – The Avalon of Commerce Township  
Minnesota, Buffalo – Havenwood of Buffalo  
Minnesota, Burnsville – Havenwood of Burnsville  
Minnesota, Maple Grove – Havenwood of Maple Grove  
Minnesota, Minnetonka – Havenwood of Minnetonka  
Minnesota, Richfield – Havenwood of Richfield  
Minnesota, Rochester – Charter House  
Minnesota, Plymouth – Trillium Woods  
Minnesota, Vadnais Heights – Gable Pines  
Missouri, St. Peters – Clarendale of St. Peters  
New Jersey, Bridgewater – Delaney of Bridgewater, The  
New Jersey, Bridgewater – Laurel Circle  
New Jersey, Burlington – Masonic Village at Burlington  
New Jersey, Florham Park – The Delaney at The Green  
New York, Rye Brook – Broadview Senior Living at Purchase College  
New York, Staten Island – Brielle at Seaview, The  
North Carolina, Chapel Hill – Cedars of Chapel Hill, The  
North Carolina, Charlotte – Cypress of Charlotte, The  
North Carolina, Durham – Croasdaile Village  
North Carolina, Greensboro – WhiteStone  
North Carolina, Greenville – Cypress Glen  
North Carolina, Lumberton – Wesley Pines  
North Carolina, Raleigh – Cypress of Raleigh, The  
North Carolina, Wilmington – Porters Neck Village  
Ohio, Avon – Rose Senior Living – Avon  
Ohio, Beachwood – Rose Senior Living – Beachwood  
Ohio, Lewis Center – The Avalon of Lewis Center  
Ohio, New Albany – The Avalon of New Albany  
Oklahoma, Bartlesville – Green Country Village

Oregon, Dallas – Dallas Retirement Village  
Oregon, Salem – Capital Manor  
Pennsylvania, Coatesville – Freedom Village at Brandywine  
Pennsylvania, Warrington – Solana Doylestown, The  
South Carolina, Greenville – Rolling Green Village  
South Carolina, Hilton Head Island – Bayshore on Hilton Head Island  
South Carolina, Hilton Head Island – Cypress of Hilton Head, The  
Tennessee, Brentwood – Heritage at Brentwood, The  
Tennessee, Hendersonville – Clarendale at Indian Lake  
Tennessee, Memphis – Heritage at Irene Woods  
Tennessee, Nashville – Clarendale at Bellevue Place  
Texas, Austin – Westminster  
Texas, Bedford – Parkwood Healthcare  
Texas, Bedford – Parkwood Retirement  
Texas, Dallas – Autumn Leaves  
Texas, Dallas – Monticello West  
Texas, Dallas – Signature Pointe  
Texas, Dallas – Walnut Place  
Texas, Georgetown – Delaney at Georgetown Village, The  
Texas, League City – Delaney at South Shore, The  
Texas, Lubbock – Carillon  
Texas, Richmond – Delaney at Parkway Lakes, The  
Texas, Spring – Village at Gleannloch Farms, The  
Texas, The Woodlands – Village at the Woodlands Waterway, The  
Texas, Waco – Delaney at Lake Waco, The  
Vermont, White River – Village at White River Junction, The  
Virginia, Fairfax – Virginian, The  
Virginia, Gainesville – Heritage Village Assisted Living and Memory Care  
Washington, Issaquah – Timber Ridge at Talus  
Wisconsin, Greendale – Harbour Village  
Wisconsin, Milwaukee – Eastcastle Place

**EXHIBIT P**

**THE ROSEWOOD HEALTH CENTER ROOM RATES (2025)**

**{ATTACHED}**

**The Rosewood Health Center**  
**2025 Rates**  
**Effective January 1, 2025**  
**(Rates are subject to Change)**

<u><b>Type</b></u>		<u><b>Member Rate</b></u> (after free days per Membership Agreement)	<u><b>Non-Member Rate</b></u>
Private Suite	AL*	\$209.00 per day	\$350.00 per day
Semi-Private Suite	SNF**	\$267.00 per day	\$428.00 per day
Private Suite	SNF**	\$323.00 per day	\$538.00 per day
Private Deluxe Suite	SNF**	\$448.00 per day	\$753.00 per day

\*AL: Assisted Living

\*\*SNF: Skilled Nursing Care

**During the Free Days (per Membership Agreement) for the daily room expense, the following rates apply for the additional meals served:**

(the free days are for a semi-private room)

Semi-Private Room: \$25 per day for 2 additional meals

Private Room: \$50 upgrade fee + \$25 per day for meals = \$75 per day differential

Private Deluxe Suite: \$160 upgrade fee + \$25 per day for meals = \$185 per day

**The Cypress of Raleigh Non-Member Entrance Fee: \$15,000**

**Guest Meal Charges**

Guest Meals	\$15.00
Guest Meals for 6 and under	No Charge

**Rehabilitation**

Private Therapy	\$39/visit
Evaluation	\$100.00

**Miscellaneous Charges**

Hair Salon	As presented
Medical Supplies	Based on Usage

# Rosewood Salon Price List

## Women

## Men

Wash, Cut, Style	\$50
Wash & Cut	\$35
Wash/Set or Bdry	\$40
Wet/Dry Cut	\$30
Shampoo Only	\$15
Complete Color	\$95
Color Only	\$85
Complete Perm	\$100
Perm Only	\$85

Wet/Dry Cut	\$30
Beard/Mustache Trim	\$17

### Hours:

Tuesday: 10am-4pm

Wednesday: 10am-4pm

Due to Covid-19, days and hours may vary.

## Teicher King

For appointments, scheduling and questions,  
please call (919) 518-8953.

**EXHIBIT Q**

**AVERAGE RATE INCREASES IN THE  
ROSEWOOD HEALTH CENTER ROOM  
RATES (FROM 2019)**

**{ATTACHED}**

Health Center Room Rates							
Private Room Member Rate Average Increase Per Day (\$)							

	2019	2020	2021	2022	2023	2024	2025
<b>Assisted Living</b>	6	8	5	10	17	13	10
<b>Skilled Nursing</b>	11	16	9	15	26	20	15



**EXHIBIT R**

**ANNUAL MONTHLY FEE INCREASE PER UNIT TYPE (FROM 2020)**

**{ATTACHED}**

### Annual Average Monthly Fee Increase (\$)

	2020	2021	2022	2023	2024	2025
<b>First Person</b>	<b>142</b>	<b>91</b>	<b>214</b>	<b>392</b>	<b>258</b>	<b>227</b>
<b>Second Person</b>	<b>55</b>	<b>37</b>	<b>86</b>	<b>158</b>	<b>103</b>	<b>91</b>

Unit Type	2020 Monthly Fee (\$)	2021 Monthly Fee (\$)	2020-2021 \$ Increase	2022 Monthly Fee (\$)	2021-2022 \$ Increase	2023 Monthly Fee (\$)	2022-2023 \$ Increase	2024 Monthly Fee (\$)	2023-2024 \$ increase	2025 Monthly Fee (\$)	2024-2025 \$ increase
Alexander	\$2,582	\$2,647	\$65	\$2,799	\$152	\$3,077	\$278	\$3,260	\$183	\$ 3,422	\$161
Arbor	\$2,764	\$2,833	\$69	\$2,996	\$163	\$3,294	\$298	\$3,490	\$196	\$ 3,663	\$173
Ascot	\$3,086	\$3,163	\$77	\$3,345	\$182	\$3,678	\$333	\$3,897	\$219	\$ 4,090	\$193
Ashcroft	\$3,257	\$3,338	\$81	\$3,530	\$192	\$3,881	\$351	\$4,112	\$231	\$ 4,316	\$204
Azalea I	\$3,753	\$3,846	\$94	\$4,068	\$221	\$4,472	\$405	\$4,738	\$266	\$ 4,973	\$235
Azalea II	\$3,753	\$3,846	\$94	\$4,068	\$221	\$4,472	\$405	\$4,738	\$266	\$ 4,973	\$235
Bayberry I	\$3,257	\$3,338	\$81	\$3,530	\$192	\$3,881	\$351	\$4,112	\$231	\$ 4,316	\$204
Bayberry II	\$3,257	\$3,338	\$81	\$3,530	\$192	\$3,881	\$351	\$4,112	\$231	\$ 4,316	\$204
Bradford I	\$3,257	\$3,338	\$81	\$3,530	\$192	\$3,881	\$351	\$4,112	\$231	\$ 4,316	\$204
Bradford II	\$3,257	\$3,338	\$81	\$3,530	\$192	\$3,881	\$351	\$4,112	\$231	\$ 4,316	\$204
Caldwell	\$3,552	\$3,641	\$89	\$3,850	\$209	\$4,233	\$383	\$4,485	\$252	\$ 4,707	\$222
Camden	\$3,552	\$3,641	\$89	\$3,850	\$209	\$4,233	\$383	\$4,485	\$252	\$ 4,707	\$222
Covington	\$3,552	\$3,641	\$89	\$3,850	\$209	\$4,233	\$383	\$4,485	\$252	\$ 4,707	\$222
Danbury	\$3,653	\$3,744	\$91	\$3,959	\$215	\$4,353	\$394	\$4,612	\$259	\$ 4,841	\$228
Dogwood	\$3,507	\$3,595	\$88	\$3,802	\$207	\$4,180	\$378	\$4,429	\$249	\$ 4,648	\$219
Gallery I	\$4,019	\$4,119	\$100	\$4,356	\$237	\$4,789	\$433	\$5,074	\$285	\$ 5,326	\$251
Gallery II	\$4,019	\$4,119	\$100	\$4,356	\$237	\$4,789	\$433	\$5,074	\$285	\$ 5,326	\$251

\*Please note that the second person monthly fee does not vary based on Unit type and is the same amount for all second person Members.

Unit Type	2020 Monthly Fee (\$)	2021 Monthly Fee (\$)	2020-2021 \$ Increase	2022 Monthly Fee (\$)	2021-2022 \$ Increase	2023 Monthly Fee (\$)	2022-2023 \$ Increase	2024 Monthly Fee (\$)	2023-2024 \$ increase	2025 Monthly Fee (\$)	2024-2025 \$ increase
Holly	\$4,385	\$4,494	\$110	\$4,753	\$258	\$5,226	\$473	\$5,536	\$310	\$5,811	\$274
Indigo I	\$2,858	\$2,929	\$71	\$3,097	\$168	\$3,406	\$308	\$3,608	\$202	\$3,787	\$179
Indigo II	\$2,858	\$2,929	\$71	\$3,097	\$168	\$3,406	\$308	\$3,608	\$202	\$3,787	\$179
Laurel	\$4,506	\$4,619	\$113	\$4,884	\$266	\$5,370	\$486	\$5,690	\$320	\$5,972	\$282
Magnolia	\$4,737	\$4,855	\$118	\$5,135	\$279	\$5,646	\$511	\$5,981	\$335	\$6,277	\$296
Newport	\$3,753	\$3,846	\$94	\$4,068	\$221	\$4,472	\$405	\$4,738	\$266	\$4,973	\$235
Osprey I	\$4,299	\$4,407	\$107	\$4,660	\$253	\$5,124	\$464	\$5,429	\$305	\$5,698	\$269
Osprey III	\$4,299	\$4,407	\$107	\$4,660	\$253	\$5,124	\$464	\$5,429	\$305	\$5,698	\$269
Park	\$3,527	\$3,615	\$88	\$3,823	\$208	\$4,203	\$380	\$4,454	\$251	\$4,674	\$220
Poplar	\$4,506	\$4,619	\$113	\$4,884	\$266	\$5,370	\$486	\$5,690	\$320	\$5,972	\$282
Prescott	\$3,887	\$3,984	\$97	\$4,213	\$229	\$4,632	\$419	\$4,908	\$276	\$5,151	\$243
Rosewalk	\$3,753	\$3,846	\$94	\$ 4,068	\$221	\$4,472	\$405	\$4,738	\$266	\$4,973	\$235

**EXHIBIT S**  
**MEMBERSHIP AGREEMENT**

**{ATTACHED}**



## THE CYPRESS OF RALEIGH MEMBERSHIP AGREEMENT

**THIS AGREEMENT** is executed as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between **THE CYPRESS OF RALEIGH, LLC**, a North Carolina limited liability company, whose address is 7101 Creedmoor Road, Suite 142, Raleigh, North Carolina 27613 (the "Company"), **THE CYPRESS OF RALEIGH CLUB, INC.**, a North Carolina non-profit corporation, whose address is 7101 Creedmoor Road, Suite 142, Raleigh, North Carolina 27613 ("The Club") and \_\_\_\_\_, whose address is \_\_\_\_\_ (the "Member").

**WHEREAS**, \_\_\_\_\_ (the "Unit Owner") has entered into a Resale Purchase and Sale Agreement (the "Purchase and Sale Agreement"), for the purchase of Unit No. \_\_\_\_\_ (the "Unit") of The Cypress of Raleigh, a Continuing Care Retirement Community, located in Raleigh, Wake County, North Carolina ("The Cypress"); and

### **THIS AGREEMENT OUTLINES MEMBERSHIP RIGHTS AND SERVICES**

**WHEREAS**, to become eligible for residency at The Cypress and to acquire all rights of access to the Club Facilities, the Unit Owner or his approved designee, must acquire membership in The Club simultaneously with the purchase of the Unit and must enter into this Agreement, which outlines the membership rights, obligations and services derived from the membership. The intangible contractual rights and obligations conferred upon the Member pursuant to this Agreement are non-transferable and personal to the Member. Membership in The Club is a contractual interest that is separate and distinct from the fee simple real property interest acquired by the Unit Owner in the Unit. The services provided pursuant to this Agreement encompass meal preparation (personalized for the medical and nutritional needs of the Member), personal safety, socialization, transportation, and monitoring of other activities of daily living, and are part of a coordinated system of care and resources to address both medical and non-medical drivers of health outcomes associated with growing older.

**NOW, THEREFORE**, in consideration of the mutual promises contained in this Agreement, the receipt and legal sufficiency of which are hereby acknowledged, 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 a non-profit corporation serving as the entity to carry out the plan of membership as hereinafter set forth.
- b. "Club Facilities" shall mean and refer to (i) the Clubhouse, an approximately 42,709 square foot building, including, but not limited to, a community hall, kitchen, dining areas, living room, game room, craft room, reading rooms, exercise areas, pool, limited offices, and areas available for commercial lease; and (ii) 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 Raleigh, LLC, a North Carolina limited liability company.
- d. "Condominium" shall mean and refer to The Cypress of Raleigh as described in the Declaration of Condominium creating same.
- e. "The Cypress" shall mean and refer to The Cypress of Raleigh, a Continuing Care Retirement Community consisting of the Club Facilities and two (2) types of living units which include attached and/or detached cottages and villa units, all being located upon property in Raleigh, Wake County, North Carolina.
- f. "Health Care Facility" shall mean and refer to the approximately 45,836 square foot building consisting of 61 beds (sometimes referred to as "The Rosewood"), and containing licensed nursing care and assistance-in-living facilities located on the site of and comprising an integral part of The Cypress.
- g. "Member" shall mean and refer to the second 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 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.



j. "Monthly Payment" shall mean and refer to the payment which covers the cost of the various services provided to Members by The Club, which services are more particularly described in Section 7 (the "Service Fee"), and the monthly contribution to the Condominium (the "Condominium Fee"). In situations where there is a second occupant of the Unit, the Monthly Payment will include a "Second Person Fee". The percentages of the Monthly Payment that are attributable to the Service Fee and the Condominium Fee are set forth in the Notes to Schedule A attached hereto.

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 Condominium.

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. Each Unit shall be occupied by no more than two (2) individuals, each of whom must be a Member.

**CYPRESS IS A  
CONTINUING CARE  
RETIREMENT  
COMMUNITY**

2. Statement of Background. The Cypress is a continuing care retirement community located in Raleigh, 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. Neither the Company nor the Club has any affiliation with any religious or charitable organizations. The Cypress of Raleigh Owners' Association, Inc. also does not have any affiliation with any religious or charitable organizations.

**ALL CYPRESS  
RESIDENTS MUST BE  
MEMBERS**

3. Required Membership; Membership Fee. All Unit Owners at The Cypress are required, simultaneously with the purchase of their Unit, to purchase a non-transferable Membership for their use or for use by their approved designee (herein referred to as the "Membership"); and the Unit Owner or his/her 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 (s)he is



**MEMBERSHIP FEE IS INCLUDED IN PURCHASE PRICE OF UNIT**

no longer capable of independent living, as hereinafter more fully provided. The cost of Membership (herein referred to as the Membership Fee) is equal to ten percent (10%) of the gross purchase price of the Unit, 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.

**MEMBERSHIP IS NON-TRANSFERABLE**

4. Membership Non-Transferable. The Membership Fee is personal to the Unit Owner or his/her approved designee, and is non-refundable and non-transferable. If a Unit Owner(s) is the occupant of the Unit, such Unit Owner's Membership will expire when the Unit Owner(s) sells or otherwise disposes of the Unit or ceases to occupy the Unit. Provided however, if a Unit Owner ceases to occupy the Unit and lives in the Health Care Facility, then the Membership will continue and the Member shall continue to be responsible for payment of the Monthly Payment at the applicable Member rate. If a Unit is occupied by a person or persons other than the Unit Owner(s), the provisions of Paragraph 6 hereof shall apply.

**RESALE PRICE OF RESIDENCE WILL INCLUDE NEXT BUYER'S MEMBERSHIP FEE**

5. Resale of Units. If a Unit is resold, the new buyer of the Unit will be assessed a Membership Fee equal to ten percent (10%) of the purchase price of the Unit. The Membership Fee will be separately identified on the settlement statement 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 purchase price of the real estate only and without regard to the cost of the Membership Fee.

If a Unit Owner transfers ownership or use of his/her Unit by gift, bequest, lease or any other method of conveyance to a family member or any other person(s), the Membership Fee to be paid to the Company shall be based on the gross fair market value of the Unit as determined by a Qualified Appraisal when such transfer occurs. The transferring Member or the proposed new Member shall be solely responsible for the cost of the appraisals.

**WHEN MEMBER IS NOT THE UNIT OWNER**

6. Provisions Applicable When Member is Not the Unit Owner. If a Unit Owner acquires a Unit to be used by someone other than him/herself, the Unit Owner must designate the person(s) who shall use the Membership, which Membership must be acquired at the time the Unit is purchased. The designated users of the Membership must: (a) meet the basic eligibility requirements for Membership in The Cypress; (b) be approved by The Club; and (c) have complied with the provisions of Paragraph 7 hereof regarding assurances with respect to the Monthly Payment. When the designated person(s) no longer occupies the Unit; and, thus, ceases to use the Membership, the Membership expires. Provided however, if the designated user ceases to





occupy the Unit and lives in the Health Care Facility then the Membership continues and the Member and the Unit Owner shall continue to be jointly responsible for payment of the Monthly Payment at the applicable Member rate. Any person(s) who subsequently occupy the Unit, including the Unit Owner, must acquire a Membership for their use prior to occupying the Unit. Since under these circumstances there is no sales price upon which to determine the Membership Fee, the Membership Fee is based on the gross fair market value of the Unit, as determined by a Qualified Appraisal. The transferring Member or the proposed new Member shall be responsible for the cost of the appraisal. The Membership Fee will then be assessed at ten percent (10%) of the Unit's gross fair market value, and must be paid prior to re-occupancy of the Unit. This procedure for change of Member due to circumstances other than a sale of the Unit will be followed with regard to each subsequent Member until there is a re-sale of the Unit, in which event the provisions of Paragraph 5 shall apply.

If the Member is not the Unit Owner, the Member and the Unit Owner will be jointly and severally responsible for the Membership Fee and the Monthly Payment. In addition to executing this Agreement, the Unit Owner will execute an agreement, in a form approved by The Club, personally guaranteeing payment of such obligations. In the event the Unit Owner fails to execute such agreement guaranteeing the payment of such obligations, this Membership Agreement shall act as and be the Unit Owner's personal guarantee for the benefit of the Company, its successor and assigns, guaranteeing the Member's payment of the Membership Fee and each Monthly Payment to the Company, its successors, and assigns.

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 which includes the Service Fee and the Condominium Fee as discussed in Paragraph 1.j. hereof. The estimated initial Monthly Payment for Members as of the most recent January is set forth on Schedule "A" attached hereto and incorporated herein by reference. The Service Fee and the Condominium Fee (and the Second Person Fee, where applicable) are the sole components of the Monthly Payment. The percentages of the Monthly Payment that are attributable to the Service Fee and the Condominium Fee are set forth in the Notes to Schedule A attached hereto. Company and Member acknowledge that the current amount of Member's Monthly Payment under this Agreement shall be \$ \_\_\_\_\_, subject to annual adjustments as described in the Notes to Schedule A, and further subject to additional charges for any repair and/or maintenance of "custom changes", as set forth in the Declaration of Condominium, and for any optional services requested by Member, in accordance with Paragraphs 8 and 9 hereof.

**MONTHLY PAYMENT TO  
BE ADJUSTED**

The Monthly Payment for the first full year (calendar year 2009) will be based upon estimated costs of operations provided by an experienced



**ANNUALLY WITHIN  
LIMITS BASED ON  
CONSUMER PRICE  
INDICES**

continuing care operator. The Monthly Payment will thereafter be based on the actual operating costs. After the second full year (calendar year 2010), 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: (a) 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 (b) the annual percentage increase of the Medical Care Component of the C.P.I. An additional three percent (3%) may be added to the higher of the annual percentages. This formula will go into effect after the second full year of operations. The Member shall receive sixty (60) days advance notice of any Monthly Payment adjustment.

As mentioned above, one component of the Monthly Payment is the monthly Condominium Fee to the Condominium for the Unit owned or occupied by the Member. The Condominium Fee will be based on actual Condominium operating costs (together with a reserve for replacements), as shown in the annual Condominium operating budget formulated and adopted in accordance with the Bylaws of the Condominium, and assessed based on the percentage of ownership interest in the Condominium's common elements. The Condominium Fee is a separate cost from the operation of The Club, but is included in the Monthly Payment as a convenience to the Members.

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 (the "Overhead Payment").

**OPTIONAL SERVICES  
AVAILABLE FOR  
ADDITIONAL COST**

The Monthly Payment covers the cost of 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 any optional services requested by them, in accordance with Paragraphs 8 and 9 hereof. The Monthly Payment will be payable on the seventh day of each month, in advance; and additional charges will be payable on the seventh day of each month for the optional services obtained during the preceding month. The Member's responsibility for the Monthly Payment shall commence on the earlier of: (a) actual occupancy of the Unit, or (b) the date on which the Unit will be available for occupancy, as specified in a notice thereof delivered to the Member at least fourteen (14) days prior to the specified date of availability.

**SERVICES INCLUDED IN  
MONTHLY PAYMENT**

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



## CLUB ACTIVITIES

a. Club Activities. A full-time Director of Community Life Services is employed by The Club who plans and organizes a variety of events tailored to the special interests of the Members. These programs are focused on wellness to meet the intellectual, physical, emotional, social and spiritual needs of the Members. Activities include cultural excursions, lecture series, dance and art classes, card games, craft activities, tournaments, and shopping. A full-time Wellness Coordinator is employed who plans and organizes fitness and wellness programs such as Tai-Chi, yoga, aquatic, aerobic and strength and balance classes.

## URGENT CALL SYSTEM

b. Urgent Call System. All Cottages and Villas have a two-way, telephonic urgent call system. The purpose of this system is to summon help in an emergency. The urgent call system is connected to an indicator panel in the Health Care Facility, which identifies the Cottage or Villa from which the signal was initiated. Licensed nursing personnel with emergency training will respond to calls from the urgent call system and will summon any other appropriate emergency personnel that may be required.

## FOOD SERVICE ALLOWANCE

c. Food Service Allowance. Healthy eating and nutrition are central to a Member's well-being and are interrelated with health, personal safety, socialization, transportation and monitoring other activities of daily living that may not be apparent absent daily use of Cypress dining in the presence of trained staff. The excellence of The Cypress of Raleigh's dining program supports the coordinated system of care provided by The Club to address both medical and non-medical drivers of health outcomes associated with growing older.

As part of residency at The Cypress of Raleigh, Members receive meal services as described in this section. To assist in tracking meal usage and monitoring the health of Members, Members receive quarterly meal points, which may be used for food and beverage selections from a varied menu of favorites, seasonal and daily specials, giving the Members optimal choice and flexibility for their dining experience. A Member's meal points are designed to be allocated in the Member's discretion over the course of each calendar quarter and typically are sufficient for one meal per day. With four distinct dining venues, the Members can choose to use meal points on dining experiences in the formal or main dining venues or on quick grab-and-go menu items from the buffet-style bistro and bar menus. Home delivery and take-out meals are also available. A registered dietician is available for consultation. Charges for guest meals will be published by The Club and subject to change without prior notice based on variable food and labor costs. A Member's meal point allowance is not equivalent to dollars, cannot be exchanged for dollars, and does not reflect the actual cost of food and labor utilized for the delivery of food service as part of a Member's residency at The Cypress of Raleigh. Unused meal points will not carry over to the next quarter. Additional meal points cannot be purchased. Any additional meals that may be



requested by a Member in excess of their quarterly meal points will be charged on a per-item basis to the Member at a dollar amount determined by The Cypress of Raleigh. To the extent required by law, appropriate sales and use taxes will be charged to Members and collected on sales of alcohol and guest meals.

## **PRIVATE DINING ROOM**

d. Private Dining Room. A private dining room is available for use by Members and their guests for special family or social occasions. Special meals and wait staff may be available, upon request, for an additional charge. Advance reservations with the Director of Food & Beverage or Dining Room Manager are required. Standing reservations for groups and/or clubs are not available

## **WEEKLY FLAT LAUNDRY**

e. Weekly Flat Laundry. Members receive weekly flat laundry service, which includes sheets, pillow cases, towels, face cloths and dish cloths. The flat laundry will be washed, dried, folded and returned on a weekly basis at the next scheduled housekeeping visit. The Club reserves the right to charge a reasonable fee for additional services to those Members who utilize the flat laundry service in excess of typical Member usage.

## **WEEKLY HOUSEKEEPING SERVICES**

f. Weekly Housekeeping Services. Members will receive weekly housekeeping services. These services include kitchen and bathroom cleaning, surface cleaning, dusting, and vacuuming. Periodically, window washing, carpet cleaning and other additional housekeeping will be performed.

## **SCHEDULED MAINTENANCE OF COTTAGE OR VILLA AND COMMON AREA**

g. Scheduled Maintenance of Cottage or Villa and Common Area: Maintenance, as more particularly described in the Declaration of Condominium, will be provided for each Cottage and Villa, and The Cypress common areas. If a Member needs maintenance service, the Member may submit a request with the Facilities Coordinator or concierge.

## **GROUND CARE AND GARDENING**

h. Grounds Care and Gardening. The Club's 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. In addition, gardening areas are available for Members' use and will be under the direction of the Director of Community Life Services on a first-come, first-serve basis.

## **CERTAIN UTILITIES**

i. Certain Utilities. Electric, gas (if applicable), water, sewer, and basic cable services will be included in the Monthly Payment for owners of villa Units. Owners of cottage Units must pay a separate charge for electric and gas.



## **SCHEDULED TRANSPORTATION**

j. Scheduled Transportation. Scheduled transportation is available for The Cypress Members. Scheduled trips include nearby grocery stores, banks, and shopping centers. Special trips may be periodically scheduled at an additional cost to each participant.

## **CAMPUS SECURITY**

k. Campus Security. The Cypress is a gated community with security staff personnel onsite twenty-four (24) hours a day. Additionally, security cameras and a card access only entrance into the Villa Buildings and Health Care Facility are utilized to enhance campus security.

## **MAIL DELIVERY**

l. Mail Delivery. Once each business day, the U.S. Postal Service collects and distributes mail to each Member's personal mailbox. At the request of a Member, mail can be forwarded during the Member's absence from his/her Villa or Cottage.

## **ABSENCE CREDIT**

m. Absence Credit. If 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, the Member may be entitled to an "absence credit" in an amount determined by the Club to be applied against the Monthly Payment.

## **HEALTH CARE FACILITY**

n. Health Care Facility. The Cypress has secured a license from the North Carolina Department of Health & Human Services, Division of Facility Services to operate fifty-seven (57) skilled nursing beds and four (4) assistance-in-living adult home beds. The skilled nursing care facility and the assistance-in-living facility are collectively referred to as the Health Care Facility. For a period of forty-five (45) lifetime cumulative days, each Member will be entitled to receive nursing care in the nursing care facility in a semi-private room in the Health Care Facility, without extra charge, at the current Monthly Payment. During this forty-five (45) day period, the Member will continue to pay his/her Monthly Payment, plus the cost of two (2) extra meals per day, nursing supply charges, and those costs outlined in Paragraph 9 hereof. A private room may be available for an additional charge. If the Member needs further care after the forty-five (45) cumulative lifetime days of care, the Member will pay, in addition to the Monthly Payment, the applicable Member rate for such care. This rate will include meals and a semi-private room (at the request of a Member, a private room will be provided on an "as available" basis for an additional charge).



If two (2) Members occupy a Unit and one (1) of them becomes a permanent resident of the Health Care Facility, then the Monthly Payment for the Member continuing to occupy the Unit will be reduced to the single occupancy rate. The Member residing in the Health Care Facility will pay the applicable Member rate.

In the unlikely event that accommodations are not immediately available in the Health Care Facility, the Member agrees to relocate to another health care facility with which the Medical Director of The Cypress arranges 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.

It should be noted that, due to the licensing requirements for the Health Care Facility, the facility cannot provide treatment for all conditions (e.g., no psychiatric care will be available). In addition, occupancy at the Health Care Facility may be terminated in accordance with Paragraph 12 hereof.

In no event will a Member be admitted to or treated in the Health Care Facility if such Member requires care that cannot lawfully be provided at the Health Care Facility and/or the Medical Director determines in his or her reasonable opinion that such Member's mental or physical condition is such that his or her admittance or treatment at the Health Care Facility would present an unreasonable risk of injury or detriment to that Member or any other Member receiving treatment or residing at the Health Care Facility, including but not limited to, a situation in which the Member seeking admittance or treatment at the Health Care Facility has been or is suspected to have been infected with a communicable disease for which there is no readily available cure and/or vaccine.

The operation of the Health Care Facility shall be subject to the applicable regulations and licensing standards of the State of North Carolina, including the N.C. Department of Insurance and the North Carolina Department of Human Resources.

## **HEALTH CENTER ACTIVITIES**

o. Health Center Activities. An activities director is responsible for coordinating and directing the arts, crafts, social and recreational activities for the Members in the Health Care Facility. The focus of these activities will be restorative care by enhancing the quality of life through physical, emotional, psychological and spiritual programs while catering to the individual needs of each Member.



## **MEMBER COMMITTEES**

p. Member Committees. Member committees hold regularly scheduled meetings to promote communication between the Members and The Cypress' administration. The six (6) Member committees are finance, buildings and grounds, food and beverage, health and safety, library, and social and activities.

## **MONTHLY BILLING SERVICE**

q. Monthly Billing Service. Monthly statements are placed in each Member's mailbox or other appropriate location on or before the fifth (5th) day of the month. Each monthly statement must be paid within seven (7) days after the delivery date of the statement. Payment may be made at the accounting office, accounting drop box or by mail. Payments made after the seven (7) day period may be subject to a late fee. A staggered billing system may be implemented in the discretion of the Club.

## **UNCOVERED SURFACE PARKING FOR MEMBERS AND GUESTS**

r. Uncovered Surface Parking for Members and Guests. The Cypress has surface parking for both the Members and their invited guests. In addition, all Cottages have a two-car garage. Limited assigned covered parking and garage parking is available to Villa Members at an extra charge. In order to ensure that sufficient parking is available to all of our Members and their invited guests, Members shall be limited to keeping no more than one (1) vehicle on campus for each Member with an active driver's license, except as otherwise agreed to in writing by the Executive Director. Certain Members who joined The Cypress prior to June 1, 2023 are keeping more than one (1) vehicle per licensed driving Member on campus (each an "Excess Vehicle"). In the event an Excess Vehicle is transferred, it may not be replaced with another Excess Vehicle, except as otherwise agreed to in writing by the Executive Director.

## **INTERRUPTION OR DELAY OF SERVICES**

s. Interruption or Delay of Services. If the Club is delayed, hindered, or prevented from delivering or performing any of the services described in the Membership Agreement by reason of any event or circumstance, whether or not foreseeable, not under The Club's reasonable control, including without limitation any governmental restriction, scarcity of labor or materials, strike, riot, civil disorder, fire, natural disaster, extreme weather event, disease, medical epidemics or outbreaks, curtailment of transportation facilities or infrastructure, and/or threats or acts of terrorism, the delivery or performance of such services shall be excused for the period of delay, and the delivery or performance of any such services shall be extended as necessary to complete performance after the delay period.



**ADDITIONAL SERVICES  
NOT INCLUDED IN  
MONTHLY PAYMENT**

8. Additional Amenities and Services not Included in Monthly Payment. Additional amenities and services which will be available to Members at an additional charge include guest meals, additional meals, valet service, additional housekeeping, beauty parlor, barber shop, personal transportation, and health care services in the Member's Unit.

**ADDITIONAL HEALTH  
SERVICES NOT  
INCLUDED IN MONTHLY  
PAYMENT**

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

**HEALTH CENTER HAS  
MEDICAL DIRECTOR**

A physician in good standing with the Raleigh medical community will be designated as the Medical Director of The Club (herein referred to as "Medical Director"). The Medical Director, although not an employee of The Club, will be on emergency call for Members. For matters other than emergencies, the Member may 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, or for the cost of medicine, drugs, prescribed therapy and similar treatment.

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

10. Duration of Member's Right to Occupy the Unit. The Member may occupy his/her Unit for as long as he/she (or both) is capable of independent living, and so long as independent living is practical and safe. If, in the opinion of either the Member's attending physician, the Medical Director or The Club, the Member's physical or mental health requires that the Member receive nursing care, the Member agrees to receive the necessary in home assistance through the provision of additional health services described herein, or relocate to the Health Care Facility or to some other health facility of the Member's choice.

**MEMBER'S VOLUNTARY  
TERMINATION RIGHTS**

11. Member's Termination Rights. The Member (including both of them if there are two (2) Members) may terminate this Agreement at any time for any reason by giving the Company thirty (30) days prior written notice signed by the Member (or both of them if there are two (2) Members). The Member's obligations hereunder shall continue until the Unit is transferred, sold or otherwise occupied by a successor Member, and the new Member assumes the obligation of the Monthly Payment. Transfer under the last will and testament of a deceased Member, other than to his/her estate, is a conveyance upon which a new Membership Fee must be paid if 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 deceased Member's Unit is transferred, sold or otherwise occupied by a successor Member, and the new Member assumes the obligation of the Monthly Payment. As previously stated, if the Member is not also the Unit Owner, the Unit Owner and the deceased Member's estate shall be jointly and severally





responsible for obligations hereunder.

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

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

a. The Company and/or The Club shall not terminate this Agreement except for just cause. The Member agrees that he/she will be obligated to promptly sell his/her Unit if the Company and/or The 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,  
MENTAL INSTABILITY**

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 the Member, other residents or the staff of The Cypress, and the Member's condition cannot be treated in the Health Care Facility; or

**MEMBER REFUSES  
MEDICAL TREATMENT**

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

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

b. Because it is and shall continue to be The Club's policy to endeavor to avoid termination of a Member's Membership Agreement solely by reason of his/her 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/she establishes facts to justify deferral of the usual charges; (ii) he/she 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 revenue to The Club from any such deferral of charges will be borne by The Club until repaid as provided in this Paragraph 12.



**IF THE MEMBER HAS  
FINANCIAL  
DIFFICULTIES**

c. If the Member encounters financial difficulties making it impossible for him/her to pay the Monthly Payment and other applicable charges, 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/her 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/her Medicare 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

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 such proceeds, subject only to any existing first mortgage lien and the lien of the Condominium for Condominium assessments, as hereafter provided. The Member agrees that his/her financial obligations to The Club constitute a debt which must be repaid. The Member agrees to execute a note and a mortgage on his/her 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 Paragraphs 12(b) and (c) shall be rendered inoperative and inapplicable if the Member has impaired his/her ability to meet his/her financial obligations hereunder by making unapproved gifts or other transfers.

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



**CYPRESS WILL GIVE 30 DAYS NOTICE AND MEMBER HAS 30 DAYS TO CORRECT PROBLEM**

**MEDICAL DIRECTOR MAY WAIVE NOTICE PERIOD IF LAPSE OF TIME DETRIMENTAL TO MEMBER, OTHER RESIDENTS OR STAFF**

**UNITS ARE FOR RESIDENTIAL PURPOSES ONLY; OCCUPANCY LIMITED TO TWO (2) INDIVIDUALS**

**PETS ARE PERMITTED WITH STRICT GUIDELINES**

d. Prior to any termination of the Agreement by The Club, The Club will give the Member written notice of the reasons for termination, and the Member will have thirty (30) days thereafter within which to correct the problem. If the problem is corrected within such time period, this Agreement will not be terminated. If the problem is not corrected within such time period, this Agreement will be terminated and the Member must promptly leave The Cypress. Notwithstanding such termination, the Member will continue to pay his/her Monthly Payment and other applicable charges, until his/her Unit has been sold, transferred or otherwise conveyed to a new Member who assumes all obligations hereunder.

e. If the Medical Director determines that either the giving of notice or the lapse of time specified above 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/her 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 membership 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 Member assumes all such rights and obligations of membership with respect to the Unit and the Monthly Payment.

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

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 applicable covenants, restrictions, laws and regulations. In no event may a Unit be occupied by more than two (2) individuals, each of whom must be a Member.

b. Subject to the prior written consent of the Executive Director, which may be withheld in the Executive Director's sole discretion, pets may be permitted in the Units. 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 ensuring the pet's good behavior and paying 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 and fumigation. Pets are prohibited in the common facilities. Any Member having a pet understands and agrees that the pet will be removed from the Unit if the pet becomes a



nuisance to other Members, as determined by the Executive Director in his or her sole discretion. The Club will provide the Member with fourteen (14) days written notice that the pet must be removed from the Unit.

## **OCCUPANCY OF UNITS**

c. Except as hereinafter provided, no person other than the Member (or both of them) may occupy the Unit without the express written approval of The Club. If a person who is not a party to this Agreement (including any subsequent spouse of the Member) is accepted for residency under this Agreement after the date hereof (such acceptance to be in accordance with admission policies governing all other admissions), an additional Membership Fee and an additional Monthly Payment will be charged to the new resident of the Unit, in accordance with Paragraph 6 above. The amount of the Membership Fee will be based on the gross fair market value of the Unit at the time the new Member is accepted, as determined by a Qualified Appraisal. The new Member will pay the applicable Monthly Payment each month he/she occupies the Unit. If, however, the new prospective resident does not meet the residency requirements for the Unit, such person will not be permitted to occupy the Unit for more than thirty (30) days (except with the express written approval of The Club). If such person does not vacate the Unit after the thirty (30) day period, this Agreement may be terminated in accordance with the terms hereof.

## **CYPRESS MAY MODIFY UNITS TO MEET LEGAL REQUIREMENTS**

d. The Club or the Company may modify a 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 The Club's cost, if it becomes necessary to vacate his/her Unit in order to make such modifications.

## **MEMBER MUST OBTAIN INSURANCE FOR PERSONAL PROPERTY**

e. Each Member must obtain hazard and liability insurance covering the Member's personal property located within, and the interior of, his/her Unit. A Member's personal property, furniture, clothing, jewelry, etc. located within the Unit may not interfere with the health, safety and general welfare of other Members.



**FUTURE PURCHASERS  
MUST MEET CYPRESS  
RESIDENCY  
REQUIREMENTS;  
RETAIL LISTING  
PROCESS; THE  
COMPANY OFFERS  
SERVICES AS BROKER  
FOR REALES**

14. Resale. The Member acknowledges that the resale of a Unit in The Cypress must be made to a person(s) who either meets The Cypress Membership and residency requirements or who is purchasing a Unit for or on behalf of a person(s) who meets The Cypress Membership and residency requirements. The Company shall determine whether a person(s) meets such requirements. The Member also acknowledges and agrees that, if he/she moves out of his/her Unit prior to its sale, the Member will be responsible for paying the Monthly Payment until the Unit is sold, transferred or otherwise conveyed to a new Owner who assumes the ownership rights and obligations of membership with respect to the Unit and the Monthly Payment.

As described in this Membership Agreement, the occupancy of a Unit and access to and use of the common elements and services provided by The Club are restricted to a qualified Member or Designated Member, as the case may be. And, membership in The Club is subject to the age, financial and medical qualifications set forth herein. Due to the complex and dual nature of each resale, The Company expends ongoing and considerable resources in marketing The Cypress, including hiring consultants, purchasing third party professional reports, collecting and reviewing data analytics specific to senior citizens, and maintaining Priority Reservation Agreements with individuals who have expressed an interest in The Cypress and have delivered refundable deposits so that they may be advised of community resales when they occur. As well, employees of The Company are well-versed in both the sale of real estate and the qualifications of membership in The Club (including a HIPPA certification to protect the confidential information required to be delivered for consideration of admission as a Member). As part and parcel of this effort, The Company offers its services to owners at the time of a resale at a commission rate considered to be at or below a market rate for the sale of real estate and with no additional consideration for assisting with the membership admission process. Owners are not required to engage The Company for resales, nor is admission of membership contingent on the use of the Company for the resale of a Unit. However, in such cases where an Owner elects to sell a Unit without engaging The Company, The Cypress may impose reasonable restrictions on access to the Unit and common elements for purposes of ensuring the safety and well-being of The Cypress residents. The Company also may charge the Owner a \$1,000 administrative fee per prospective member, payable to the Company in advance, to reimburse The Company for the time and expense of assisting with the membership admission process. This administrative fee shall be non-refundable, whether or not such prospective member is admitted for membership at The Cypress and/or closes on the sale of a Unit. In such instances, an Owner and its agent(s) should engage legal counsel experienced in transactions of this nature, and they shall be responsible for all elements of disclosure required by the CCRC Act and the Condominium Act. The Owner and its agent(s) shall be required to execute an indemnification agreement in favor of The Company, The Club and The Cypress of Raleigh Owners' Association, Inc. covering any liability arising out of the failure to comply with the CCRC Act, the Condominium Act and the requirements set forth in the Disclosure Statement.



## **ASSOCIATE MEMBERSHIPS**

15. Associate Memberships. The Company anticipates that there will be a large demand for membership in The Club. Accordingly, the Company may, in its sole discretion, accept associate members who are not residents of The Cypress, but will have secondary priority access to the Club Facilities.

## **DISAGREEMENT SETTLED BY ARBITRATION**

16. Arbitration. It is the parties' intent that any controversy arising under, out of, in connection with, or relating to, this Agreement and any amendment thereto, or breach thereof, shall be determined and settled by arbitration, in accordance with the rules of the American Arbitration Association. Any decision 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 decision in any court having jurisdiction. Notwithstanding the foregoing, this arbitration provision will not be mandatory for any effort by The Club and/or the Company to collect Monthly Payments, Membership Fees, or other charges, nor with respect to decisions by the Company with respect to the admission of new Members.

17. Amendments.

## **AMENDMENTS TO AGREEMENT**

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

## **MUST BE IN WRITING**

b. No Amendment to this Agreement shall be valid unless in writing and signed by the Member (or both of them if there are two) and the Company, or otherwise 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 THE 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.

18. 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/her Unit prior to the expiration of the thirty (30) day period.

**AUTOMATIC  
TERMINATION OF  
AGREEMENT**

b. If a Member dies before closing on the purchase of a Unit or is unable to occupy a Unit due to illness, injury, or incapacity that renders him/her ineligible for Membership, then this Agreement will automatically be terminated and all deposits returned to the Member or his/her estate. If there is more than one purchaser of the Unit, the Agreement will continue to be binding on the surviving or eligible purchaser. The Agreement will also be automatically terminated if a Member sells his/her Unit and does not reside in the Unit or the Health Care Facility.

**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 18, the Member or his/her legal representative shall receive a refund of all money or property transferred to the Company, less (i) non-standard 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 non-refundable fees or costs specified and described herein; and (iii) a reasonable service charge not to exceed the greater of one thousand dollars (\$1,000.00) or two percent (2%) of the Membership Fee.

19. Miscellaneous Legal Provisions.



**NORTH CAROLINA LAW  
GOVERNS**

**NORTH CAROLINA  
INSURANCE LAW  
REGARDING  
CONTINUING CARE  
RETIREMENT  
COMMUNITIES  
CONTROLS**

a. This Agreement will be interpreted in accordance with the laws of the State of North Carolina.

b. The purchase, sale and ownership of the Unit and membership in the Club are subject to the provisions of the North Carolina Condominium Act (North Carolina General Statutes Chapter 47C) and the North Carolina Insurance Law regarding Continuing Care Retirement Communities (North Carolina General Statutes Chapter 58, Article 64). North Carolina also has a law prohibiting transfer fees (North Carolina General Statutes Chapter 39A). In the event of a conflict among these laws, the Member, by execution of this Agreement, evidences the Member's acknowledgement and agreement that the North Carolina Insurance Law regarding Continuing Care Retirement Communities shall control, including specifically North Carolina General Statutes 58-64-85(b) which provides:

(b) Facilities and providers licensed under this Article that also are subject to the provisions of the North Carolina Condominium Act under Chapter 47C of the General Statutes shall not be subject to the provisions of Chapter 39A of the General Statutes, provided that the facility's declaration of condominium does not require the payment of any fee or charge not otherwise provided for in a resident's contract for continuing care, or other separate contract for the provisions of membership or services.

c. 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 remainder of this Agreement.

**AGENTS OF THE  
CYPRESS NOT  
PERSONALLY LIABLE**

d. 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.

**IF MORE THAN ONE  
MEMBER, OBLIGATIONS  
ARE JOINT AND  
SEVERAL**

e. When more than one Member occupies a Unit, the rights and obligations of such Members are joint and several, except as the context otherwise requires.

f. 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 neither the Company nor The Club shall be bound by any such assignment.





**MEMBER REPRESENTS  
HE/SHE IS CAPABLE OF  
INDEPENDENT LIVING  
AND HAS SUFFICIENT  
ASSETS AND INCOME  
FOR PAYMENT OF  
MEMBERSHIP  
OBLIGATIONS**

g. By executing this Agreement, the Member represents and warrants that he/she is capable of independent living, with or without reasonable accommodation or modification, 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/her ordinary and customary living expenses after assuming Membership and occupancy. The Member further warrants that he/she 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/her or on his/her behalf to the Company are true and correct.

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

h. Durable Power of Attorney. Each Member agrees to execute and deliver to The Club, at or before assuming residency in The Cypress, a Durable Power of Attorney, 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 comply with all applicable laws, and grant the power and authority to make financial decisions for the Member. The Durable Power of Attorney shall not be affected by the physical disability or mental incompetence of the Member. Each Member shall keep the 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 the Durable Power of Attorney shall not be a person employed by The Club, the Company, The Condominium or any other entity engaged in the management of The Cypress. The Durable Power of Attorney must name a successor attorney-in-fact.

**MEMBER  
ACKNOWLEDGES  
RECEIPT OF ALL  
DOCUMENTS AND  
EXHIBITS**

20. Acknowledgment and Receipt of Documents. The Member hereby certifies that he/she has received a printed copy of this Agreement, a copy of the Declaration of Condominium establishing The Cypress of Raleigh Condominium, the Public Offering Statement and all Exhibits thereto, the Bylaws of The Cypress of Raleigh Condominium, the current Cypress Disclosure Statement and the Purchase Process worksheet, which sets forth all cost components of the Monthly Payment.

**MEMBER  
ACKNOWLEDGES THIS  
IS A CONTRACT FOR  
PERSONAL CONTINUING  
CARE SERVICES**

21. Personal Services Contract. The Member hereby acknowledges that this Agreement is a non-transferable contract for personal continuing care services subject to the provisions of North Carolina General Statutes Chapter 58, Article 64. The Member further acknowledges that the obligations set forth herein are contractual in nature and that this Agreement does not create an estate or interest in real property.



**COUNTERPARTS;  
ELECTRONIC  
SIGNATURES**

22. Counterparts; Electronic Signatures. This Agreement may be executed in one or more counterparts or counterpart signature pages attached to one copy of this Agreement, each of which shall constitute an original and all of which taken together shall constitute one agreement. Documents executed, scanned (in .PDF or similar reprographic format), and/or executed (and, as appropriate, witnessed and/or notarized) electronically using electronic signature software (e.g., DocuSign or similar software), or similar methods (each a method of "Electronic Execution") and transmitted electronically shall be deemed original signatures for purposes of this Agreement and all matters related thereto, with such Electronic Execution having the same legal and binding effect as original signatures. The parties hereto agree that this Agreement may be accepted, executed and/or agreed to through the use of an electronic signature in accordance with the Electronic Signatures in Global and National Commerce Act (E-Sign Act), Title 15, United States Code, Sections 7001 et seq., the Uniform Electronic Transaction Act (UETA) and any applicable state law. Any document accepted, executed or agreed to in conformity with such laws will be binding on all parties the same as if it were physically executed. The parties (a) consent to the Electronic Execution of the Agreement and the use of electronic signatures, (b) intend to be bound by the signatures on any document delivered via Electronic Execution; (c) are aware that the other party(ies) will rely on such Electronic Execution and electronic signatures; and (d) waive any defenses to the enforcement of the terms of this Agreement based on Electronic Execution or electronic signatures.

(The remainder of this page is intentionally left blank. The next page is the signature page.)



**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)"

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

"UNIT OWNER" (if different from Member)

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

SIGNED IN THE PRESENCE OF:

"COMPANY"

**THE CYPRESS OF RALEIGH, LLC,**  
a North Carolina limited liability company

By: **THE CYPRESS MANAGEMENT GROUP, LLC, its**  
**Manager**

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_  
Its:

Attest: \_\_\_\_\_  
Its:

SIGNED IN THE PRESENCE OF:

"CLUB"

**THE CYPRESS OF RALEIGH CLUB,**  
**INC.,** a North Carolina non-profit corporation

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_  
Its:

Attest: \_\_\_\_\_  
Its:

Villa Type: \_\_\_\_\_  
Villa Number: \_\_\_\_\_  
Cottage Type: \_\_\_\_\_  
Cottage Number: \_\_\_\_\_



## **SCHEDULE A**

See attached list of Prices, Membership Fees and Monthly Fees.

**EXHIBIT T**

**RESERVED**

## **EXHIBIT U**

### **RESALE PURCHASE AND SALE AGREEMENT**

**{ATTACHED}**

**PLEASE NOTE:** As discussed on page 28 of this Disclosure Statement, we have attached hereto a Re-Sale Purchase and Sale Agreement substantially in the form that will be used on and after January 1, 2012 for resale of existing Units. Purchase and Sale Agreements signed prior to January 1, 2012 shall be substantially in the form attached as Exhibit P to the Disclosure Statement filed by The Cypress of Raleigh with the Department of Insurance on or around May 28, 2010.



# **THE CYPRESS OF RALEIGH RESALE PURCHASE AND SALE AGREEMENT**

**PURCHASER:**

whose address is \_\_\_\_\_,  
\_\_\_\_\_ (the "Purchaser").

**SELLER:**

whose address is \_\_\_\_\_,  
\_\_\_\_\_ (the "Seller").

These parties shall hereinafter sometimes be referred to collectively as the "Parties", and individually as a "Party".

**THIS RESALE PURCHASE AND SALE AGREEMENT** (the "Agreement") is entered into by the Parties this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

## **WITNESSETH:**

**THE CYPRESS INCLUDES  
PRIVATE RESIDENCES,  
CLUB HOUSE AND HEALTH  
CARE FACILITY**

The adult residential continuing care retirement community known as THE CYPRESS OF RALEIGH ("The Cypress"), consisting of a 42,709 square foot "Clubhouse", sixty-one (61) bed "Health Care Facility" (the Clubhouse and the Health Care Facility shall hereinafter sometimes be referred to collectively as the "Club Facilities"), and two (2) types of living units (attached or detached cottages and villa units) has been developed by The Cypress of Raleigh, LLC, a North Carolina limited liability company (the "Company"), upon its real property located in Raleigh, North Carolina (the "Land"); and

**RESIDENTIAL UNITS ARE  
CONDOMINIUMS**

All of the living units have been or are to be developed as condominium units (collectively, the "Units"; and each a "Unit") known as THE CYPRESS OF RALEIGH CONDOMINIUM (the "Condominium"), and the Units are or will be sold subject to the Declaration of Condominium recorded in Book 13240, Page 738, Wake County Registry (as amended) (the "Declaration"), a copy of which is enclosed in the Project Documentation – Book of Exhibits provided to Purchaser prior to execution of this Agreement; and

**PURCHASE OF RESIDENCE  
INCLUDES MEMBERSHIP  
IN THE CLUB**

The Club Facilities are operated by The Cypress of Raleigh Club, Inc., a non-profit and non-proprietary corporation ("The Club"). The purchase of a Unit requires that it be coupled with the rights, privileges and responsibilities



of membership in The Club to be utilized by the Purchaser or by his designee approved by The Club who meets the various requirements set forth in The Cypress Membership Agreement. Each owner of a Unit (individually, a “Unit Owner”; and collectively, the “Unit Owners”) or his approved designee must acquire membership simultaneously with the purchase of a Unit and each member shall execute The Cypress Membership Agreement and become eligible for residency and all rights of access to the Club Facilities; and

Seller wishes to sell and Purchaser wishes to acquire the Property hereinafter described and defined, upon the terms and conditions set forth hereinbelow.

NOW, THEREFORE, in consideration of the mutual promises contained in this Agreement, the receipt and legal sufficiency of which are hereby acknowledged, the Parties hereby covenant and agree as follows:

#### **PURCHASE OF RESIDENCE**

1. **PURCHASE.** Purchaser hereby agrees to purchase the Property hereinafter described for the purchase price hereinafter set forth, all in accordance with the terms and conditions set forth herein.

#### **SPECIFIC RESIDENCE AND PARKING SPACE TO BE ACQUIRED**

2. **PROPERTY.** The property which is the subject of this Agreement is designated as Unit \_\_\_\_\_ of the Condominium more fully described in the Declaration, together with an undivided fractional interest in and to the common areas and facilities included in the Condominium (the “Property”), and together with a membership in The Club.

Check the one that applies:

☐ **Rights to Parking Space(s) Included:** The “Property” also includes all of Seller’s rights to Garage or Covered Parking Space(s): \_\_\_\_\_, pursuant to a Garage/Covered Space Parking Agreement, which shall be assigned to Purchaser at Closing.

☐ **Rights to Parking Space(s) Not Included:** The “Property” does not include any of Seller’s rights to any Garage or Covered Parking Space, and Purchaser does not desire to purchase any rights to a Garage or Covered Parking Space.

☐ **New Rights to Parking Space:** The “Property” does not include any of Seller’s rights to any Garage or Covered Parking Space, but Purchaser desires to purchase rights to a Garage or Covered Parking Space from the Company in accordance with the terms and conditions set forth in a Garage/Covered Space Parking Agreement, which shall be executed by Purchaser at Closing. The rights will be to use Garage or Covered Parking Space(s): \_\_\_\_\_.





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

3. **CYPRESS MEMBERSHIP AGREEMENT.** Purchaser hereby expressly acknowledges receipt of The Cypress Membership Agreement, which is being executed simultaneously with this Agreement, a copy of which is included in the Project Documentation – Book of Exhibits provided to Purchaser prior to execution of this Agreement. This Membership Agreement is subject to the Company's approval. Purchaser further acknowledges that in the event he chooses a designee and this designee is approved by The Club, then the designee will also be required to enter into The Cypress Membership Agreement. The services to which Purchaser will have access as a Member of The Club are described in Paragraph 32 hereof.

**PURCHASE PRICE**

4. **PURCHASE PRICE.** The "Purchase Price" of the Property is \$ \_\_\_\_\_. The Purchase Price is payable as follows:

**DEPOSIT**

- a. \$ \_\_\_\_\_, upon the execution hereof by Purchaser, representing fifteen percent (15%) of the Purchase Price as an earnest money deposit (the "Earnest Money"), to be held by the Company as Escrow Agent.
- b. \$ \_\_\_\_\_, the balance of the Purchase Price due at Closing (as defined in Paragraph 12 hereof).

**MEMBERSHIP FEE  
INCLUDED IN PURCHASE  
PRICE**

**The non-refundable and non-transferable Membership Fee which is equal to ten percent (10%) of the Purchase Price is included in the Purchase Price of the Property.**

**ALLOCATION OF THE  
PURCHASE PRICE**

The Purchase Price of the Property shall be allocated as follows:

- a. \$ \_\_\_\_\_ (90% of the Purchase Price allocated to the purchase and sale of the Unit) shall be payable to the Seller.
- b. \$ \_\_\_\_\_ (10% of the Purchase Price allocated for the non-refundable and non-transferable Membership Fee) shall be payable to the Company.

**PARKING SPACE PAYMENT** Check the one that applies:

☐ **For assignment by Seller:** In addition to the Purchase Price, Purchaser shall pay the sum of \$ \_\_\_\_\_ to the Seller to acquire the Seller's rights to use the Parking Space.

☐ **No Parking Space purchase:** Purchaser has opted not to purchase a Parking Space.

☐ **For new purchase:** In addition to the Purchase Price, Purchaser shall pay the sum of \$ \_\_\_\_\_ to the Company for the rights to use the Parking Space.



**NO FINANCING  
CONTINGENCY**

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

**PHASED DEVELOPMENT**

6. **PHASED DEVELOPMENT.** All of Phases I, II and III of The Cypress have been constructed on the Land. Phase I and Phase II consist of 168 villa Units in 3 mid-rise buildings (Buildings A, B and C) and 34 cottage Units. Phase III, which was completed in the fall of 2020, includes three (3) additional Cottages and two mid-rise buildings (Buildings D and E), which each contain fifty-seven (57) villa homes. The Cypress condominium includes a Clubhouse of approximately 42,709 square feet and a sixty-one (61) bed Health Center.

**DEVELOPER MAY  
DEVELOP ADDITIONAL  
UNITS**

The Company does not currently have plans to construct additional villas or cottages at The Cypress of Raleigh, but it reserves the right (but not the obligation) to develop an additional phase of the Condominium consisting of up to one hundred eleven (111) units (the "Additional Phase Property"). The total number of Units for all phases shall be as specified in the Declaration for the Condominium. If the Additional Phase Property is added, the number and architectural design of the units shall be solely in the discretion of Company. The Company has reserved the assignable right to provide other improvements in The Cypress that may be used by purchasers of units in additional phases and to grant to such purchasers the right to use the common elements of The Cypress. Reference is made to the Declaration for specific discussion of the Additional Phase Property.

**CLOSING**

7. **CLOSING DATE.** Closing on the purchase of the Property (the "Closing") shall be held at a mutually agreed upon location on or before \_\_\_\_\_, 20\_\_, time being of the essence (the "Closing Date").

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

8. **CLOSING EXPENSES.** Each Party shall be responsible for those Closing costs customarily paid by sellers and purchasers in Raleigh, North Carolina. For example, Seller shall be responsible for paying the revenue stamps on the deed, as well as for preparation of the deed and lien affidavit. Purchaser shall be responsible for recording fees for the deed and for any costs associated with financing the purchase of the Property, including, without limitation, title examination, loan documentation preparation, deed of trust recording fees, and title insurance, if applicable.

**PRORATIONS**

9. **PRORATIONS.** Property taxes, the Monthly Payment (as defined in Paragraph 16 hereof), and the applicable assessments on the Property shall be prorated between the Parties on a calendar year basis as of the Closing Date.

**SPECIAL WARRANTY DEED  
GIVEN**

10. **CONVEYANCE OF TITLE.** Fee simple title to the Property shall be conveyed by Seller via special warranty deed free and clear of all encumbrances save and except:



- a. taxes and assessments not yet due;
- b. the terms, provisions, covenants, easements, restrictions and reservations set forth in the Declaration, the Bylaws (the "Bylaws") of The Cypress of Raleigh Owners' Association, Inc. (the "Association"), the Membership Agreement, and the Rules and Regulations of the Association (the "Rules and Regulations"), and all exhibits and amendments thereto;

## TITLE CONDITIONS

- c. general utility easements of record and all other easements and restrictions of record which do not impair Purchaser's use of the Unit for residential purposes;
- a. easements established under the North Carolina Condominium Act;
- b. all facts and conditions which may be shown by survey and physical examination of the Property;
- c. any applicable zoning and/or development laws and ordinances, including those of Wake County and the City of Raleigh.

## ACCEPTANCE OF PROPERTY "AS IS"

11. **ACCEPTANCE OF PROPERTY.** Purchaser has inspected and accepts the Property "as is", except as may otherwise be stated in this Agreement. All appliances, heating, plumbing and air conditioning systems will be in good working order on the Closing Date.

## PURCHASER AGREES TO BE BOUND BY THE CONDOMINIUM DOCUMENTS

12. **DECLARATION OF CONDOMINIUM.** The Company has formed the Condominium by filing the Declaration pursuant to the provisions of the North Carolina Condominium Act (N.C. Gen. Stat. § 47C et seq., as amended) (the "Act"). Purchaser agrees to be bound by the Declaration, the Association's Articles of Incorporation (the "Articles of Incorporation"), the Bylaws and the Rules and Regulations. The Company has reserved the right to make such changes in the Declaration, Articles of Incorporation, Bylaws and the Exhibits thereto as may be necessary to conform to applicable laws and governmental regulations, to meet requirements of lending institutions, to expedite the sale of the other Units in the Condominium and to establish or reconfigure common areas; **PROVIDED**, such changes shall not substantially diminish the Purchaser's interest in the Unit.



**CYPRESS MEMBER HAS  
ACCESS TO CLUB  
FACILITIES**

13. **CLUBHOUSE AND HEALTH CARE FACILITY.** The Club Facilities include the Clubhouse and Health Care Facility. The Company has received from the State of North Carolina a Certificate of Need for the Health Care Facility.

The Company, per the Declaration, has made the Club Facilities part of the Condominium. The Company has negotiated and executed a management agreement for the Club Facilities with a qualified operator. Pursuant to the terms of the Membership Agreement, the Purchaser, or his designee approved for Membership by The Club, as a benefit and membership right under his membership, will be entitled to admission to the Health Care Facility so long as his attending physician or the Medical Director of The Club determine that this type of care is needed.

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

14. **RISK OF LOSS.**

- a. Partial loss or damage to the Property by fire, storm or other casualty between the date hereof and Closing shall not void or impair this Agreement, but all such damage will be the responsibility of Seller.
- b. In the event of total or substantial loss as a result of the hazards mentioned above, Seller shall have the option to repair all damage at Seller's own cost or through insurance proceeds from the Association, or to cancel this Agreement and refund to Purchaser all monies paid hereunder.
- c. If Seller is required or elects to repair the loss or damage to the Property caused by the hazards mentioned above, the time for Closing shall be extended for such time as may be reasonably required to repair the damage.

**WARRANTIES ARE  
TRANSFERRED TO  
PURCHASER**

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

16. **CLOSING AND POST-CLOSING FINANCIAL OBLIGATIONS  
OF PURCHASER.**

**MONTHLY PAYMENT  
INCLUDES CONDOMINIUM  
FEE AND SERVICE FEE**

- a. Purchaser agrees to accept responsibility for the Monthly Payment which includes the Condominium Fee and the Service Fee, as the same are defined in Paragraph 1(g) of the Membership Agreement. If the Member (as defined in the Membership Agreement) is not the Purchaser of the Unit, the



Member and the Purchaser shall be jointly and severally responsible for the Monthly Payment. In such circumstances, the Member and the Purchaser shall execute a guaranty agreement in a form approved by The Club further evidencing this joint and several responsibility (each a "Guaranty Agreement"). In the event that Purchaser fails to execute the Guaranty Agreement, Section 6 of the Membership Agreement, which shall be signed by Purchaser and Member, shall serve as Purchaser's personal guaranty of payment of the Member's Monthly Payments to the Company, its successors, and assigns. The services included in the Monthly Payment are described in Paragraph 32 hereof.

### **CONDOMINIUM OPERATIONS AND EXPENSES**

- b. Purchaser acknowledges and agrees to accept responsibility for his continuing obligation pursuant to the Declaration, beginning with the date of Closing, to pay his Condominium Fee consisting of his pro rata share of any common expenses, operating expenses, capital expenses and debt service, if any, assessed against the Property. For purposes of this Agreement, debt service is limited to possible future loans voted on and approved by Unit owners after Closing. It does not include development loans. Such assessments shall be for authorized purposes, including, but not limited to, expenses incurred for landscaping, maintenance, repairs, general area maintenance, administration supplies, professional services, utilities, garbage services, insurance, etc. Each purchaser's pro rata share will be determined in accordance with statutory percentage values as stated in the Declaration.

### **SERVICE FEE INCLUDES ELECTRICITY IN THE VILLA UNITS**

- c. Electricity and natural gas for the villa Units will be part of the Service Fee, while cottage Unit owners will be directly responsible for the payment of electricity and gas for their Units.

### **INSURANCE EXPENSES AND TWO MONTHS COMMON EXPENSES DUE AT CLOSING FOR WORKING CAPITAL FUND**

- d. At Closing, Purchaser shall pay to the Association a payment in the amount of \$\_\_\_\_\_, constituting two (2) months common expenses as the Property's contribution to a working capital fund for the Condominium. Purchaser shall also pay to the Association a payment in the amount of \$\_\_\_\_\_, constituting twelve (12) months hazard and flood insurance premiums for the Property.

### **THE SERVICE FEE**

- e. Purchaser agrees to accept responsibility on the Closing Date for the Service Fee. Purchaser acknowledges his continuing obligation as a Member to pay his share of the cost of the services provided by The Club (the Service Fee) in accordance with the Membership Agreement, to contribute toward the expenses of operating the Club Facilities, as well



as any capital purchases and debt service, if any, necessary for repair, maintenance and modification of the Club Facilities.

## **PERSONAL PROPERTY AND CUSTOM CHANGES**

- f. Purchaser agrees to pay the additional cost of repairs to appliances which are the personal property of the Purchaser. In addition, if custom changes have been or will be made to a Unit, including, without limitation, non-standard or upgraded appliances or flooring, the Unit owner will reimburse the Association for any amounts expended to maintain, repair, insure and replace the custom changes, to the extent such amounts exceed the amount which would have been expended for standard appliances, fixtures and finishes. This provision also applies to any increased costs for the maintenance of landscape additions to cottage Units.

## **GARAGE/COVERED PARKING**

- g. All Purchasers who have entered into Garage/Covered Parking Space Agreements as referenced in Paragraph 2 above may be responsible for an additional periodic assessment to cover the actual pro rata costs of maintenance and repair of the garage and/or covered parking space area.

## **SPECIAL OPERATING RESERVE ACCOUNT REQUIRED BY N.C. DEPT. OF INSURANCE**

17. **OPERATING RESERVE DEPOSIT.** The State of North Carolina Department of Insurance, in accordance with Article 64, Chapter 58 of the North Carolina General Statutes, requires that all continuing care facilities maintain operating reserves equal to 50% of the total operating costs projected for a twelve (12) month period following the period covered by the most recent annual statement filed with the Department. Facilities that maintain an occupancy level in excess of 90% shall only be required to maintain a 25% operating reserve upon approval of the Commissioner. These reserves are to be used for the benefit of The Club as required by the State of North Carolina in the event of emergencies and/or unexpected operating shortfalls.

## **PURCHASER TO MAKE A DEPOSIT INTO THE OPERATING RESERVE ACCOUNT**

At Closing, Purchaser shall be responsible for paying to The Club an Operating Reserve Deposit in the amount of \$14,000. This deposit, along with deposits in the same amount from all other purchasers, will be held in a separate account (the "Operating Reserve Account").

Each subsequent Unit purchaser shall be obligated to pay \$14,000 into the Operating Reserve Account so that upon resale of the Unit, any unused portion of the \$14,000 deposit paid by the Purchaser shall be returned to Purchaser.

## **PURCHASER MUST INSURE PERSONAL PROPERTY**

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



**OCCUPANCY BY SOMEONE  
OTHER  
THAN OWNER**

19. **PROVISIONS APPLICABLE WHERE MEMBER IS NOT THE PURCHASER.** If the Unit purchased by Purchaser will be used by someone other than Purchaser, then Purchaser must designate the person(s) who will use the membership which must be acquired at the time the Unit is purchased (the "Designated Member"). The Designated Member must: (a) meet the basic eligibility requirements for membership in The Cypress; (b) be approved by the Company; (c) execute the Membership Agreement; and (d) comply with the terms of the Membership Agreement, including, without limitation, assurances regarding the Monthly Payments. The Designated Member and Purchaser shall be jointly and severally liable for the Monthly Payment and all other obligations outlined in the Membership Agreement. The Designated Member's membership in The Club will terminate when the Designated Member ceases to reside at The Cypress. Any subsequent residents of the Unit, including the Purchaser, must acquire their own membership in The Club prior to occupying the Unit. The Membership Fee for the membership will be assessed at the then applicable rate for future Members and must be paid to the Company prior to occupancy of the Unit.

**DEFAULT PROVISIONS**

20. **DEFAULT.** If Purchaser defaults in the performance of any obligation of this Agreement, Seller may, in its sole discretion (i) seek to recover all damages, including interest on the balance due, resulting from Purchaser's default, and in each instance shall be entitled to the legal costs incurred by the Seller in enforcing its rights; or (ii) retain all funds paid by or on behalf of Purchaser as liquidated damages, in which event Seller shall have no further obligation to Purchaser under this Agreement. In the event of a default in the performance of any of the obligations of the Seller pursuant to this Agreement, Purchaser shall be entitled, as Purchaser's sole and exclusive remedy, to (i) terminate this Agreement and receive a refund of the Earnest Money, or (ii) seek specific performance according to law. Either Seller or Purchaser is hereby allowed fifteen (15) days after receipt of written notice of default to cure such default prior to termination hereof by the non-defaulting Party as provided herein.

**NOTICE PROVISIONS**

21. **NOTICES.** Any notice to a Party shall be in writing and shall be delivered to the Party's address stated above, or such other address as shall subsequently be provided by appropriate notice. Notice may be either hand delivered or deposited in the U.S. Mail or with a courier company such as Federal Express. If mailed or couriered, any written notice shall be deemed received on the second calendar day following the date of mailing if addressed and mailed by certified or registered mail, postage paid, to the addressee set forth above.

**COMPANY RESERVES A  
RIGHT OF FIRST REFUSAL  
ON FUTURE SALES**

22. **RIGHT OF FIRST REFUSAL.** The Purchaser hereby acknowledges that the Declaration provides that when the Purchaser wishes to sell the Property and Purchaser has received a bona fide purchase offer from a third party (each a "BFP Offer"), Purchaser shall then offer the Property for sale, in



writing, to the Company, its successors or assigns for the same price at which the highest BFP Offer has been made for the Property, and the Company shall have thirty (30) days after receipt of written notice of the price and terms of such BFP Offer within which to exercise its option to purchase the Property at this price. If the Company fails or refuses, within thirty (30) days after receipt of written notice of the BFP Offer, to exercise its option to purchase the Property at the offered price, then Purchaser shall have the right to sell the Property to the third party, subject, however, to all covenants, restrictions, limitations and affirmative obligations and other agreements referenced and contained in this Agreement. This Paragraph shall not be construed to impair the right of foreclosure of a mortgage on the Property and improvements thereon. The right of first refusal shall be set out in the deed to the Unit from the Seller to the Purchaser ("Deed") and shall obligate the Company to exercise the right of first refusal within thirty (30) days after the date the Company receives the written notice of the BFP Offer and, in any event, no later than twenty one (21) years after the death of the last survivor of two (2) lives in being on the date of the Deed. The Purchaser shall designate the two (2) lives in being in the Deed. The reason for the provisions related to the exercise of the right of first refusal no later than twenty one (21) years after the death of the last survivor of the two (2) lives in being is intended to comply with the North Carolina common law rule against perpetuities.

**RESALE PRICE OF UNIT  
WILL INCLUDE NEXT  
PURCHASER'S  
MEMBERSHIP FEE**

23. **PAYMENT OF MEMBERSHIP FEE ON RESALE.** Purchaser understands that, in accordance with the terms of the Membership Agreement, when he sells the Property, the Membership Fee for the new purchaser is to be paid to the Company at the resale closing as part of the Property's gross sales price. The Membership Fee to be allocated upon sale by Purchaser shall be ten percent (10%) of the gross sales price. Any real estate commission will be based on the real estate portion of the Property and paid from the proceeds of the sale net of the Membership Fee and not on the gross sales price.

**MEMBERSHIP FEE WILL BE  
BASED ON FAIR MARKET  
VALUE IF PURCHASER  
GIVES PROPERTY TO  
THIRD PARTY**

In the event the Purchaser gives or wills his Property to any other person or entity (including an entity solely owned by the Purchaser), the Membership Fee paid to the Company shall be based on the fair market value of the Property when the gift or devise is made and ownership of the Property is transferred. The Purchaser acknowledges that the Company has the unconditional right to approve or disapprove memberships in The Club.

24. **CERTAIN RESERVED RIGHTS OF COMPANY.**

**COMPANY MAY LEASE  
UNSOLD UNITS**

- a. The Company shall have the absolute right and privilege of leasing any or all of the Units owned by Company on a short or long term basis for use in the manner contemplated by the Membership Agreement and the Declaration. The Company's lessees shall be entitled and subject to all of the privileges, rights, obligations and requirements as outlined in the Membership Agreement.





**UNITS MAY BE USED AS  
SALES MODELS**

- b. The Company is entitled to use one or more of the Units as models for purposes of a sales model and/or offices and/or guest rooms. Further, as provided in the Declaration, the Company is entitled to the use of offices in the Clubhouse for administrative and sales purposes, including resales.
- c. The Company is entitled to use up to nine (9) rooms in the Club Facilities as office and storage facilities for sales activity and related administrative and management purposes at no charge to Company, as more particularly described in Section 14.4 of the Declaration.

25. **MISCELLANEOUS.**

**AGREEMENT BINDING ON  
HEIRS AND SUCCESSORS.**

**MAY NOT BE ASSIGNED  
WITHOUT CONSENT OF  
SELLER OR COMPANY**

**DEATH OF PURCHASER  
PRIOR TO CLOSING**

- a. This Agreement is binding upon and shall inure to the benefit of the heirs, legal representatives, successors and assigns of the Parties. The rights of Purchaser pursuant to this Agreement may not be assigned or transferred without the express written consent of Seller or the Company. Any attempt by Purchaser to assign this Agreement without such consent may be deemed by Seller a breach of this Agreement by Purchaser, and Seller shall not be bound by any such assignment. **Notwithstanding the foregoing, in the event of the death of Purchaser prior to Closing, the Purchaser's obligations shall cease, the Agreement shall be automatically terminated, and all deposits returned to Purchaser's estate. In addition, if on account of illness, injury or incapacity, Purchaser would be precluded from occupying the Unit under the terms of the Membership Agreement prior to Closing, Purchaser's obligations shall cease, the Agreement shall be automatically terminated, and all deposits returned to Purchaser's estate. If there is more than one Purchaser, the Agreement will continue to be binding on the surviving Purchaser.**

**TERMS SURVIVE THE  
CLOSING**

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

**IF PART OF AGREEMENT  
UNENFORCEABLE THAT  
SHALL NOT AFFECT  
REMAINDER**

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



**WAIVER OF RIGHTS MUST  
BE IN WRITING**

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

**THIS AGREEMENT  
SUPERSEDES OTHER  
AGREEMENTS**

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

**INDIVIDUAL MAY ACT FOR  
CORPORATION OR  
PARTNERSHIP**

- f. If Purchaser is a trust, corporation or partnership, Purchaser shall provide evidence that the persons executing this Agreement are authorized to act on behalf of the entity.

**ALL REPRESENTATIONS  
MADE BY SELLER ARE  
STATED IN THIS  
AGREEMENT**

- g. By execution of this Agreement, Purchaser agrees that Seller has made no covenants or commitments regarding the Property, except as stated in this Agreement.

**SMOKING RESTRICTION/  
AIR PURIFICATION  
INSTALLATION  
REQUIREMENT**

- h. Purchaser or Purchaser's guests shall not be permitted to smoke cigarettes, pipes, or cigars in Purchaser's Unit unless Purchaser has installed an air purification system (approved by the Company) in the Unit at the Purchaser's sole cost and expense.

**AMENDMENTS MUST BE IN  
WRITING**

**AMENDMENTS MUST BE  
APPROVED BY THE  
COMPANY IN WRITING**

- 26. **AMENDMENTS.** NO AMENDMENT SHALL BE MADE TO THIS AGREEMENT EXCEPT AS EXPRESSLY AUTHORIZED IN WRITING BY SELLER AND ACCEPTED BY PURCHASER. ALL AMENDMENTS MUST BE APPROVED BY THE COMPANY IN WRITING. PURCHASER ACKNOWLEDGES THAT HE HAS READ THIS AGREEMENT AND UNDERSTANDS AND AGREES TO ALL OF ITS TERMS.



**PURCHASER  
ACKNOWLEDGES RECEIPT  
OF DOCUMENTS**

27. **ACKNOWLEDGMENT OF RECEIPT.** By execution of this Agreement, Purchaser acknowledges receipt, review and approval of the form and content of the documents listed below, some of which are packaged in a booklet entitled “The Cypress of Raleigh Project Documentation – Book of Exhibits,” and agrees to be bound by the terms and provisions thereof, together with such amendments as are authorized herein:

- a. Working with Real Estate Agents Brochure
  - b. Waiver of Repurchase Option and Consent to Sale
  - c. The Cypress of Raleigh Third Party Real Estate Transfer: Representation and Indemnification Agreement
  - d. Resale Certificate
  - e. Addendum to Resale Purchase and Sale Agreement
  - f. Assignment of Villa Garage/Covered Parking Space Agreement
  - g. The Cypress of Raleigh Membership Agreement
  - h. Receipt of Resale Purchase and Sale Agreement and Other Project Documents
  - i. Purchase Process Spreadsheet
  - k. Disclosure Statement
  - l. Project Documentation – Book of Exhibits
1. Declaration of Condominium
  2. Bylaws of and Rules of Conduct – The Cypress of Raleigh Owners’ Association, Inc.
  3. Articles of Incorporation – The Cypress of Raleigh Owners’ Association, Inc.
  4. Condominium Management Agreement
  5. Club Management Agreement
  6. Projected Annual Budget for Association
  7. Projected Annual Budget for The Club
  8. Projected Annual Budget for Association and The Club
  9. Permitted Exceptions

**BROKERAGE COMMISSION**

28. **BROKERAGE.** Seller and the resale marketing division of the Company entered into a listing agreement for the sale of the Property (the “Listing Agreement”). The Company has earned its commission under the Listing Agreement (the “Property Commission”), and the Seller agrees to pay the Property Commission to the Company at Closing, in accordance with the terms of the Listing Agreement. If Purchaser defaults hereunder and the Earnest Money is forfeited to Seller in accordance with Paragraph 19 hereof, the Company will be entitled to one-half (1/2) of the forfeited Earnest Money as its full compensation from Seller.

**PURCHASER’S RIGHT TO  
CANCEL**

29. **PURCHASER’S RIGHT TO CANCEL.** (In the event of Purchaser’s cancellation in accordance with the terms of this Agreement, all payments made by Purchaser prior to such cancellation shall be refunded to Purchaser in accordance with N.C.G.S. §58-64-25(a)(3). Notwithstanding the fact that N.C.G.S. §47C-4-108 provides for a seven (7) day cancellation period for condominium acquisitions, this Agreement



**provides for a longer cancellation period as set forth in this Paragraph 29.)** Purchaser shall have the absolute right to cancel this Agreement at any time by delivering written notice to Seller during the thirty (30) calendar day period immediately following the later of the full execution of this Agreement or the receipt of the Disclosure Statement (the "Cancellation Period"). Purchaser's cancellation of this Agreement during the Cancellation Period is without penalty, and all payments made by the Purchaser before such cancellation shall be refunded by Seller within ten (10) days after the expiration of the Cancellation Period. Purchaser is not required to move into the Unit before the expiration of the Cancellation Period.

#### **NORTH CAROLINA LAW GOVERNS**

30. **NORTH CAROLINA LAW GOVERNS.** This Agreement will be interpreted in accordance with the laws of the State of North Carolina.

#### **NORTH CAROLINA INSURANCE LAW REGARDING CONTINUING CARE RETIREMENT COMMUNITIES CONTROLS**

31. **NORTH CAROLINA INSURANCE LAW REGARDING CONTINUING CARE RETIREMENT COMMUNITIES CONTROLS.**

The purchase, sale and ownership of the Unit and membership in the Club are subject to the provisions of the North Carolina Condominium Act (North Carolina General Statutes Chapter 47C) and the North Carolina Insurance Law regarding Continuing Care Retirement Communities (North Carolina General Statutes Chapter 58, Article 64). North Carolina also has a law prohibiting transfer fees (North Carolina General Statutes Chapter 39A). In the event of a conflict among these laws, Purchaser, by execution of this Agreement, evidences Purchaser's acknowledgement and agreement that the North Carolina Insurance Law regarding Continuing Care Retirement Communities shall control, including specifically North Carolina General Statutes 58-64-85(b) which provides:

(b) Facilities and providers licensed under this Article that also are subject to the provisions of the North Carolina Condominium Act under Chapter 47C of the General Statutes shall not be subject to the provisions of Chapter 39A of the General Statutes, provided that the facility's declaration of condominium does not require the payment of any fee or charge not otherwise provided for in a resident's contract for continuing care, or other separate contract for the provisions of membership or services.

#### **SERVICES INCLUDED IN MONTHLY PAYMENT**

32. **SERVICES INCLUDED IN MONTHLY PAYMENT.** The services and features listed in this section 32 are included in the Monthly Payment. These services encompass meal preparation (personalized for the medical and nutritional needs of the Member), personal safety, socialization, transportation, and monitoring of other activities of daily living, and are part of a coordinated system of care and resources to address both medical and non-medical drivers of health outcomes associated with growing older.

#### **CLUB ACTIVITIES**

a. **Club Activities.** A full-time Director of Community Life Services is employed by The Club who plans and organizes a variety of events tailored to the special interests of the Members. These programs are focused on wellness to meet the intellectual, physical,



emotional, social and spiritual needs of the Members. Activities include cultural excursions, lecture series, dance and art classes, card games, craft activities, tournaments, and shopping. A full-time Wellness Coordinator is employed who plans and organizes fitness and wellness programs such as Tai-Chi, yoga, aquatic, aerobic and strength and balance classes.

## URGENT CALL SYSTEM

b. Urgent Call System. All Cottages and Villas have a two-way, telephonic urgent call system. The purpose of this system is to summon help in an emergency. The urgent call system is connected to an indicator panel in the Health Care Facility, which identifies the Cottage or Villa from which the signal was initiated. Licensed nursing personnel with emergency training will respond to calls from the urgent call system and will summon any other appropriate emergency personnel that may be required.

## FOOD SERVICE ALLOWANCE

c. Food Service Allowance. Healthy eating and nutrition are central to a Member's well-being and are interrelated with health, personal safety, socialization, transportation and monitoring other activities of daily living that may not be apparent absent daily use of Cypress dining in the presence of trained staff. The excellence of The Cypress of Raleigh's dining program supports the coordinated system of care provided by The Club to address both medical and non-medical drivers of health outcomes associated with growing older.

As part of residency at The Cypress of Raleigh, Members receive meal services as described in this section. To assist in tracking meal usage and monitoring the health of Members, Members receive quarterly meal points, which may be used for food and beverage selections from a varied menu of favorites, seasonal and daily specials, giving the Members optimal choice and flexibility for their dining experience. A Member's meal points are designed to be allocated in the Member's discretion over the course of each quarter and typically are sufficient for one meal per day. With four distinct dining venues, the Members can choose to use meal points on dining experiences in the formal or main dining venues or on quick grab-and-go menu items from the buffet-style bistro and bar menus. Home delivery and take-out meals are also available. A registered dietician is available for consultation. Charges for guest meals will be published by The Club and subject to change without prior notice based on variable food and labor costs. A Member's meal point allowance is not equivalent to dollars, cannot be exchanged for dollars, and does not reflect the actual cost of food and labor utilized for the delivery of food service as part of a Member's residency at The Cypress of Raleigh. Unused meal points will not carry over to the next quarter. Additional meal points cannot be purchased. Any additional meals that may be requested by a Member in excess of their quarterly meal points will be charged on a per-item basis to the Member at a dollar amount determined by The Cypress of Raleigh. To



the extent required by law, appropriate sales and use taxes will be charged to Members and collected on sales of alcohol and guest meals.

## **PRIVATE DINING ROOM**

d. Private Dining Room. A private dining room is available for use by Members and their guests for special family or social occasions. Special meals and wait staff may be available, upon request, for an additional charge. Advance reservations with the Director of Food & Beverage or Dining Room Manager are required. Standing reservations for groups and/or clubs are not available

## **WEEKLY FLAT LAUNDRY**

e. Weekly Flat Laundry. Members receive weekly flat laundry service, which includes sheets, pillow cases, towels, face cloths and dish cloths. The flat laundry will be washed, dried, folded and returned on a weekly basis at the next scheduled housekeeping visit.

## **WEEKLY HOUSEKEEPING SERVICES**

f. Weekly Housekeeping Services. Members will receive weekly housekeeping services. These services include kitchen and bathroom cleaning, surface cleaning, dusting, and vacuuming. Periodically, window washing, carpet cleaning and other additional housekeeping will be performed.

## **SCHEDULED MAINTENANCE OF COTTAGE OR VILLA AND COMMON AREA**

g. Scheduled Maintenance of Cottage or Villa and Common Area: Maintenance, as more particularly described in the Declaration of Condominium, will be provided for each Cottage and Villa, and The Cypress common areas. If a Member needs maintenance service, the Member may submit a request with the Facilities Coordinator or concierge.

## **GROUND CARE AND GARDENING**

h. Grounds Care and Gardening. The Club's 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. In addition, gardening areas are available for Members' use and will be under the direction of the Director of Community Life Services on a first-come, first-serve basis.

## **CERTAIN UTILITIES**

i. Certain Utilities. Electric, gas (if applicable), water, sewer, and basic cable services will be included in the Monthly Payment for owners of villa Units. Owners of cottage Units must pay a separate charge for electric and gas.

## **SCHEDULED TRANSPORTATION**

j. Scheduled Transportation. Scheduled transportation is available for The Cypress Members. Scheduled trips include nearby grocery stores, banks, and shopping centers. Special trips may be periodically scheduled at an additional cost to each participant.



## CAMPUS SECURITY

k. Campus Security. The Cypress is a gated community with security staff personnel onsite twenty-four (24) hours a day. Additionally, security cameras and a card access system provide security to all buildings and the community.

## MAIL DELIVERY

l. Mail Delivery. Once each business day, the U.S. Postal Service collects and distributes mail to each Member's personal mailbox. At the request of a Member, mail can be forwarded during the Member's absence from his/her Villa or Cottage.

## ABSENCE CREDIT

m. Absence Credit. If 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, the Member may be entitled to an "absence credit" in an amount determined by the Club to be applied against the Monthly Payment.

## HEALTH CARE FACILITY

n. Health Care Facility. The Cypress has secured a license from the North Carolina Department of Health & Human Services, Division of Facility Services to operate fifty-seven (57) skilled nursing beds and four (4) assistance-in-living adult home beds. The skilled nursing care facility and the assistance-in-living facility are collectively referred to as the Health Care Facility. For a period of forty-five (45) lifetime cumulative days, each Member will be entitled to receive nursing care in the nursing care facility in a semi-private room in the Health Care Facility, without extra charge, at the current Monthly Payment. During this forty-five (45) day period, the Member will continue to pay his/her Monthly Payment, plus the cost of two (2) extra meals per day, nursing supply charges, and those costs outlined in Paragraph 9 hereof. A private room will be available for an additional charge. If the Member needs further care after the forty-five (45) cumulative lifetime days of care, the Member will pay, in addition to the Monthly Payment, the applicable Member rate for such care. This rate will include meals and a semi-private room (at the request of a Member, a private room will be provided on an "as available" basis for an additional charge).

If two (2) Members occupy a Unit and one (1) of them becomes a permanent resident of the Health Care Facility, then the Monthly Payment for the Member continuing to occupy the Unit will be reduced to the single occupancy rate. The Member residing in the Health Care Facility will pay the applicable Member rate.

In the unlikely event that accommodations are not immediately available in the Health Care Facility, the Member agrees to relocate to another health care facility with which the Medical



Director of The Cypress arranges 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.

It should be noted that, due to the licensing requirements for the Health Care Facility, the facility cannot provide treatment for all conditions (e.g., no psychiatric care will be available). In addition, occupancy at the Health Care Facility may be terminated in accordance with Paragraph 12 hereof.

In no event will a Member be admitted to or treated in the Health Care Facility if such Member requires care that cannot lawfully be provided at the Health Care Facility and/or the Medical Director determines in his or her reasonable opinion that such Member's mental or physical condition is such that his or her admittance or treatment at the Health Care Facility would present an unreasonable risk of injury or detriment to that Member or any other Member receiving treatment or residing at the Health Care Facility, including but not limited to, a situation in which the Member seeking admittance or treatment at the Health Care Facility has been or is suspected to have been infected with a communicable disease for which there is no readily available cure and/or vaccine.

The operation of the Health Care Facility shall be subject to the applicable regulations and licensing standards of the State of North Carolina, including the N.C. Department of Insurance ("NCDI") and the North Carolina Department of Human Resources ("NCDHR").

## **HEALTH CENTER ACTIVITIES**

o. Health Center Activities. An activities director is responsible for coordinating and directing the arts, crafts, social and recreational activities for the Members in the Health Care Facility. The focus of these activities will be restorative care by enhancing the quality of life through physical, emotional, psychological and spiritual programs while catering to the individual needs of each Member.

## **MEMBER COMMITTEES**

p. Member Committees. Member committees hold regularly scheduled meetings to promote communication between the Members and The Cypress' administration. The six (6) Member committees are finance, buildings and grounds, food and beverage, health and safety, library, and social and activities.





## **MONTHLY BILLING SERVICE**

q. Monthly Billing Service. Monthly statements are placed in each Member's mailbox or other appropriate location on or before the fifth (5th) day of the month. Each monthly statement must be paid within seven (7) days after the delivery date of the statement. Payment may be made at the accounting office, accounting drop box or by mail. Payments made after the seven (7) day period may be subject to a late fee.

## **UNCOVERED SURFACE PARKING FOR MEMBERS AND GUESTS**

r. Uncovered Surface Parking for Members and Guests. The Cypress has ample surface parking for both the Members and their invited guests. In addition, all Cottages have a two-car garage. Limited assigned covered parking and garage parking is available to Villa Members at an extra charge. In order to ensure that sufficient parking is available to all of our Members and their invited guests, Members shall be limited to keeping no more than one (1) vehicle on campus for each Member with an active driver's license, except as otherwise agreed to in writing by the Executive Director. Certain Members who joined The Cypress prior to June 1, 2023 are keeping more than one (1) vehicle per licensed driving Member on campus (each an "Excess Vehicle"). In the event an Excess Vehicle is transferred, it may not be replaced with another Excess Vehicle, except as otherwise agreed to in writing by the Executive Director.

## **INTERRUPTION OR DELAY OF SERVICES**

s. Interruption or Delay of Services. If the Club is delayed, hindered, or prevented from delivering or performing any of the services described in the Membership Agreement by reason of any event or circumstance, whether or not foreseeable, not under The Club's reasonable control, including without limitation any governmental restriction, scarcity of labor or materials, strike, riot, civil disorder, fire, natural disaster, extreme weather event, disease, medical epidemics or outbreaks, curtailment of transportation facilities or infrastructure, and/or threats or acts of terrorism, the delivery or performance of such services shall be excused for the period of delay, and the delivery or performance of any such services shall be extended as necessary to complete performance after the delay period.

## **OWNER MUST SELL UNIT IF MEMBERSHIP AGREEMENT TERMINATED FOR JUST CAUSE**

33. **OWNER MUST SELL UNIT IF MEMBERSHIP AGREEMENT TERMINATED FOR JUST CAUSE.** If a Unit Owner or his approved designee's Membership Agreement is terminated for just cause in accordance with Section 12 of The Cypress Membership Agreement, such Owner will be obligated to promptly sell his/her Unit.

## **COUNTERPARTS; ELECTRONIC SIGNATURES**

34. **COUNTERPARTS; ELECTRONIC SIGNATURES.** This Agreement may be executed in one or more counterparts or counterpart signature pages attached to one copy of this Agreement, each of which shall constitute an original and all of which taken together shall constitute one agreement. Documents executed, scanned (in .PDF or similar reprographic format), and/or executed (and, as appropriate, witnessed and/or notarized) electronically using electronic signature software (e.g., DocuSign or similar



software), or similar methods (each a method of "Electronic Execution") and transmitted electronically shall be deemed original signatures for purposes of this Agreement and all matters related thereto, with such Electronic Execution having the same legal and binding effect as original signatures. The parties hereto agree that this Agreement may be accepted, executed and/or agreed to through the use of an electronic signature in accordance with the Electronic Signatures in Global and National Commerce Act (E-Sign Act), Title 15, United States Code, Sections 7001 et seq., the Uniform Electronic Transaction Act (UETA) and any applicable state law. Any document accepted, executed or agreed to in conformity with such laws will be binding on all parties the same as if it were physically executed. The parties (a) consent to the Electronic Execution of the Agreement and the use of electronic signatures, (b) intend to be bound by the signatures on any document delivered via Electronic Execution; (c) are aware that the other party(ies) will rely on such Electronic Execution and electronic signatures; and (d) waive any defenses to the enforcement of the terms of this Agreement based on Electronic Execution or electronic signatures.

**FUTURE PURCHASERS  
MUST MEET CYPRESS  
RESIDENCY  
REQUIREMENTS; RESALE  
LISTING PROCESS; THE  
COMPANY OFFERS  
SERVICES AS BROKER FOR  
RESALES**

35. **RESALE LISTING PROCESS.** As described in the Disclosure Statement, each resale of a Unit at The Cypress of Raleigh involves both the corresponding purchase of a fee interest in real estate and the purchase of a membership in The Club. Membership in The Club is not incidental to the ownership of a home; however, the occupancy of a home and access to and use of the common elements and services provided by The Club are restricted to a qualified Member or Designated Member, as the case may be. And, as elsewhere described in the Disclosure Agreement, membership in The Club is subject to the age, financial and medical qualifications set forth therein and more fully described in the Membership Agreement. Due to the complex and dual nature of each resale, The Company expends ongoing and considerable resources in marketing The Cypress, including hiring consultants, purchasing third party professional reports, collecting and reviewing data analytics specific to senior citizens, and maintaining Priority Reservation Agreements with individuals who have expressed an interest in The Cypress and have delivered refundable deposits so that they may be advised of community resales when they occur. As well, employees of The Company are well-versed in both the sale of real estate and the qualifications of membership in The Club (including a HIPPA certification to protect the confidential information required to be delivered for consideration of admission as a Member). As part and parcel of this effort, The Company offers its services to owners at the time of a resale at a commission rate considered to be at or below a market rate for the sale of real estate and with no additional consideration for assisting with the membership admission process. Owners are not required to engage The Company for resales, nor is admission of membership contingent on the use of the Company for the resale of a home. However, in such cases where an Owner elects to sell a home without engaging The Company, The Cypress may impose reasonable restrictions on access to the home and common elements for purposes of ensuring the safety and well-being of The Cypress residents. The Company also may charge the Owner a \$1,000 administrative fee per prospective member, payable to the Company in advance, to reimburse The Company for the time and expense of assisting with the membership admission process. This administrative fee shall be non-refundable, whether



or not such prospective member is admitted for membership at The Cypress and/or closes on the sale of a home. In such instances, an Owner and its agent(s) should engage legal counsel experienced in transactions of this nature, and they shall be responsible for all elements of disclosure required by the CCRC Act and the Condominium Act. The Owner and its agent(s) shall be required to execute an indemnification agreement in favor of The Company, The Club and The Cypress of Raleigh Owners' Association, Inc. covering any liability arising out of the failure to comply with the CCRC Act, the Condominium Act and the requirements set forth in the Disclosure Statement.

(The remainder of this page is intentionally left blank. The next page is the signature page.)



**SIGNED and SEALED** by Purchaser in duplicate originals as of the day and year first above written.

**WITNESSES:**

**PURCHASER:** *(If more than one, each should sign)*

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**SIGNED and SEALED** by Seller in duplicate originals this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**WITNESSES:**

**SELLER:** *(If more than one, each should sign)*

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**EXHIBIT V**  
**AGENCY DISCLOSURE**

**{ATTACHED}**



## Working With Real Estate Agents Disclosure (For Buyers)

### IMPORTANT

This form is not a contract. Signing this disclosure only means you have received it.

- In a real estate sales transaction, it is important that you understand whether an agent represents you.
- Real estate agents are required to (1) review this form with you at first substantial contact - before asking for or receiving your confidential information and (2) give you a copy of it after you sign it. This is for your own protection.
- Do not share any confidential information with a real estate agent or assume that the agent is acting on your behalf until you have entered into an agreement with the agent to represent you. Otherwise, the agent can share your confidential information with others.

**Note to Agent:** Check all relationship types below that may apply to this buyer.

\_\_\_\_\_ **Buyer Agency:** If you agree, the agent who gave you this form (and the agent's firm) would represent you as a buyer agent and be loyal to you. You may begin with an oral agreement, but your agent must enter into a written buyer agency agreement with you before preparing a written offer to purchase or communicating an oral offer for you. The seller would either be represented by an agent affiliated with a different real estate firm or be unrepresented.

\_\_\_\_\_ **Dual Agency:** Dual agency will occur if you purchase a property listed by the firm that represents you. If you agree, the real estate firm and any agent with the same firm (company), would be permitted to represent you and the seller at the same time. A dual agent's loyalty would be divided between you and the seller, but the firm and its agents must treat you and the seller fairly and equally and cannot help you gain an advantage over the other party.\*

\_\_\_\_\_ **Designated Dual Agency:** If you agree, the real estate firm would represent both you and the seller, but the firm would designate one agent to represent you and a different agent to represent the seller. Each designated agent would be loyal only to their client.\*

*\*Any agreement between you and an agent that permits dual agency must be put in writing no later than the time you make an offer to purchase.*

  X   **Unrepresented Buyer** (Seller subagent): The agent who gave you this form may assist you in your purchase, but will not be representing you and has no loyalty to you. The agent will represent the seller. Do not share any confidential information with this agent.

**Note to Buyer:** For more information on an agent's duties and services, refer to the NC Real Estate Commission's "Questions and Answers on: Working With Real Estate Agents" brochure at [ncrec.gov](http://ncrec.gov) (Publications, Q&A Brochures) or ask an agent for a copy of it.

\_\_\_\_\_  
Buyer's Signature

\_\_\_\_\_  
Evelyn Hughes

\_\_\_\_\_  
Agent's Name

\_\_\_\_\_  
Buyer's Signature

\_\_\_\_\_  
163441

\_\_\_\_\_  
Agent's License No.

\_\_\_\_\_  
Date

\_\_\_\_\_  
The Cypress of Raleigh, LLC

\_\_\_\_\_  
Firm Name

**EXHIBIT W**  
**HEALTH CARE LICENSES**

**{ATTACHED}**

# State of North Carolina

Department of Health and Human Services  
Division of Health Service Regulation

*Effective January 1, 2025, this license is issued to*

***The Cypress of Raleigh Club Inc***

*to operate a Nursing facility known as*

***The Rosewood Health Center***

*located at 8710 Cypress Club Drive  
Raleigh, NC 27615  
County: Wake*

*This license is issued subject to the statutes of the  
State of North Carolina, is not transferable and shall expire  
midnight December 31, 2025*

***Facility ID: 050891***

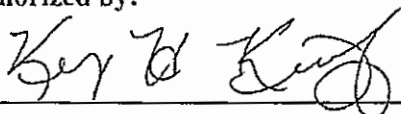
***License Number: NH0622***

***Bed Capacity: 61***

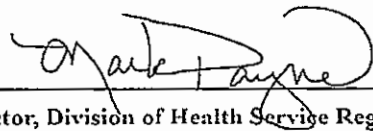
***Nursing Facility Beds: 57***

***Adult Care Home Beds: 4***

Authorized by:



Secretary, N.C. Department of Health and  
Human Services



Director, Division of Health Service Regulation



# State of North Carolina

Department of Health and Human Services  
Division of Health Service Regulation

*Effective January 1, 2025, this license is issued to*

***The Cypress of Raleigh Club, Inc.***

*to operate a home care agency known as*

***The Cypress of Raleigh Home Care***

*located at 8801 Cypress Lakes Drive*

*Raleigh, NC 27615*

*County: Wake*

*This license is issued subject to the statutes of the  
State of North Carolina, is not transferable and shall expire  
midnight December 31, 2025*

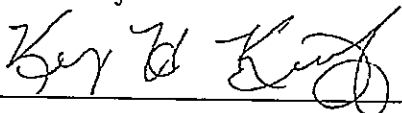
***Facility ID: 090658***

***License Number: HC3875***

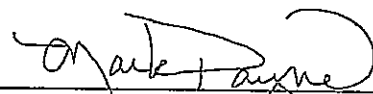
***Home Care Services:***

*Companion, Sitter and Respite, In-Home Aide, Nursing Care.*

Authorized by:



Secretary, N.C. Department of Health and  
Human Services



Director, Division of Health Service Regulation

**EXHIBIT X**

**CHARGES FOR ADDITIONAL SERVICES AVAILABLE TO MEMBERS**

**{ATTACHED}**

**Independent Living****Additional Charges (Effective 1/1/2025)****Dining:**

Member meals	Per menu
Additional surcharge for guest plated meals	\$ 5.00
Additional surcharge for guest buffet meals	\$ 7.00
Catering/Private Parties	As agreed upon
Bar Charges (beer, wine, mixed drinks)	\$ 3.00 & up plus tax
Additional meals during temporary stay in Rosewood	\$ 25.00 per day

**Housekeeping Services:**

Additional Housekeeping Services	\$ 50.00 per hour
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**Transportation Services:**

Transportation to Airport	\$ 30.00 per trip
Valet Transportation	\$ 25.00 per half hour
Medical Appointments-10 mile radius	No Charge between 8am and 4pm
Valet Transportation After Hours (4:00 pm)	\$ 50.00 per hour
Bus Rental-Large Bus	\$ 100.00 per hour
Bus Rental-Medium Bus	\$ 80.00 per hour
Bus Rental-Van	\$ 65.00 per hour

**Maintenance Services:**

Additional Maintenance Services	\$ 25.00 per half hour
IT services	\$ 25.00 per half hour

**Miscellaneous:**

Activities Charges	As presented
Hair Salon Services	As presented
Printing/Copying Services	\$.20/page B & W, \$.50/page Color
Returned check fee	\$ 30.00
Late Fee after 10 days	\$ 15.00 or 5% of balance
Replacement Name Badge	\$ 50.00/\$10.00 each
Replacement Magnets	\$ 5.00 each
Replacement FOB	\$ 20.00 each
Replacement PERS Pendant	\$ 150.00 each
Replacement House Key	\$ 20.00 each
Replacement Mailbox Key	\$ 15.00 each
Replacement Padlock for storage	\$ 20.00 each
Additional/Replacement Storage Key	\$ 10.00 each
Additional/Replacement Transponder	\$ 65.00 each