

SOUTHMINSTER, INC.

DISCLOSURE STATEMENT

March 1, 2024

In accordance with Chapter 58, Article 64 of the North Carolina General Statutes of the State of North Carolina:

- * This Disclosure Statement may be delivered until revised, but not after July 30, 2025.
- * Delivery of the Disclosure Statement to a contracting party before execution of a contract for continuing care is required.
- * 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.

Southminster, Inc.
8919 Park Road
Charlotte, North Carolina 28210

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March 1, 2024
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DISCLOSURE STATEMENT

SOUTHMINSTER, INC.

I. INTRODUCTION AND INFORMATION

A. Narrative Description of the Organization and its Operations

Southminster, Inc. (“Southminster”) is a corporation established to construct and operate a continuing care retirement community (the “community”) located at 8919 Park Road, Charlotte, North Carolina 28210, with mailing address and additional contact information as follows:

Southminster, Inc.	Telephone Number: (704) 551-6800
8919 Park Road	Fax Number: (704) 551-6868
Charlotte, NC 28210	Marketing Office: (704) 554-0141

B. Facilities of Southminster, Inc.

Southminster is a single-site facility located on a 27-acre tract at 8919 Park Road, Charlotte, NC 28210. Independent Living residences at Southminster consist of 29 one-story duplex/triplex cottages, a main building housing 229 apartments (two of which are used as guest rooms), the 30-unit South Terraces and 36-unit North Terraces. The main building also includes dining rooms, the main kitchen, common rooms for activities and social interactions, a library, wellness and aquatic center, administrative offices, underground parking, and all the necessary support service areas for the normal functioning of the community (e.g., maintenance, housekeeping, resident storage spaces). Southminster has combined some residences in its original building to make larger residences and continues to look for opportunities to do so.

Southminster’s replacement Health Center is housed in its main building and includes 25 assisted living licensed beds (all private, one-bedroom suites) and 60 nursing licensed beds (all private studios). Southminster has completed construction of its replacement health center, both phases of independent living “Terraces”, and most recently, completed renovating its previous health center space to house 20 more independent living apartments. See further discussion of this project in Section VI.C., Campus Expansion.

C. Affiliations

1. Sponsors of Southminster, Inc.

Southminster was founded by and continues to have an affiliation with:

Christ Episcopal Church
1412 Providence Road
Charlotte, NC 28207

Myers Park Baptist Church
1900 Queens Road
Charlotte, NC 28207

Southminster is the direct product of the interest of these two churches and their concern for providing a retirement alternative for members of their congregations and other seniors in the Charlotte area. The initial funds used for start-up related costs were raised primarily from the membership of these two churches.

One associate minister from each of the two sponsoring churches serve on Southminster's Board of Directors as ex officio members, with full voting rights. Although the Directors need not be members of one of the sponsoring churches, the Board's intention is to have not more than three non-members serving on the board, and the governing bodies of the two churches must ratify those individuals nominated to serve as Directors.

The sponsoring churches have no responsibility for the financial and contractual obligations of Southminster, Inc.

2. Trade Associations

Southminster is a member in good standing of LeadingAge and its state chapter, LeadingAge NC.

D. Accreditation and Licensure Authority

Southminster is fully authorized to operate in North Carolina. The independent living component of the community is regulated by the North Carolina Department of Insurance in accordance with Chapter 58, Article 64 of the General Statutes of the State of North Carolina.

The Assisted Living part of the community consists of 25 Adult Care Beds. The Skilled Nursing part of the community consists of 60 Skilled Nursing Beds. The Department of Health and Human Services issues an annual combined license through the Division of Health Service Regulation. Southminster operates a licensed Homecare Agency through the Division of Health and Human Services. The Division of Health Service Regulation annually renews Homecare Services, Nursing Care and In-home Aide services.

Southminster is fully licensed and authorized to operate under the full continuum of care services as published in this Disclosure Statement (refer to Section III below).

E. Legal Description

Southminster, Inc. is a non-profit corporation organized under the laws of the state of North Carolina. Directors serve on a non-paid basis and have no ownership relationship with the Corporation. There are no stockholders. The Corporation is exempt from the payment of federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code and is classified as a public charity under Section 509a(1) of the Internal Revenue Code.

F. Identification and Background of Officers and Directors of Southminster

The names, business addresses, and professional occupations of the Officers and Directors of Southminster, Inc. (as of February 26, 2024) are listed as follows:

OFFICERS OF THE CORPORATION

<i>OFFICE</i>	<i>NAME AND ADDRESS</i>	<i>PROFESSIONAL AFFILIATION</i>
<i>Chairman of the Board</i> <i>Board Member</i>	<i>The Reverend Robin Coira</i> 6928 Chatford Lane Charlotte, NC 28210 704-552-2652	Retired Executive Minister Myers Park Baptist Church
<i>Vice Chair, Treasurer</i> <i>Board Member</i>	<i>Mr. Charles H. Conner, Jr.</i> 1546 High Street Charlotte, NC 28211 704-577-2682	Retired Investment Banker
<i>Vice Chair, Secretary</i> <i>Board Member</i>	<i>Mrs. Susan R. Salvin</i> 1819 Queens Road Charlotte, NC 28207 704-516-5497	Retired, Former Owner of Salvin Dental Specialties, Inc.
<i>Vice Chair</i> <i>Board Member</i>	<i>Ms. MaryAnn Largen</i> 125 Huntley Place Charlotte, NC 28207 704-564-8017	Retired Business Owner & Pharmacist
<i>Vice Chair</i> <i>Board Member</i>	<i>Mr. Frank L. Horne, Jr.</i> 4115 Silver Bell Drive Charlotte, NC 28236 704-661-8785	President Gas-Fired Products, Inc.
<i>President and Chief Executive Officer</i> <i>Staff Member</i>	<i>Mr. Benjamin A. Gilchrist</i> 8919 Park Road Charlotte, NC 28210 704-551-7101	President and Chief Executive Officer, Southminster, Inc.

<i>Assistant Secretary</i>	Mr. Arnaldo Marquez 8919 Park Road Charlotte, NC 28210	Chief Operating Officer Southminster, Inc.
<i>Staff Member</i>	704-551-7115	
<i>Assistant Treasurer</i>	Mrs. Kenda M. Laughey 8919 Park Road Charlotte, NC 28210	Chief Financial Officer Southminster, Inc.
<i>Staff Member</i>	704-930-7105	

BOARD OF DIRECTORS ROSTER

<i>CLASS</i>	<i>NAME AND ADDRESS</i>	<i>PROFESSIONAL AFFILIATION</i>
<i>Ex Officio</i>	Rev. Carrie Veal Myers Park Baptist Church 1900 Queens Road Charlotte, NC 28207 704-334-7232	Executive Minister Myers Park Baptist Church
<i>2025</i>	Mrs. Suzanne G. Bledsoe 1437 Myers Park Drive Charlotte, NC 28207 704-517-3654	Retired, Merrill Lynch Private Wealth Management
<i>Chair Emeritus</i> <i>(Non-voting)</i>	Mr. H. Tate Bowers 8919 Park Road, Apt. 3021 Charlotte, NC 28210 980-201-5931	Former Chief Executive Officer Bowers Fibers, Inc.
<i>Chair Emeritus</i> <i>(Non-voting)</i>	Mr. Richard N. Brigden 8919 Park Road, Apt. 277 Charlotte, NC 28210 704-551-6977	Retired Chief Financial Officer Ruddick Corporation
<i>Founding Director</i> <i>(Non-voting)</i>	Mr. R. Stuart Dickson 8919 Park Road, Apt. 7011 Charlotte, NC 28210 704-930-7241	Retired Chairman of the Board Ruddick Corporation; Chairman of the Board, Dickson Foundation
<i>Ex Officio</i>	The Rev. Lisa Saunders Christ Episcopal Church 1412 Providence Road Charlotte, NC 28207 704-714-6952	Associate Rector Christ Episcopal Church
<i>Chair Emeritus</i> <i>(Non-voting)</i>	Mr. Robert D. Thomason 2129 Queens Road West Charlotte, NC 28207 704-904-2900	Pilot, Retired Former Owner of Advantage Aviation Aircraft Services
<i>2024</i>	The Reverend Robin Coira 6928 Chatford Lane Charlotte, NC 28210 704-552-2652	Retired Executive Minister Myers Park Baptist Church

2025	Mr. Charles H. Conner, Jr. 1546 High Street Charlotte, NC 28211 704-577-2682	Retired Investment Banker
2026	Mr. Larry J. Dagenhart 8919 Park Road, Apt. 177 Charlotte, NC 28210 704-551-6877	Retired Managing Partner McGuire Woods
2026	Mr. Frank L. Horne, Jr. 4115 Silver Bell Drive Charlotte, NC 28236 704-661-8785	President Gas-Fired Products, Inc.
Chair Emeritus (Non-voting)	Mr. Joseph B. C. Kluttz 2900 Saint Andrews Lane Charlotte, NC 28205 704-277-8470	Retired Partner K&L Gates, LLP
Chair Emeritus (Non-voting)	Mrs. Hope Parrott 2207 P On Avenue Sullivans Island, SC 29482 704-641-2610	Community Volunteer
2025	Mr. Edward T. Hinson, Jr. 525 N. Tryon St. Suite 700 Charlotte, NC 28202 704-372-9870	Attorney James, McElroy & Diehl
2024	Mrs. Susan R. Salvin 1819 Queens Road Charlotte, NC 28207 704-516-5497	Retired, Former Owner of Salvin Dental Specialties, Inc.
2024	Ms. Gloria Gibson 3115 Ingelow Lane Charlotte, NC 28226 704-231-3452	Retired Human Resources Professional
2025	Mr. Jack Cook 8919 Park Road, Apt. 2035 Charlotte, NC 28210 980-201-5955	Retired President and CEO The Health Alliance, Cincinnati, Ohio
2026	Ms. MaryAnn Largen 125 Huntley Place Charlotte, NC 28207 704-564-8017	Retired Business Owner & Pharmacist
2024	Mr. Roy L. Smart, III 2039 Queens Rd. East Charlotte, NC 28207 704-335-9031	Partner Parker Poe Adams & Bernstein LLP

NOTES RELATING TO “BOARD OF DIRECTORS ROSTER”

- The “Ex Officio” Directors are voting members serving on the Southminster, Inc. Board by virtue of their leadership positions as Clergy of Myers Park Baptist Church and Christ Episcopal Church.
- The “Founding Director” continues to serve on the Board as a non-voting member by virtue of the Board’s desire to show its respect and sincere appreciation for the leadership given by this individual at the inception and during the critical early years of Southminster’s existence.
- The “Chair Emeritus” Directors continue to serve on the Board as non-voting members in recognition of their years of service as members of the Board of Directors.

G. President and Chief Executive Officer

It is the intent of the Board of Directors of Southminster to have an experienced and professionally qualified Chief Executive Officer to be responsible for the daily operation of the facility. On May 1, 2019, Benjamin A. Gilchrist was appointed President and CEO by Southminster’s Board of Directors. This followed an extensive national search process managed by an executive recruitment firm, due to the retirement of the previous CEO. Mr. Gilchrist has extensive experience working with non-profit retirement communities, as well as for-profit skilled nursing providers. Prior to being appointed as CEO at Southminster, Mr. Gilchrist served for seven years as Vice President of Operations at Friendship Senior Options, a non-profit provider of senior services and housing in Illinois. Prior to that Mr. Gilchrist served as President of Springfield Masonic Home, a non-profit CCRC in Springfield, Ohio and Vice President of Operations for Vnable Health Care Company in Columbus, Ohio, a for-profit provider of skilled nursing. Before that, Mr. Gilchrist served as Vice President of Health Care and Community Based Services at Maple Knoll Communities in Springdale, Ohio, a non-profit provider of senior services and housing. Mr. Gilchrist is a licensed Nursing Home Administrator in Ohio and served on the board of LeadingAge Illinois.

H. Conflict of Interest Clarifications

Southminster is not aware of any conflict of interest item relating to any of its officers or directors. There are no members of the Board of Directors that have, nor which have in these persons, a ten percent (10%) or greater interest in companies with which Southminster conducts business. The business associations that do exist between the Board’s officers and directors and Southminster are fully disclosed and do not adversely impact the Corporation.

I. Criminal Violation Statement

No officer or director has been involved in civil or criminal proceedings involving fraud, embezzlement, fraudulent conversion or misappropriation of property; none 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 matters arising out of the business of health care. There have been no actions affecting licenses to operate a foster care facility, nursing home, retirement home, home for aged, or facility subject to Article 64 or a similar law in another state, within the past five years.

J. Location and Description of Physical Property

(Refer to Section I.B. above for this information.)

K. Occupancy Data

As of January 31, 2024, there were 489 residents residing at Southminster.

II. POLICIES RELATING TO ADMISSIONS, CANCELLATIONS, & TRANSFERS

A. Admissions Requirements and Procedures

1. The Admissions Process

Upon entering into a Residence and Services Agreement with Southminster, paying a reservation deposit equal to ten percent (10%) of the Entrance fee for the Residence selected and refund plan type selected, (please see Section IV below for a schedule of entrance fees), the future Resident will receive an Application for Admission. Once the completed Application (which includes Medical Release forms, a Personal Health History and a Confidential Financial Statement or other evidence of sufficient financial means) is submitted, Southminster will begin the official review process for approval. Final acceptance by Southminster and the right of the future Resident to receive services and to occupy a residence is contingent on the future Resident being finally approved by Southminster. The balance of the Entrance Fee is due when the resident is finally approved and takes financial responsibility for a residence.

As part of the admission process, all persons applying are interviewed by a representative from Southminster to ascertain the applicant's ability to live independently and to determine the level of support services that may be needed. The Chief Operating Officer and/or their designee will always be a part of this interview process. Upon review of the information outlined above,

Southminster may request additional personal interviews and/or documentation on items not satisfactorily covered in the application forms or on prior interviews.

2. *Health Criteria*

Southminster reserves the right to require the future Resident to have, at their expense, mental and physical examinations and tests, the purpose of which is to determine that the Resident is able to live independently within Southminster.

3. *Financial and Insurance Criteria*

As part of the application process, prospective residents will be asked to furnish information concerning net worth, income, and expenses. Full disclosure may not be required if other appropriate documentation of financial resources is supplied. In cases where the family may be providing support, financial disclosure by the family members may also be required.

As additional protection against future health care costs and as a condition for consideration for admission, the Resident will be expected to maintain Medicare Parts A and B and one supplemental health insurance policy or equivalent insurance coverage acceptable to Southminster.

Southminster also requires that each Resident maintain an insurance policy covering personal property and liability (including all motor vehicles kept on Southminster property) in minimum amounts recommended by Southminster policy. Each Resident is strongly encouraged to carefully consider his/her personal circumstances in deciding if limits higher than the minimum required by Southminster are appropriate.

4. *Age Requirements*

The requirements for admission to Southminster are non-discriminatory except as to age. Admission is restricted to persons sixty-two (62) years of age or older.

B. Rescission/Cancellation/Termination of Contract and Refund Provisions

1. *Rescission*

The Resident may rescind the Residence and Services Agreement within thirty (30) days of the later of the execution of this Agreement or receipt of the disclosure statement required by N.C.G.S. 58-64-20, and the Resident to whom the Agreement pertains will not be required to move to Southminster

before the expiration of the 30-day period. The Resident will receive a full refund of the Entrance Fee paid by the Resident within thirty (30) days of notice of rescission less any nonstandard charges and cancellation fees as set forth in the executed Residence and Services Agreement.

2. *Cancellation*

Prior to occupancy of a residence, the Residence and Services Agreement may be cancelled if Southminster denies admission to the Resident; if the Resident dies; if, on account of illness, injury, or incapacity the Resident is precluded from occupying a residence; or if Southminster notifies the Resident that the residence he or she reserved will not be available for occupancy. The Resident will receive a full refund of the Entrance Fee paid by the Resident within thirty (30) days of date of cancellation less any nonstandard charges as set forth in the executed Residence and Services Agreement.

3. *Termination Prior to Occupancy*

In addition to the rights for rescission and cancellation as described above, the Resident or Southminster may terminate the Residence and Services Agreement prior to occupancy of a residence. The Resident may terminate with thirty (30) days' notice for any reason other than those described for rescission or cancellation. Southminster may terminate with thirty (30) days' notice for just cause as described in the Residence and Services Agreement. Southminster may decide not to give thirty (30) days' notice if the Resident is determined to be a danger to him or herself or to others. In the case of a termination by the Resident or Southminster before occupancy that is not a rescission or cancellation, the Resident will receive a full refund of the Entrance Fee paid by the Resident within thirty (30) days of notice of termination, less a non-refundable fee (currently \$10,500, with the exception of new construction that carries a \$21,000 fee), and less any nonstandard charges as set forth in the executed Residence and Services Agreement.

4. *Termination After Occupancy*

The Residence and Services Agreement will terminate upon the death of the last surviving Resident that was a party to the Residence and Services Agreement. The Resident may also terminate with thirty (30) days' notice for any reason. Southminster may terminate with thirty (30) days' notice for just cause as described in the Residence and Services Agreement. Southminster may decide not to give thirty (30) days' notice if the Resident is determined to be a danger to him or herself or to others.

The refund of the Entrance Fee will be an amount equal to (a) 50% of the full Entrance Fee if the Resident elected the Fifty Percent Refund Plan; or (b) 90%

of the full Entrance Fee if the Resident elected the Ninety Percent Refund Plan; or (c) the full Entrance Fee less 5% of the Entrance Fee for each full calendar month or portion thereof that has elapsed from the date of occupancy to the effective date of termination if the Resident elected the Standard Plan. After twenty (20) full or partial months of occupancy, no refund of the Entrance Fee will be available to the Resident who elected the Standard Plan. Under the Ninety Percent and Fifty Percent Refund Plans, the refund will amortize at the rate of 5% monthly until either the 90% or 50% level is reached, after which the 90% or 50% refund will be allowed.

Refunds are made only upon the total withdrawal or move-out by the Resident from Southminster, whether voluntarily, forced, or by death. There is no refund upon the permanent transfer of the Resident to the Health Center. Similarly, there is no partial refund upon the move or transfer to a Residence with a lesser entrance fee. The refund in the case of couples will only be triggered by the death or withdrawal of the surviving spouse.

Any refund due the Resident will be made only after the Resident's accommodation becomes reserved by a substitute Resident and the substitute Resident has made the full Entrance Fee payment to Southminster.

Any refund due the Resident shall be offset by the amount of any accrued but unpaid Monthly Service Fees or other charges, including accrued interest thereon, due from the Resident.

5. Other Conditions Relating to Termination

At the effective date of termination of the Residence and Services Agreement, the Resident, appropriate family member, or person possessing documented power of attorney status shall vacate the Residence and leave it in good condition, normal wear and tear excepted. The Monthly Service Fee will continue to be billed until the Residence is totally vacated. If the Residence is vacated for any reason other than by death or the permanent transfer of the resident to the Health Center, an advance notice of thirty (30) days is required. Without such advance notice, an additional thirty (30) days' billing will automatically be due, regardless of the date the Residence is completely vacated. On-site storage is not available. The Resident will be liable to Southminster for any costs incurred to restore the Residence and its furnishings to good condition, normal wear and tear excepted or for removal or storage of items in a vacated Residence that have not been removed as required.

6. "Occupancy" Defined

For purposes of the above sections, "occupancy" is the mutually agreed-upon

date when Southminster's obligation to provide services begins, when Southminster provides an accommodation to the Resident, and when the resident's obligation to pay for services begins.

7. Continuation of Payments

Except as described in the Residence and Services Agreement or by Southminster policy, residents are required to continue to pay Monthly Service Fees related to the residence until such residence is vacated. Monthly Service Fees are also payable even though the resident may be away from the residence for any reason, including a temporary stay in a different accommodation at or outside Southminster.

C. Policies and Procedures Relating to Moves and Transfers

1. Transfers between Independent Living Residences

Transfers between independent living Residences are generally allowed subject to Southminster approval, subject to availability of the desired accommodation, and subject to the priority of the request as determined by Southminster. Where transfers are allowed, the following restrictions and conditions apply (these restrictions and conditions may be changed with future changes in policy):

- (a) **All requests for transfer must be submitted in writing and dated.** The request must also include the specific type of Residence desired.
- (b) Transfer requests due to acute physical, mental, financial and mobility problems may be given priority over all other requests for transfer regardless of date of the request. Determination of the severity of the conditions, which give rise to the transfer request, will be made by the management of Southminster.
- (c) There may be a charge for all voluntary in-house transfers. Such charge may include the full costs to prepare the Residence being vacated and the new Residence to move-in condition. The exact amount may vary depending on the circumstances of the move and the amount of refurbishing necessary. Southminster reserves the right to waive or modify such transfer charges.
- (d) When transferring to a same or "lesser priced accommodation", entrance fees and refund provisions relating thereto will not be affected. If requesting transfer to a residence with a lower entrance fee, no refund will be given. "Lesser priced accommodation" shall be defined as a residence with a lower current Entrance Fee than the original Entrance Fee paid for the residence being vacated.
- (e) When transferring to a "higher priced accommodation", an additional entrance

fee will be required to be paid prior to move-in to the new residence. Current policy states that for residents requesting a transfer after 60 months of occupancy, a “Higher priced accommodation” shall be defined as a residence with a higher current Entrance Fee than the current Entrance fee of the residence being vacated, and the amount due of this extra entrance fee will be the difference between the current published entrance fee of the new accommodation less the current published entrance fee of the residence being vacated. For residents requesting a transfer within the first 60 months of occupancy, a “Higher priced accommodation” shall be defined as a residence with a higher current Entrance Fee than the original Entrance fee paid on the residence being vacated, and the amount due of this extra entrance fee will be the difference between the then (the time of move-in) entrance fee for the Residence being vacated and the current entrance fee of the new Residence being moved into. A change in type of entrance fee (the standard vs. the Fifty Percent (50%) or Ninety Percent (90%) plans) is generally not available because of differences in the amortization and refund provisions of the two plans. The additional entrance fee paid will be added to the original entrance fee and amortized for refund purposes from the same date as the original entrance fee.

2. Permanent Transfers to the Health Center

If a determination is made, in consultation with Southminster healthcare professionals and the Resident’s family, that a transfer to the Health Center or to a hospital likely will be permanent in nature, the Resident hereby agrees to surrender his/her rights and use of the independent living Residence or Health Center accommodations, as the case may be, previously occupied by the Resident. If it is subsequently determined that the Resident can resume occupancy in accommodations equivalent to those previously occupied by the Resident, the Resident shall have priority to such accommodations as soon as they become available, with no additional Entrance Fee.

3. Transfers in the Health Center

Transfers and assignment of rooms in the Health Center will be controlled by the level of care needed by the Resident. Requests for transfers within the Health Center will be addressed by Southminster healthcare professionals. If the transfer is initiated by the Resident, the transferring Resident will be responsible for the charges for refurbishment of the accommodations being vacated.

D. Marriages

If a resident marries someone other than another resident, Southminster will admit the spouse to residence so long as he/she meets the requirements for entry, enters into a Residence and Services Agreement, and pays the second person entrance fee as specified in the Agreement. The Monthly Service Fee will change to reflect the second person rate and the size of Residence occupied. Should the new spouse not meet the requirements for residency, the original resident may terminate the Residence and Services Agreement in accordance with the terms outlined in Sections IX, C or IX, D of the Agreement, or admission may be granted under special circumstances and with the negotiated fees as mutually agreed to in writing by all parties to the Agreement.

If one resident marries another resident, each of their contracts shall remain in place (including treatment of refunds). If the residents choose to live together in one Residence, the only change to the contract will be that the monthly fees for the resident vacating their Residence will be reduced to a "Second Occupant" monthly fee.

E. Inability to Pay

As long as Southminster remains classified as a non-profit, charitable organization under Federal law and regulation, Southminster will endeavor to avoid termination of the Residence and Services Agreement solely because of an inability to pay. The decision to grant financial assistance is at the sole discretion of Southminster. Southminster will provide financial assistance only if it is able to do so without impairing its ability to operate on a sound financial basis.

A Resident seeking financial assistance should do so by contacting the CEO or the CFO. In doing so, the Resident agrees to make available any and all information requested by Southminster to assess the need for financial assistance. The Resident also agrees that, when requested by Southminster, he/she will seek financial assistance from other available sources, including family members and government assistance programs. The Resident also agrees to provide timely notification of financial need to Southminster, and to work cooperatively with Southminster to make reasonable changes that might delay or minimize an eventual financial assistance need.

A Resident who is granted financial assistance by Southminster agrees to comply with reasonable conditions which may include a move to a different Residence. Upon death, Southminster may seek to recover from the Resident's estate any financial assistance previously provided.

III. SERVICES PROVIDED UNDER THE RESIDENCE AND SERVICES AGREEMENT

A. Standard Services Available

As stated in the Residence and Services Agreement, Southminster provides to its residents the following services:

1. Residence

There are numerous types and sizes of living accommodations. Copies of floor plans along with specific features of each type can be secured from the marketing staff at Southminster. The Residence ultimately selected will be listed in the Residence and Services Agreement.

2. Common Areas

Southminster will provide common areas and amenities for Resident use and benefit. Common areas include at a minimum, dining rooms, multi-purpose rooms, spaces and facilities for activities, lounges, a chapel, a library, a wellness center that includes a pool and exercise facilities, and facilities for beautician services. Southminster may also provide facilities for limited banking services, facilities for the sale of sundry items, and other amenity areas dependent on Southminster's determination of demand or the availability of providers.

3. Utilities, Communications, and Alarm Systems

The Monthly Service Fee includes water, sewer, one telephone line (including local telephone service as provided through Southminster), trash removal, basic cable television service (or equivalent), access to premium cable television service (or equivalent), an urgent call system, a fire alarm system, and a carbon monoxide detector (where required). Electricity is included in the fee except for in cottages where it is an additional cost. Gas is available in all cottages and is an additional cost. Gas may be available in some other residences but may be an additional cost. Residents are responsible for the cost of long-distance telephone calls and premium cable television service. Additional telephone lines may be available for additional cost. Internet access is currently available through the cable television provider at no additional cost.

4. *Meals*

The Independent Living Monthly Service Fee includes access to Southminster's dining facilities. The dining plan provides a monthly allowance equivalent to one (1) dinner for each day in the month, usable anytime within the month in a Southminster dining room. The amount of allowance, as well as policies related to the plan, may be changed at any time by Southminster.

The Health Center daily fee includes three (3) meals per day. Other meals, meals for guests, and catering are available at an additional cost. Special diets as prescribed by a resident's physician are included in the daily Health Center fee. Limited special diets may be available for Independent Living residents and may be at an additional cost. Limited tray service will be provided when it is determined by Southminster health staff to be appropriate and may be at an additional cost.

5. *Housekeeping Services*

Monthly Service Fees include housekeeping services on at least a weekly basis. Housekeeping includes at a minimum vacuuming, dusting, cleaning of baths and kitchens, changing of bed linens, and trash removal. Other housekeeping services may be available at an additional cost. The independent living monthly fee includes weekly laundering of personal linens as defined in Southminster policy. The Health Center daily fee includes bed and bath linen provided by Southminster. Some Residences are equipped with a washer and dryer. Southminster provides washers and dryers in common areas at no additional cost. Should Southminster determine that safety, sanitation, or health issues arising in individual residences are the result of actions or inactions on the part of the Resident, Southminster will provide, at the Resident's expense, whatever additional housekeeping or laundry services Southminster determines are necessary to mitigate the issues.

6. *Maintenance and Repairs*

Southminster is responsible for maintenance, repair, and replacement of property, furnishings, and equipment owned or leased by Southminster. Other maintenance services may be available to Residents at an additional cost.

7. *Grounds Keeping*

Southminster is responsible for basic grounds keeping services including lawn, tree, and shrubbery care for those items that are provided by Southminster. Southminster, at its sole discretion, may make changes to

lawns, trees, shrubs, or any other landscaping on its property. Residents may plant items approved by Southminster in areas determined by Southminster, but are responsible for maintenance of those areas and plants.

8. *Life Enrichment*

Various social, recreational, spiritual, educational and cultural programs and activities are provided by Southminster for the Resident to enjoy. However, some activities may involve additional charges.

9. *Parking*

The Monthly Service Fee includes one (1) assigned parking space for each Residence provided that at least one party to the Residence and Services Agreement owns a licensed personal vehicle and has a valid driver's license. Covered or enclosed parking spaces may be subject to additional charges. Southminster policy governs registration requirements, space assignment and use, allowed vehicles, and other terms for parking.

10. *Staffing*

Southminster will have staff present on campus twenty-four (24) hours per day, every day of the year.

11. *Transportation*

The Monthly Service Fee includes scheduled local transportation for shopping trips, medical appointments, and occasional activities and events. Transportation for special, personal, or group trips may be available and may be at an additional cost.

12. *Health Services*

Included in the Health Center daily fee are facilities, equipment, staff, and services that are required to maintain current licenses, and services permitted and typically provided for each licensed level of health care. At a minimum, the following services are included:

- (a) Medical Director. Southminster will retain a licensed physician as Medical Director to consult on the medical aspects of the licensed levels of care.
- (b) Nursing Staff. Licensed and/or Registered Nurses will be available twenty-four (24) hours per day.

- (c) Other Services. Other services include diet planning by a registered and licensed dietitian, assisted bathing facilities, goal-oriented care planning, social services, and planned activities.

Other Health Services Not Included in Basic Fees. Additional health services not included in the Health Center daily fee may include, but are not limited to: physician services; dental work; physical, occupational, and speech therapy; rehabilitative treatments and equipment; ambulance services; outpatient nursing services; pharmacy services and medicines; laboratory services; durable medical equipment; food supplements; personal care and incontinence supplies or other health related items; and nursing, care planning, case management, or personal care services for Residents in Independent Living or above what is required for each licensed level of health care in the Health Center. Some services may be available only for Residents in the Health Center or only for Residents in Independent Living. These additional services are subject to additional charges by Southminster or by third-parties that provide the services on the Resident's or on Southminster's behalf. In some cases Southminster policy may require that a third-party provider be approved by Southminster prior to providing services on Southminster property.

IV. INFORMATION RELATING TO FEES

A. Ten Percent Deposit

As part of the admission process, a deposit equal to ten percent (10%) of the entrance fee for the type of accommodation selected will be required at the time the Residence and Services Agreement is executed. (Refer to the section below for a schedule of entrance fees.)

B. Refundable/Non-Refundable Entrance Fees

Entrance fees are based on the size and type of Residence selected. Southminster offers three types of entrance fee plans. The Standard Plan, sometimes referred to as the Non-Refundable Plan, provides for no refund, except as noted in Section II B of this Disclosure Statement.

Southminster also offers two types of Refundable Plans; a 50% Refundable Plan and a 90% Refundable Plan. Residents selecting either of the Refundable Plans must pay the Standard Entrance Fee plus the applicable surcharge factor determined at least annually by Southminster. Residents selecting a refundable plan will be entitled to a refund of either 50% or 90% (based on the Plan originally selected) of the full Entrance Fee when the Residence and Services Agreement is terminated. Actual payment of the refund is dependent on re-occupancy of the Residence as explained more fully in Section II.B of this Disclosure Statement.

C. Payment of Entrance Fees

Ten percent (10%) of the Entrance Fee is due and payable upon execution of a Residence and Services Agreement. The balance will be due and payable on the date of Occupancy.

D. Entrance Fees

The entrance fee gives the Resident the right to have a residence or health care accommodation at Southminster for life, while Southminster maintains and insures the property. Payment of the entrance fee does not provide any deeded ownership rights. It also provides the Resident with the use of all public and common areas, as well as guaranteeing priority access to the Health Center.

The current and most recent Entrance Fee Schedule is outlined as follows:

***Entrance Fee Schedule
(Effective October 1, 2023)***

<u>Type of Residence</u>	<u>Number of Units</u>	<u>Square Footage</u>	<u>Standard Entrance Fees</u>
Apartments:			
Studio	1	292	\$56,500
One Bedroom	53	598-1000	\$116,400 - \$279,600
One Bedroom with den	36	955-1,456	\$262,300 - \$438,100
Two Bedroom	78	955-2,260	\$268,800 - \$691,800
Two Bedroom with den	58	1,276-3,190	\$368,500 - \$1,004,400
Three Bedroom	1	3,081	\$1,078,200
Cottages:			
Small Sunroom	4	1,500	\$386,200
Large Sunroom	25	1,800-1,900	\$464,500 - \$517,800
Terraces:			
Two Bedroom	12	1,383-1,563	\$457,500 - \$499,500
Two Bedroom with den	54	1,602-2,140	\$529,600 - \$749,700

Health Care Center:			
Assisted Living	25	600 – 765	\$30,000 - \$40,000
Nursing Care Units	60	286 – 427	\$17,500 - \$25,000

Health Center entrance fees apply only to direct admissions. The 50% and the 90% Refundable Fee options are not available for direct admissions to the Health Center.

An additional \$30,000 is added to the entrance fee for a second occupant. A second occupant will be required to meet all admissions criteria.

Pricing Factor for Refundable Fee Contracts

Refundable Entrance Fee pricing is based on Standard Entrance Fees multiplied by a factor. The current multiple for the ninety percent (90%) refundable plan is 2.0. The multiple for the fifty percent (50%) plan is 1.4. Southminster reserves the right to modify the refundable multiple at any time and may also limit the number of refundable plans available to prospective residents. The multipliers for both plans are higher for incoming residents between the ages of 86 and 89 and is not available for residents over the age of 89.

E. Monthly Service Fees

The Monthly Service Fee is a charge by Southminster for programs, services, food, utilities, maintenance, housekeeping, debt service, insurance, administration, staffing and other services. The Monthly Service Fee is based on the size and type of the Residence selected and the number of occupants per Residence.

***Monthly Service Fees
(Effective October 1, 2023)***

Apartments:	
Studio	\$3,410
One Bedroom Apartments	\$4,055 - \$4,392
One Bedroom/Den Apartments	\$4,392 - \$4,913
Two Bedroom	\$4,392 - \$5,923
Two Bedroom/Den	\$4,913 - \$6,204
Three Bedroom	\$7,261
Terraces:	
Two Bedroom	\$5,168 - \$5,254
Two Bedroom/Den	\$5,343 - \$5,943
Cottages:	
Small Sunroom	\$4,380
Large Sunroom	\$4,534
Second Occupants:	\$2,271

The Monthly Service Fee may change because of increases in the cost of services, food and utilities and other circumstances beyond Southminster's control.

Payment of the initial Monthly Service Fee is due and payable on the earlier of the first day of occupancy or ninety (90) days after application is made unless otherwise mutually agreed to. Thereafter, the Monthly Service Fee is due and payable by the tenth (10th) of each successive month.

Southminster furnishes the Resident monthly statements showing the total amount of the Monthly Service Fee and other charges owed by the Resident. These charges are due and payable by the tenth (10th) of such month and, if not paid by such date, may accrue interest thereafter at the rate of eighteen percent (18%) per annum.

Upon the failure of the Resident to pay the charge, plus accrued interest, by the sixtieth (60th) day following notice that such payment is past due, Southminster has the right to terminate the Residence and Services Agreement. There is no requirement in the Residence and Services Agreement for continued residency at Southminster if the Resident becomes unable to pay current charges. However, Southminster, Inc. will endeavor to avoid termination of the Residence and Services Agreement solely because of an inability to pay. See further discussion in Section II.E.

Service Fees for Residences will continue to be charged until the Residence is fully vacated and released.

F. Health Center Fees and Charges

Southminster's per diem rates for the Domiciliary Care facility (Assisted Living), and Nursing Care in the Health Center are as follows:

***Daily Rates for Health Center
(Effective October 1, 2023)***

	<u>Current Residents</u>	<u>Direct Admit</u>
Assisted Living	\$279 - \$335	\$296 - \$357
Memory Support	\$363 - \$419	\$388 - \$449
Nursing Care	\$419 - \$456	\$464 - \$490

Rates may be decreased or increased as related costs decrease or increase.

Direct admissions to the Health Center will also be required to pay an Entrance Fee.

Health Center Credit Days

At the Date of Occupancy, each Resident in Independent Living is granted fourteen (14) Health Center Credit Days. At each subsequent anniversary of the Date of Occupancy, unused Health Center Credit Days for each Resident may be carried forward and, for each Resident whose Residence is in Independent Living, up to fourteen (14) new days granted, provided that the total accumulated for each Resident never exceeds forty-four (44) days. Health Center Credit Days are non-transferable, must be used only as defined in the Residence and Services Agreement and in Southminster policy, and have no value if not used. No new Health Center Credit Days are granted after the Resident becomes a permanent occupant of Southminster's Health Center.

Unless otherwise specified by Southminster policy, for each day a Resident occupies or holds an accommodation in the Health Center, whether or not that accommodation is the primary residence, Health Center Credit Days will be credited until all such accumulated days are used. While Health Center Credit Days are being used, the daily Health Center rate is waived but the Resident will be charged for other items, such as medical supplies, that are not included in the Resident's Monthly Independent Living Service Fee. While the Resident uses Health Center Credit Days, Monthly Service Fees continue based on the Independent Living Residence from which the Resident Moved or Transferred.

The "Health Center Credit Days" benefit is not available for residents who were direct admissions to the Health Center.

G. Notification of Fee Increase(s)

Southminster will use its best efforts to maintain Monthly Service Fees at the lowest possible rates consistent with the level and quality of service traditionally provided. The Monthly Service Fee is based, among other things, on the assumption that Southminster will be able to maintain its North Carolina and Federal tax-exempt status. Loss of such status, as well as other factors, could result in an increase in the Monthly Service Fee. Southminster will, when necessary, at its discretion, adjust the Monthly Service Fee or any other charges by giving thirty (30) days advance written notice to Residents.

H. Sales Incentives

From time to time, Southminster may offer sales incentives in the form of discounts to entrance and monthly fees. Such incentive programs may be offered on all or only select Residences and may be discontinued at any time.

I. Historic Changes in Monthly Fees for the Previous Five Years

The following table shows average changes in the monthly service fees and health center per diem fees over time. Note that it is the average dollar amount of the change in fees from year to year that is shown – not the fees themselves. Southminster’s policy has been to review resident fees and charges annually in connection with preparation of the annual budget. All changes during this period occurred once per year on October 1.

Historic Changes in Fees for the Previous Five Years

<u>Type of Residence</u>	<u>For Fiscal Years Beginning October 1,</u>				
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>Independent Living Service Fees (per month)</u>					
Extended Studio	\$85	\$87	\$96	\$133	\$178
Standard One Bedroom	\$102	\$105	\$111	\$159	\$212
One Bedroom/Den	\$109	\$113	\$124	\$172	\$229
One Bedroom/Den – Expansion*	\$117	\$120	\$132	\$184	\$245
Two Bedroom	\$113	\$116	\$137	\$180	\$235
Two Bedroom – Expansion*	\$128	\$132	\$159	\$202	\$269
Two Bedroom – Terraces	\$130	\$134	\$147	\$204	\$272
Two Bedroom/Den	\$122	\$127	\$139	\$192	\$257
Two Bedroom/Den – Expansion*	\$140	\$145	\$158	\$220	\$295
Two Bedroom/Den – Terraces	\$137	\$144	\$158	\$219	\$292
Three Bedroom – Expansion*	n/a	n/a	n/a	\$284	\$379
Cottage w/standard sunroom	\$109	\$112	\$123	\$171	\$228
Cottage w/deluxe sunroom	\$113	\$116	\$128	\$177	\$236
Second Occupant Rate	\$30	\$40	\$64	\$89	\$118
<u>Health Center Service Fees (per day)</u>					
Assisted Living	\$7	\$7	\$8	\$11	\$15
Memory Support	\$9	\$6	\$10	\$14	\$19
Nursing Care	\$10	\$11	\$12	\$16	\$22
Approx. Percentage Increase for Independent Living and Health Center Fees	3%	3%	3.2%	4.3%	5.5%

*Expansion refers to previous expansion of North Tower, East Wing Extension, and conversion of Top of East apartments from previous health center space.

An assessment of the current and future financial strength of Southminster can be obtained from the Audited Financial Statements included in Attachment 1 and the Five Year Forecast included in Attachment 2.

V. FINANCIAL INFORMATION RELATING TO SOUTHMINSTER

A. Financial Overview Statement

1. Audited Financial Reports

The audited financial statements of Southminster, Inc. for the year ended September 30, 2023, are included in Attachment 1 of this Disclosure Statement. The report of our independent auditors, CliftonLarsonAllen LLP, is included on pages one and two of the audited financial statements. The audited financial statements reflect the combined results of Southminster, Inc. and its affiliate, Southminster Foundation, Inc. For the year ended September 30, 2023, the Foundation did not have any activity, nor did it have any assets or liabilities, as a result of its activities being moved into Southminster, Inc. effective fiscal year 2014.

2. Forecasted Financial Statements

The forecasted financial statements of Southminster, Inc. (not combined with Southminster Foundation, Inc.) for the years ending September 30, 2024 through September 30, 2028 are included in Attachment 2 of this Disclosure Statement.

3. Residence and Care Agreements

A copy of the Residence and Services Agreement is included in Attachment 4 of this Disclosure Statement.

B. Financial Reserves and Escrow Funds

Southminster has made no provisions to provide reserve funding or collateral security to enable it to perform its obligations under contracts to provide continuing care other than those required by documents related to its financing through the North Carolina Medical Care Commission (the “Medical Care Commission”), the Public Finance Authority (the “Authority”), and those required by the North Carolina Department of Insurance. These include:

1. The Debt Service Reserve Fund

On November 10, 2016, the Corporation entered into a loan agreement with the Medical Care Commission, and concurrently, the Medical Care Commission issued \$58,765,000 Retirement Facilities First Mortgage Revenue Refunding Bonds (Series 2016 Bonds) in order to advance refund \$61,515,000 of the remaining \$61,855,000 in Series 2007A Bonds and pay for costs of issuance. The Series 2016 Bonds mature on October 1, 2017 through

2037 with interest rates ranging from 1.5% to 5%. The remaining \$340,000 of Series 2007A Bonds, bearing interest at 5.2%, was paid off on their maturity date of October 1, 2017. The Debt Service Reserve Fund required for the Series 2016 Bonds is \$4,640,563 (equal to maximum annual debt service of \$4,746,688 less the \$106,125 in the Series 1996 Debt Service Reserve Fund). Following paydown of the Series 1996 Bonds on October 1, 2018, the \$106,125 in the Series 1996 Debt Service Reserve Fund was transferred to the Series 2016 Debt Service Reserve Fund bringing the total to \$4,746,688.

On July 18, 2018, the Corporation entered into a loan agreement with the Public Finance Authority, and concurrently, the Public Finance Authority issued \$86,200,000 Retirement Facilities First Mortgage Revenue Bonds (Series 2018 Bonds) in order to finance the construction of a replacement health center and a portion of two independent living construction projects (being financed by a combination of bank and bond financing). The 2018 Bonds were used to finance additional common areas, kitchen expansion, office spaces for campus facilities and housekeeping, and a reconfigured loading dock. Proceeds from the 2018 Bonds also were used to pay issuance costs and fund additional debt service reserves of \$4,282,850.

U.S. Bank National Association acts as Successor Trustee for each of the Corporation's Debt Service Reserve Funds. Ziegler Capital Management LLC is responsible for investment management of the funds associated with the Series 2016 Bonds and Series 2018 Bonds.

See Note 7 of the Audited Financial Statements for more information on Southminster's bond issuances.

2. Operating Reserves

Under North Carolina's General Statutes (G.S.58-64-33) regulating continuing care communities operating in the state, Southminster, is required to maintain an operating reserve equal to fifty percent (50%) of the total occupancy costs projected for the twelve-month period following the period covered by the most recent annual statement filed with the Department of Insurance. As provided by the Statutes, the Commissioner may reduce the Operating Reserve requirement to twenty-five percent (25%) if the occupancy rate of the facility exceeds ninety percent (90%), or for such other reasons as deemed appropriate by the Commissioner.

On September 30, 2023, Southminster's occupancy rate, calculated in accordance with the rules of Department of Insurance was above ninety percent (90%), which required a twenty-five percent (25%) reserve. The amount designated to meet the operating reserve requirement at September 30, 2023 is \$7,720,072 (refer to Note 11 on page 24 of the attached Audited

Financial Statements). It is further understood that these assets funded with a portion of Southminster’s long-term investments (as permitted by State statute and Southminster’s investment policy) are not allowed to serve any other function, and may only be released with the North Carolina Department of Insurance’s approval.

In the attached “Forecasted Financial Statements” [page 4, line item “Operating Reserve Fund Required Under North Carolina Statues”] we have reflected this obligation for the five-year period 2024 through 2028 calculated based on the twenty-five percent (25%) requirement.

Investment policy related to funds held by Southminster is determined by members of the Board of Directors. In addition to exercising their own investment skills, Southminster’s Board has engaged the investment firm of UBS Financial Services, Inc. to provide advice and guidance with respect to development and implementation of Southminster’s investment policy and existing bond indenture document limitations.

VI. OTHER MATERIAL INFORMATION

A. Medicare/Medicaid Provider

Southminster is not a certified provider for Medicare or Medicaid programs. Hence, nursing care services in the Southminster Health Center are not covered under either of these programs.

Support services such as physical therapy, rehabilitation treatments, speech therapy, etc. are generally arranged through Medicare certified providers who will submit eligible charges for such services to the appropriate Medicare carrier for collection.

B. The Southminster Foundation

Southminster Foundation, Inc. is a not-for-profit, tax-exempt corporation that was established by Southminster, Inc. to serve primarily as the vehicle to receive and disburse funds for the financial support of residents at Southminster. The objective of this philanthropic arm of Southminster, Inc. is to step in and provide assistance for those residents at Southminster who may run out of funds due to no fault of the resident. The Foundation’s funds may also be used to assist individuals with all or a portion of their entrance fee if they are unable to do so. On October 1, 2013, the operations of the Foundation were moved into Southminster, Inc. The Southminster Foundation, Inc. will still remain as a legal entity but collection of contributions and assisting residents who have outlived their resources, will be the responsibility of Southminster, Inc. (as a tax exempt charitable organization).

C. Campus Expansion and Renovation

In 2017, Southminster obtained bank financing and started construction on 30 independent living units, the South Terraces, which came online and filled in 2019. In 2018, tax-exempt financing was obtained to finance the construction of a replacement health center as well as a portion of the financing for 36 independent living units in the North Terraces. Construction was completed on both of these buildings in late 2020 with healthcare residents relocated in November 2020 and North Terraces fill-up completed in January 2021. Additional bank financing was obtained in 2021 to refinance remaining Terraces bank debt and also finance the renovation of the previous health center space where 20 independent living homes were added. Those homes were brought online in phases beginning in late 2022, with fill-up completed in early 2023.

In September 2022, the Corporation signed a construction contract for renovations in the Promenade Dining, Main Kitchen, and Great Room areas. The contract stipulated that the cost of the project was to be capped at \$3,012,017 as originally designed, with \$174,331 in change orders executed through September 30, 2023. Work began on the project in January 2023, with full completion by November 2023. As of September 30, 2023, there were \$77,245 in remaining construction costs, including retainage. The Corporation continues to make ongoing cosmetic upfits and improvements to its campus but no major construction projects are planned at this time.

The impact of these projects are reflected in the attached “Forecasted Financial Statements” in Attachment 2.

D. Conflicts with the Residence and Services Agreement

If information contained in the Disclosure Statement conflicts with the Residence and Services Agreement, the Residence and Services Agreement will prevail.

ATTACHMENT 1 -

- Audited Financial Statements

SOUTHMINSTER, INC.
COMBINED FINANCIAL STATEMENTS OF
SOUTHMINSTER, INC. AND
SOUTHMINSTER FOUNDATION, INC.
YEARS ENDED SEPTEMBER 30, 2023 AND 2022



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**SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Southminster, Inc. and Southminster Foundation, Inc.
Charlotte, North Carolina

Report on the Audit of the Combined Financial Statements

Opinion

We have audited the accompanying combined financial statements of Southminster, Inc. and Southminster Foundation, Inc. (the Organization) which comprise the combined balance sheets as of September 30, 2023 and 2022 and the related combined statements of operations and changes in net assets (deficit), and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organization as of September 30, 2023 and 2022, and the results of their operations and changes in net assets (deficit), and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 Organization's ability to continue as a going concern for one year after the date the combined financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

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

In performing an audit in accordance with GAAS, we:

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



CliftonLarsonAllen LLP

Charlotte, North Carolina
January 23, 2024

**SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
COMBINED BALANCE SHEETS
SEPTEMBER 30, 2023 AND 2022**

ASSETS	2023	2022
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 385,922	\$ 2,494,723
Short-Term Investments	821,067	-
Assets Limited as to Use, Current Portion	5,656,924	5,643,149
Accounts Receivable	602,715	382,860
Pledges Receivable, Current Portion	178,872	203,172
Employee Retention Credit Receivable	4,934,993	-
Other Current Assets	1,562,448	1,621,766
Total Current Assets	14,142,941	10,345,670
ASSETS LIMITED AS TO USE		
Held by Trustee Under Bond Indenture Agreements	8,934,410	8,715,876
Southminster Community Fund	50,000	50,000
Capital Campaign Fund	146,799	1,700,086
Operating Reserve - Required by the North Carolina Department of Insurance	7,720,072	6,444,655
Total Assets Limited as to Use, Net of Current Portion	16,851,281	16,910,617
PLEDGES RECEIVABLE, NET OF CURRENT PORTION, PRESENT VALUE DISCOUNT, AND ALLOWANCE	124,798	394,052
PROPERTY AND EQUIPMENT, NET	203,212,879	206,990,905
RIGHT OF USE ASSET - FINANCE, NET	173,923	218,329
LONG-TERM INVESTMENTS, AT MARKET	13,818,419	16,048,524
DEFERRED COSTS AND OTHER ASSETS	400,883	359,175
Total Assets	\$ 248,725,124	\$ 251,267,272

See accompanying Notes to Combined Financial Statements.

**SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
COMBINED BALANCE SHEETS (CONTINUED)
SEPTEMBER 30, 2023 AND 2022**

LIABILITIES AND NET ASSETS (DEFICIT)	<u>2023</u>	<u>2022</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 2,590,305	\$ 2,928,288
Retainage Payable	35,000	972,430
Accrued Payroll and Employee Benefits	1,501,639	1,574,689
Accrued Interest Expense	3,449,282	3,504,170
Line of Credit	2,170,000	-
Current Portion of Right-of-Use Finance Lease Liability	42,741	41,068
Current Portion of Long-Term Debt	<u>3,045,000</u>	<u>4,544,406</u>
Total Current Liabilities	12,833,967	13,565,051
LONG-TERM DEBT, NET OF CURRENT PORTION	153,459,108	161,613,225
RIGHT-OF-USE FINANCE LEASE LIABILITY, NET OF CURRENT PORTION	134,870	177,612
ADVANCE ENTRANCE FEE DEPOSITS	1,092,859	1,586,379
DEFERRED ENTRANCE FEE REVENUE	70,731,643	64,352,660
REFUNDABLE ENTRANCE FEES	<u>26,558,391</u>	<u>27,866,514</u>
Total Liabilities	264,810,838	269,161,441
NET ASSETS (DEFICIT)		
Net Assets (Deficit) without Donor Restrictions	(16,604,827)	(20,244,482)
Net Assets with Donor Restrictions	<u>519,113</u>	<u>2,350,313</u>
Total Net Assets (Deficit)	<u>(16,085,714)</u>	<u>(17,894,169)</u>
Total Liabilities and Net Assets (Deficit)	<u><u>\$ 248,725,124</u></u>	<u><u>\$ 251,267,272</u></u>

See accompanying Notes to Combined Financial Statements.

SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
COMBINED STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS (DEFICIT)
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
REVENUES, GAINS, AND OTHER SUPPORT		
Independent Living Revenue	\$ 20,568,320	\$ 18,610,663
Health Care Revenue	10,077,790	9,459,975
Resident Home Care Revenue	3,144,351	2,576,796
Earned Entrance Fees	8,974,687	8,239,759
Less: Resident Assistance	<u>(751,453)</u>	<u>(596,631)</u>
Resident Service Revenue	42,013,695	38,290,562
Investment Income	1,369,187	2,568,331
Contributions	735,811	883,890
Contributions - Paycheck Protection Program	-	1,911,845
Net Assets Released from Restrictions	46,542	32,130
Other Income	<u>6,150,121</u>	<u>1,725,874</u>
Total Revenues, Gains, and Other Support	50,315,356	45,412,632
OPERATING EXPENSES		
Salaries, Wages, and Employee Benefits	21,208,683	19,014,327
Maintenance, Housekeeping, and Utilities	3,500,224	3,085,668
Food and Related Supplies	1,934,914	1,847,535
Insurance	409,141	378,518
Consulting and Professional Fees	726,569	423,612
Other Operating Expenses	3,250,149	3,992,109
Depreciation	11,930,847	10,490,297
Amortization of Deferred Costs	31,015	17,470
Interest Expense	7,397,827	6,619,198
Loss on Disposal of Assets	<u>49,386</u>	<u>66,749</u>
Total Operating Expenses	<u>50,438,755</u>	<u>45,935,483</u>
OPERATING LOSS	(123,399)	(522,851)
NONOPERATING INCOME (LOSS)		
Change in Unrealized Gains (Losses) on Investments	<u>1,838,054</u>	<u>(8,336,754)</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENSES	1,714,655	(8,859,605)
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Net Assets Released from Restrictions for Payments of Capital Project Related Debt Service	<u>1,925,000</u>	<u>-</u>
CHANGE IN NET DEFICIT WITHOUT DONOR RESTRICTIONS	3,639,655	(8,859,605)

See accompanying Notes to Combined Financial Statements.

**SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
COMBINED STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS (DEFICIT) (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

	2023	2022
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	\$ 140,342	\$ 500,742
Released from Restrictions	(1,971,542)	(32,130)
(DECREASE) INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	(1,831,200)	468,612
CHANGE IN NET ASSETS	1,808,455	(8,390,993)
Net Assets (Deficit) - Beginning of Year	(17,894,169)	(9,503,176)
NET ASSETS (DEFICIT) - END OF YEAR	\$ (16,085,714)	\$ (17,894,169)

See accompanying Notes to Combined Financial Statements.

SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,808,455	\$ (8,390,993)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Earned Entrance Fees	(8,974,687)	(8,239,759)
Depreciation	11,930,847	10,490,297
Amortization of Bond Issuance Costs	148,281	119,082
Amortization of Deferred Costs	31,015	17,470
Amortization of Bond Premium	(546,012)	(557,505)
Loss on Disposal of Assets	49,386	66,749
Change in Net Unrealized (Gains) Losses on Investments	(1,838,054)	8,336,754
Realized Gains on Investments	(489,245)	(1,682,791)
(Increase) Decrease in:		
Accounts Receivable	(219,855)	(160,396)
Pledges Receivable	293,554	(2,469)
Employee Retention Credit Receivable	(4,934,993)	-
Other Current Assets	(13,405)	(410,099)
Decrease in:		
Accounts Payable, Excluding Amounts in Property and Equipment	32,211	(30,368)
Accrued Payroll and Employee Benefits	(73,050)	(67,695)
Accrued Bond Interest Expense, Net of Amounts Capitalized	(29,195)	(4,851)
Refundable Advance - Paycheck Protection Program	-	(1,911,845)
Net Cash Used by Operating Activities	(2,824,747)	(2,428,419)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in Assets Limited as to Use, Net	254,649	(1,742,367)
Sales (Purchases) of Short-Term Investments, Net	(821,067)	3,387,512
Sales (Purchases) of Long-Term Investments, Net	4,557,404	(1,080,685)
Purchases of Property for Routine Additions	(4,959,183)	(5,146,669)
Purchases of Property for Expansion Projects	(5,450,119)	(18,955,051)
Net Cash Used by Investing Activities	(6,418,316)	(23,537,260)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Entrance Fees	18,554,310	14,604,631
Deposits Received, Net of Refunds and Conversions to Entrance Fees	(493,520)	(261,940)
Entrance Fees Refunded	(3,590,579)	(934,407)
Repayments of Long-Term Debt	(12,963,843)	(5,411,157)
Repayments of Line of Credit	(3,950,000)	-
Proceeds from Long-Term Debt	3,721,651	17,382,156
Proceeds from Line of Credit	6,120,000	-
Payments of Financing Costs	(13,600)	(17,223)
Repayments of Right-of-Use Lease Liability	(41,069)	(3,349)
Net Cash Provided by Financing Activities	7,343,350	25,358,711
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(1,899,713)	(606,968)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	8,226,770	8,833,738
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 6,327,057	\$ 8,226,770

See accompanying Notes to Combined Financial Statements.

SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash and Cash Equivalents	\$ 385,922	\$ 2,494,723
Cash Held Under Bond Agreements	5,941,135	5,732,047
Total Cash, Cash Equivalents, and Restricted Cash	\$ 6,327,057	\$ 8,226,770
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash Paid for Interest, Net of Amounts Capitalized	\$ 7,824,889	\$ 7,061,731
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Property and Equipment Included in Accounts Payable, Retainage Payable, and Accrued Interest Expense	\$ 647,711	\$ 2,899,212

See accompanying Notes to Combined Financial Statements.

**SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Southminster, Inc. (the Corporation) is a nonstock, nonprofit corporation organized under the laws of the state of North Carolina. The Corporation was established to construct and operate a multilevel residential and health care center (the Center). The Center's purpose is to operate a continuing care community providing a residential environment in which older people may live independently for as long as they are able to do so. The Center opened for operations on May 16, 1987, and has 60 licensed nursing beds and 25 assisted living beds. During the year ended September 30, 2021, the Center opened its replacement health center which resulted in two cottages and eight apartments being removed from inventory and began renovation of its previous health center to convert it into 20 independent living apartments. Two of the four phases of renovation were completed during the year ended September 30, 2022, bringing 11 apartments into inventory; the final two phases were completed during the year ended September 30, 2023, bringing 9 apartments into inventory and the residential unit count to 324 (two apartments of which are used as guest rooms). The Corporation is also a licensed home care provider, providing care primarily to residents of its community. The license allows care to be provided outside of the community, with revenues recorded in Other Income.

Southminster Foundation, Inc. (the Foundation) is a nonstock, nonprofit corporation organized under the laws of the state of North Carolina on December 2, 1985. The Foundation was established to operate exclusively for the benefit of the Corporation, primarily through financial support to residents of the Center who are unable to meet their financial obligations. During fiscal year 2014, the operations of the Foundation were moved into the Corporation. There were no contributions for resident financial support to the Foundation for the years ended September 30, 2023 and 2022, as contributions are now recorded by the Corporation. Neither the Corporation nor the Foundation would be liable or responsible in any matter for the debts or liabilities of the other. The Foundation did not have any activity for the year ended September 30, 2023 or 2022, nor did it have any assets or liabilities.

Principles of Combination

The combined financial statements include the accounts of the Corporation and the Foundation (collectively, referred to herein as the Organization) with significant intercompany accounts and transactions eliminated in combination.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

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

Cash and Cash Equivalents

All liquid investments with a maturity of three months or less at the time of purchase and not limited as to their use or designated as long-term investments are considered to be cash equivalents.

Accounts Receivable

Resident accounts receivable consists of resident monthly service fees and other resident charges. When deemed necessary, the Corporation provides an allowance for uncollectible accounts using management's estimate about the collectability of any past due accounts. Accounts past due are individually analyzed for collectability. Accounts receivable that management determines will be uncollectible are written off upon such determination.

The allowance for uncollectible accounts as of September 30, 2023 and 2022 was approximately \$7,600 and \$6,000, respectively.

Pledges Receivable

Pledges receivable consist of promises to pay from various individuals and foundations. Pledges receivable that are expected to be collected more than a year out are presented at net realizable value. Pledges receivable at September 30, 2023 and 2022 are designated for a capital campaign.

Assets Limited as to Use

Assets Limited as to Use includes funds held by the trustee under a bond indenture agreement, the Southminster Community Fund, the operating reserve required by the North Carolina Department of Insurance, and proceeds from the capital campaign to be used to pay down debt associated with the replacement health center.

Property and Equipment

Property and equipment is stated at cost. Assets contributed to the Corporation are recorded at fair market value as of the date of receipt. Routine maintenance, repairs, renewals, and replacement costs are charged to expense. Expenditures which materially increase the value, change the capacities, or extend the useful lives of existing assets are capitalized. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which range from 3 to 30 years. Apartment refurbishment costs which, in aggregate, total \$2,500 or more per unit, are capitalized and depreciated over an average seven-year period. Interest costs incurred during the construction period of significant construction projects are capitalized as a cost of the constructed asset and amortized over the useful life of the asset.

SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

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

Investments

Investments in equity and debt securities are measured at fair value in the accompanying combined financial statements. Investment income (including realized gains and losses on investments, interest, and dividends) is included in excess (deficit) of revenues over (under) expenses unless the income is restricted by donor or law. Unrealized gains and losses on investments, if any, are included in nonoperating income (loss) and are also included in excess (deficit) of revenues over (under) expenses.

Bond Issuance Costs

Bond issuance costs, which are amortized over the life of the bonds, which approximates the effective interest method, include underwriters' discounts, legal and consulting fees, and printing costs incurred in issuing the Corporation's revenue bonds. Accumulated amortization at September 30, 2023 and 2022 was approximately \$1,028,000 and \$879,000, respectively.

Entrance Fees

The Residence and Services Agreement (the Agreement), which is entered into at the time a prospective resident pays a deposit equal to 10% of the published entrance fee, specifies the services to be provided by the Corporation and the respective rights and duties of the Corporation and resident. The liability associated with these advance deposits is reported as advance entrance fee deposits in the accompanying combined balance sheets. Prospective residents applying for direct admission to the Health Center are subject to the same Agreement as those applying for independent living units.

The Corporation offers a standard contract in which entrance fees may be refunded on a pro-rata basis to residents vacating a unit in the first 20 months of occupancy. Once a unit is occupied, entrance fees are recorded as deferred entrance fee revenue. The deferred revenue on the standard contracts is recognized as income over the actuarially determined life of the resident.

The Corporation offers two refundable entrance fee plans. Under these plans, a new resident can elect to pay a higher entrance fee, a portion of which is refundable only after the unit is vacated and subsequently occupied by a new resident. The refundable fees under this option are classified in the accompanying combined balance sheets as a refundable entrance fees liability.

At September 30, 2023 and 2022, the portion of entrance fees subject to refund provisions amounted to approximately \$38,770,000 and \$38,213,000, respectively.

SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

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

Obligation to Provide Future Services

The Corporation annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred entrance fee revenue. If the present value of the estimated cost of future services and use of facilities to be provided to current residents exceeds the deferred revenue from entrance fees and the present value of periodic fees, a liability is recorded (obligation to provide future services) with the corresponding change to income. The present values of revenues and future service costs are calculated using a discount rate of 5.5%. This calculation did not require the recording of a liability at either September 30, 2023 or 2022.

Net Assets (Deficit)

The Corporation reports its net assets using the following two classes: without donor restrictions and with donor restrictions; depending on the presence and type of donor-imposed restrictions limiting the Corporation's ability to use or dispose of specific contributed assets, or the economic benefits embodied in those assets. Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Net assets with purpose donor restrictions are those net assets whose use by the Corporation has been limited by donors to specified purposes. When a donor restriction is met (when the purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statements of operations and changes in net assets (deficit) as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as support without restrictions. Net assets with perpetual donor restrictions are those which have been restricted by donors to be maintained by the Corporation in perpetuity. As of September 30, 2023 and 2022, the Corporation did not have any net assets with perpetual donor restrictions.

Charity Care and Community Benefit

The Corporation has a resident assistance policy to identify residents who are unable to meet their financial obligations. Such residents are identified based on financial information obtained from the resident and subsequent review, analysis, and approval by the Corporation's management and reported to the Corporation's board of directors. Once approved, monthly service fees are recorded by the Corporation and a corresponding amount is recorded in the contra-revenue account, resident assistance. The Corporation may also, at times, choose to waive all or a portion of a new resident's entrance fees. The Corporation is actively involved in the community through participation in various educational, charitable, and volunteer service programs sponsored on campus or throughout the community at large. The Corporation also allows various groups in the community at large to use its facility space at no charge or at a reduced charge. The costs of providing this community benefit is included in operating expense amounts on the combined statements of operations and changes in net assets (deficit).

SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

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

Charity Care and Community Benefit (Continued)

The cost of providing resident support was \$721,395 and \$572,766 for the years ended September 30, 2023 and 2022, respectively, estimated by applying a 4% operating margin to the charges foregone. The Corporation waived entrance fees totaling \$0 and \$130,000 for the years ended September 30, 2023 and 2022, respectively. Contributions to the Corporation of \$735,811 and \$883,890 subsidized the costs of providing resident support and community benefit for the years ended September 30, 2023 and 2022, respectively.

Excess (Deficit) of Revenues Over (Under) Expenses

The combined statements of operations and changes in net assets (deficit) include excess (deficit) of revenues over (under) expenses. Changes in net assets without donor restrictions which are excluded from excess (deficit) of revenues over (under) expenses consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), and net assets released from restrictions for payments of capital project related debt service.

Fair Value of Financial Instruments

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Corporation emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

**SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

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

Fair Value of Financial Instruments (Continued)

Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets. The Corporation does not have any assets or liabilities that are valued using Level 2 or Level 3 inputs at September 30, 2023 and 2022.

The Corporation follows the accounting standard that allows reporting certain financial instruments at fair value. This standard allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Corporation has not elected to measure any existing financial instruments at fair value. However, it may elect to measure newly acquired financial instruments at fair value in the future.

Leases

The Corporation determines if an arrangement is a lease at inception. Operating leases are included in property, plant, and equipment as right-of-use (ROU) assets and lease liability in the combined balance sheet. ROU assets represent the Corporation's right to use an underlying asset for the lease term and lease liabilities represent the Corporation's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Corporation will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Corporation has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the combined balance sheet.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Corporation has elected to use an incremental borrowing rate that represents an estimate of the interest rate the Corporation would have to pay on any borrowed funds.

Employee Retention Credit

The CARES Act allows a credit (Employee Retention Credit or ERC) against applicable employment taxes for eligible employers. The management of the Corporation believes it has complied with the conditions of the ERC and has claimed a credit of approximately \$4,935,000. At September 30, 2023, the corporation has recorded a receivable in the amount of approximately \$4,935,000 related to this credit.

**SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

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

Refundable Advance – Paycheck Protection Program

In March 2021, the Corporation received proceeds in the amount of \$1,911,845 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The PPP Loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the CARES Act. During the year ended September 30, 2022, the SBA forgave the full \$1,911,845 of the PPP Loan held by the Corporation and at that time the Corporation recognized the amount forgiven as Contributions – Paycheck Protection Program in the combined statement of operations and changes in net assets (deficit). With the forgiveness of the loan, the Corporation was not liable to make any principal or interest payments. The SBA may review funding eligibility and the usage of funds in compliance with the program based on the dollar threshold and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Corporation's financial position.

Provider Relief Funding

Due to the Coronavirus pandemic, the U.S. Department of Health and Human Services (HHS) made available emergency relief grant funds to health care providers through the CARES Act Provider Relief Fund (PRF). During the year ended September 30, 2022, the Corporation received approximately \$699,000 in PRF. The Corporation did not receive any additional funds in the year ended September 30, 2023. The PRF's are subject to certain restrictions on eligible expenses or uses, reporting requirements, and will be subject to audit. As of September 30, 2022, the Corporation recognized approximately \$699,000 as other income in the combined statements of operations and changes in net assets (deficit). The Corporation did not recognize any amounts as other income as of September 30, 2023. Management believes the amounts have been recognized appropriately as of September 30, 2023 and 2022.

Income Taxes

The Corporation and the Foundation have been recognized by the Internal Revenue Service as exempt from income taxes under Internal Revenue Code Section 501(c)(3). The Corporation is classified as a public charity under Section 509a(1) and the Foundation is classified as a Type I supporting organization under Section 509a(3) of the Internal Revenue Code.

The Corporation and Foundation file as tax-exempt organizations. The Corporation and the Foundation are not aware of any activities that would jeopardize their tax-exempt status. The Corporation and the Foundation are not aware of any activities that are subject to tax on unrelated business income or excise or other taxes.

The Corporation and the Foundation follow guidance in the income tax standard regarding recognition and measurement of uncertain tax positions. The application of the standard has had no impact on the Corporation and the Foundation's combined financial statements.

SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

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

Subsequent Events

In preparing these combined financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 23, 2024, the date the combined financial statements were available to be issued.

NOTE 2 RESIDENT SERVICE REVENUE

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

Performance obligations are determined based on the nature of the services provided by the Corporation. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Corporation believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents living at Southminster receiving independent living or healthcare services. The Corporation considers daily services provided to residents of the health center, and monthly rent charged to residents living in independent living, as a separate performance obligation measured on a monthly basis or upon move-out within the month, whichever is shorter. Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement similar to the output method. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to residents and customers in a retail setting (for example, meals or guest rooms) and Southminster does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations have a duration of less than one year, the Corporation has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

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

SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 2 RESIDENT SERVICE REVENUE (CONTINUED)

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

All resident service revenue is from private pay individuals.

The composition of resident service revenue based on the Corporation's lines of business, method of payment, and timing of revenue recognition for the years ended September 30 are as follows:

	<u>2023</u>	<u>2022</u>
Service Lines:		
Independent Living	\$ 20,451,740	\$ 18,540,893
Health Care Services	12,587,268	11,509,910
Amortization of Entrance Fees	8,974,687	8,239,759
Total	<u>\$ 42,013,695</u>	<u>\$ 38,290,562</u>
Method of Payment:		
Monthly Service Fees	\$ 20,026,122	\$ 18,141,820
Per Diem Fees	9,343,800	8,846,921
Fee for Service	3,669,086	3,062,062
Amortization of Entrance Fees	8,974,687	8,239,759
Total	<u>\$ 42,013,695</u>	<u>\$ 38,290,562</u>
Timing of Revenue and Recognition:		
Health Care Services Transferred Over Time	<u>\$ 42,013,695</u>	<u>\$ 38,290,562</u>

Contract Costs

The Corporation has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Corporation otherwise would have recognized is one year or less in duration.

The opening and closing contract balances related to resident accounts receivable and residence and services agreements were as follows:

	<u>Accounts Receivable</u>	<u>Deferred Revenue</u>
Balance as of October 1, 2021	\$ 222,464	\$ 60,928,373
Balance as of September 30, 2022	382,860	64,352,660
Balance as of September 30, 2023	602,715	70,731,643

SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 3 ASSETS LIMITED AS TO USE

Assets limited as to use, reported at fair value, are comprised of the following at September 30:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 6,207,399	\$ 7,503,833
Fixed Income Securities	5,081,880	2,889,069
Fixed Income Securities Funds	2,116,588	2,102,821
U.S. Government Securities	3,931,051	5,737,908
Equity Securities Funds	2,460,964	2,307,595
Equity Securities	<u>2,710,323</u>	<u>2,012,540</u>
Subtotal	22,508,205	22,553,766
Less: Amounts Required to Meet Current Obligations	<u>(5,656,924)</u>	<u>(5,643,149)</u>
Total	<u>\$ 16,851,281</u>	<u>\$ 16,910,617</u>

Amounts restricted under debt agreements are comprised of the following at September 30:

	<u>2023</u>	<u>2022</u>
Series 2016 Interest Account	\$ 1,231,260	\$ 1,286,635
Series 2016 Principal Account	2,325,127	2,215,072
Series 2016 Debt Service Reserve	4,698,475	4,583,620
Series 2018 Debt Service Reserve	4,235,936	4,132,256
Series 2018 Interest Account	<u>2,100,536</u>	<u>2,141,442</u>
Subtotal	14,591,334	14,359,025
Less: Amounts Required to Meet Current Obligations	<u>(5,656,924)</u>	<u>(5,643,149)</u>
Total	<u>\$ 8,934,410</u>	<u>\$ 8,715,876</u>

NOTE 4 PLEDGES RECEIVABLE

Pledges receivable have been recorded at net present value as of September 30 and were as follows:

	<u>2023</u>	<u>2022</u>
Due in Less than One Year	\$ 178,872	\$ 203,172
Due in Two Years or More	<u>148,625</u>	<u>448,192</u>
Total Pledges Receivable	327,497	651,364
Less: Net Present Value Discount	(10,102)	(31,415)
Less: Allowance	(13,725)	(22,725)
Less: Current Portion	<u>(178,872)</u>	<u>(203,172)</u>
Pledges Receivable, Net	<u>\$ 124,798</u>	<u>\$ 394,052</u>

SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 5 PROPERTY AND EQUIPMENT

The Corporation's property and equipment, including right-of-use assets, consists of the following at September 30:

	<u>2023</u>	<u>2022</u>
Land and Land Improvements	\$ 5,396,637	\$ 5,229,017
Building and Improvements	287,071,596	271,857,745
Furniture and Equipment	10,489,302	10,167,010
Subtotal	<u>302,957,535</u>	<u>287,253,772</u>
Less: Accumulated Depreciation	<u>(103,655,185)</u>	<u>(92,932,063)</u>
Total	199,302,350	194,321,709
Construction in Progress	3,910,529	12,669,196
Property and Equipment, Net	<u>\$ 203,212,879</u>	<u>\$ 206,990,905</u>

There was approximately \$41,000 and \$197,000 of interest capitalized during the years ended September 30, 2023 and 2022, respectively.

Construction in progress at September 30, 2023 relates primarily to the Corporation's renovations of dining space being funded out of operations. Construction in progress at September 30, 2022 relates primarily to the Corporation's construction costs incurred converting its previous health center space into 20 independent living homes within its main building.

NOTE 6 INVESTMENTS

Investments, reported at fair value, are comprised of the following at September 30:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 1,033,527	\$ 177,172
Fixed Income Securities Funds	3,764,173	5,196,144
Fixed Income Securities	645,086	-
Equity Securities Funds	4,376,618	5,702,150
Equity Securities	4,820,082	4,973,058
Total Investments	<u>14,639,486</u>	<u>16,048,524</u>
Less: Short-Term Investments	<u>(821,067)</u>	-
Long-Term Investments	<u>\$ 13,818,419</u>	<u>\$ 16,048,524</u>

Investment income is comprised of the following for the years ended September 30:

	<u>2023</u>	<u>2022</u>
Investment Income:		
Interest and Dividend Income	\$ 879,942	\$ 885,540
Net Realized Gains on Sales of Investments	489,245	1,682,791
Total	<u>\$ 1,369,187</u>	<u>\$ 2,568,331</u>

**SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 6 INVESTMENTS (CONTINUED)

Board-managed investments, which include long-term investments, investments designated to fund the North Carolina Department of Insurance Operating Reserve, and the Southminster Community Fund, are guided by an investment policy adopted by the board of directors. The long-term objective of the policy is to provide growth of capital and income, using diversification to manage risk.

NOTE 7 LONG-TERM DEBT AND LINE OF CREDIT

The Corporation's long-term debt consists of the following at September 30:

<u>Description</u>	<u>2023</u>	<u>2022</u>
Retirement Facilities First Mortgage Revenue Refunding Bonds Series 2016 (Maturing on October 1, 2020 Through 2037 with an Interest Rate of 5%)	\$ 49,870,000	\$ 52,085,000
Retirement Facilities First Mortgage Revenue Bonds Series 2018 (Maturing on October 1, 2038 Through 2053 with an Interest Rate of 4.25% - 5%)	84,275,000	86,200,000
2021 Bank Loan due June 30, 2028, with a Variable Interest Rate of 1.30% Plus One-Month LIBOR	-	8,703,843
2021 Bank Loan due June 30, 2033, with a Variable Interest Rate of 1.41% Plus 1-Month CME Term SOFR	17,880,000	14,278,348
Total	152,025,000	161,267,191
Add: Unamortized Bond Premium	6,689,189	7,235,202
Less: Unamortized Bond Issuance Costs	(2,210,081)	(2,344,762)
Total	156,504,108	166,157,631
Less: Current Portion	(3,045,000)	(4,544,406)
Total Long-Term Debt	<u>\$ 153,459,108</u>	<u>\$ 161,613,225</u>

The following schedule presents future principal payments due on all the Corporation's outstanding long-term debt:

<u>Year Ending September 30,</u>	<u>Amount</u>
2024	\$ 3,045,000
2025	3,160,000
2026	3,275,000
2027	3,400,000
2028	3,535,000
Thereafter	135,610,000
Total	<u>\$ 152,025,000</u>

SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 7 LONG-TERM DEBT AND LINE OF CREDIT (CONTINUED)

Expansion Project

On June 30, 2021, the Corporation entered into two term loan agreements with a financial institution to provide up to \$30,000,000 to refinance existing bank debt issued for independent living construction completed in prior years and to finance renovations to convert the previous health center space into 20 independent living apartments, with construction completed during the year ended September 30, 2023. At issuance, the term loans bore interest at one-month LIBOR plus 1.30%. Loan 1 was comprised of \$12,000,000 in principal, had a seven-year maturity, and was expected to be repaid in full from project entrance fees. As of September 30, 2022, Loan 1 was fully drawn and \$3,296,157 had been repaid out of entrance fee proceeds received, and as of September 30, 2023, Loan 1 had been fully repaid out of entrance fee proceeds received. Loan 2 is comprised of \$18,000,000 in principal and has a final maturity of 12 years; interest-only payments were due monthly during the draw period. Effective on the first interest rate change date on or after July 5, 2023, Loan 2 bears interest at one-month CME Term SOFR plus 1.4%. Principal and interest payments began being made on a monthly basis in August 2023, equal to 1/300 of the outstanding principal balance on the Completion Date (defined in the loan agreement as the date occurring on the first business day of the seventh month after the receipt of the final certificate of occupancy, but in any event not before July 3, 2023). Loan 2 was fully drawn during the year ended September 30, 2023, with \$120,000 in principal payments made, leaving \$17,880,000 outstanding at September 30, 2023.

On July 18, 2018, the Corporation entered into a loan agreement with the Public Finance Authority (the Authority) and, concurrently, the Authority issued its \$86,200,000 Retirement Facilities First Mortgage Revenue Bonds (Southminster), Series 2018 (Series 2018 Bonds). The Series 2018 Bonds were issued to finance the construction of a replacement health center and a portion of the two independent living construction projects (financed by a combination of the Series 2018 Bonds and previously issued bank loans, as discussed above). The Series 2018 Bond proceeds were also used for additional common areas, kitchen expansion, office spaces for environmental services operations (housekeeping, maintenance, transportation), a reconfigured loading dock, and to pay issuance costs and fund debt service reserves. During the year ended September 30, 2023, the Corporation used capital campaign proceeds to accelerate, without penalty, principal payments totaling \$1,925,000. Subsequent to year end, the Corporation accelerated an additional principal payment of \$80,000.

Line of Credit

On June 30, 2021, the Corporation entered into an agreement with a financial institution for a \$2,000,000 revolving line of credit. Any outstanding balance would bear interest at a rate of one-month LIBOR plus 2.25%; all principal outstanding was due June 29, 2022. No amounts were drawn on this line of credit and it expired on June 29, 2022. On June 29, 2022, the Corporation entered into an agreement with a financial institution for a \$3,000,000 revolving line of credit. Any outstanding balance would bear interest at a rate of Term SOFR plus 2.50% (with a floor of 0.00%). On June 28, 2023, the agreement was amended to increase the revolving line of credit from \$3,000,000 to \$5,000,000. All principal outstanding is due June 27, 2024. As of September 30, 2023, \$2,170,000 was outstanding on the line of credit.

SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 7 LONG-TERM DEBT AND LINE OF CREDIT (CONTINUED)

Other Long-Term Debt

2007 Expansion, Financing, and Refinancing

In 2007, the Corporation undertook a \$73 million expansion and renovation project which resulted in the addition of 89 new independent living apartments, a new wellness/aquatic center, expansion of and enhancements to administrative and common areas, and a modest renovation to the health center. Construction began in January 2007 using a bank line of credit and construction loan that was later repaid with permanent financing. Construction was completed during fiscal year 2010 and stable occupancy was reached in the first quarter of the 2013 fiscal year. On November 15, 2007, the Corporation entered into a loan agreement with the North Carolina Medical Care Commission (the Medical Care Commission) and, concurrently, the Medical Care Commission issued \$62,180,000 and \$2,000,000 Fixed Rate Retirement Facilities First Mortgage Revenue Bonds (Southminster Project) Series 2007A and 2007B Bonds (Series 2007A Bonds and Series 2007B Bonds), respectively, and \$25,500,000 Variable Rate Retirement Facilities First Mortgage Revenue Bonds (Southminster Project) Series 2007C (Series 2007C Bonds). In addition to repaying the outstanding construction loan and line of credit, the proceeds from Series 2007 Bonds were deposited with the trustee to cover the remaining construction, capitalized interest, and other project-related costs; to pay for costs of issuance; and to fund various debt service reserves. The Series 2007B and Series 2007C Bonds have been repaid in prior years.

On November 10, 2016, the Corporation entered into a loan agreement with the North Carolina Medical Care Commission (the Medical Care Commission) and, concurrently, the Medical Care Commission issued \$58,765,000 Retirement Facilities First Mortgage Revenue Refunding Bonds Series 2016 to advance refund the Series 2007A Bonds, pay for costs of issuance, and fund debt reserves. The Series 2016 Bonds mature on October 1, 2020 through 2037 with interest rates of 5%.

Debt Compliance

Under the terms of the Second Amended and Restated Master Trust Indenture dated November 1, 2007, the Trust Agreements, and the Loan Agreements (the Agreements), the Corporation is subject to certain restrictive covenants and reporting requirements, among which are a Rate covenant requiring a Historical Debt Service Coverage Ratio of 1.20:1 and a Liquidity covenant requiring a minimum Days' Cash on Hand of 180 days. Under the Series 2018 Loan Agreement dated July 1, 2018, the Corporation was also required to meet marketing and occupancy covenants until the project stabilization date, which was deemed met as of April 1, 2021. All outstanding Long-Term Debt issuances are secured by a deed of trust of certain facilities of the Corporation.

Management is non aware of any noncompliance with the covenants contained in the Master Trust Indenture, the Trust Agreements, and the Loan Agreements. To the extent that investment earnings are credited to the bond funds, future deposits to such accounts are reduced. Substantially all property and equipment is pledged as security.

SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 8 RIGHT-OF-USE LEASES

The Corporation leases office equipment for various terms under long-term, noncancelable lease agreements, expiring at various dates through 2027.

The maturity analysis of annual discounted cash flows for lease liabilities as of September 30, 2023, is as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2024	\$ 49,068
2025	49,068
2026	49,068
2027	44,965
Total Lease Payments	<u>192,169</u>
Less: Current Portion	(42,741)
Less: Imputed Interest	(14,558)
Present Value of Lease Payable, Net of Current Portion	<u><u>\$ 134,870</u></u>

The lease payable will continue to be impacted by new leases, lease modifications, lease terminations, and reevaluation of any new facts and circumstances. As of September 30, 2023, the weighted average lease term remaining that is included in the maturities of the leases payable is four years.

As the rate implicit in each lease is not readily determinable, the Corporation uses an incremental borrowing rate to calculate the lease liability that represents an estimate of the interest rate the Corporation would have to borrow on a collateralized basis over the term of the lease. The weighted average discount rate used for leases was 4.0% at September 30, 2023.

NOTE 9 BENEFIT PLAN

The Corporation maintains a defined contribution savings retirement plan (the Plan) eligible to all employees. For all employees having been employed for one year, through December 31, 2021, the Corporation made a 100% match of an employee's contribution to the Plan up to 4% and a 1.5% discretionary contribution each pay period. Effective January 1, 2022, the Corporation began making a 100% match of an employee's contribution to the Plan up to 6% and no longer makes the 1.5% discretionary contribution to the Plan. The Corporation's contributions to the Plan for the years ended September 30, 2023 and 2022 were \$455,606 and \$441,688, respectively.

**SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 10 CONTINUING CARE LICENSE

In November 1992, the North Carolina Department of Insurance (the Department) issued a continuing care facility license to the Corporation, effective September 1, 1992. The license may require the Corporation to provide quarterly interim financial and occupancy statements to the Department. Additionally, all prospective residents are required to sign an acknowledgement of receipt of the current disclosure statement.

NOTE 11 OPERATING RESERVE

The General Statutes of the state of North Carolina require that continuing care retirement communities, such as the Corporation, maintain an Operating Reserve equal to 50% of the current year's projected operating expenses. As provided in the statutes, the Commissioner of the North Carolina Department of Insurance may reduce the Operating Reserve requirement to 25% if the occupancy level of the facility is in excess of 90%, or such other reasons as deemed appropriate by the department.

On September 30, 2023 and 2022, the Corporation's occupancy was above 90%, mandating the lower Operating Reserve requirement. The Operating Reserve is funded with a portion of the Corporation's long-term investments, as permitted by state statute and the Corporation's investment policy.

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at September 30:

	<u>2023</u>	<u>2022</u>
Restricted for Time:		
Pledges Receivable	\$ 303,670	\$ 597,224
Restricted for Purpose:		
Capital Campaign	146,799	1,700,086
Other	68,644	53,003
Total	<u>\$ 519,113</u>	<u>\$ 2,350,313</u>

Net assets released from restriction relate to various Southminster initiatives and totaled approximately \$47,000 and \$32,000 for the years ended September 30, 2023 and 2022, respectively. Net assets released from restriction related to debt repayment totaled \$1,925,000 for the year ended September 30, 2023.

**SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 13 LIQUIDITY AND AVAILABILITY

Southminster invests cash in excess of short-term requirements in short-term investments. In addition, Southminster has long-term mutual funds and equity securities which are liquid within one week. Southminster also has a \$5,000,000 revolving line of credit, of which \$2,830,000 is available as of September 30, 2023.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 385,922	\$ 2,494,723
Investments:		
Cash and Cash Equivalents	1,033,527	177,172
Fixed Income Securities Funds	3,764,173	5,196,144
Fixed Income Securities	645,086	-
Equity Securities Funds	4,376,618	5,702,150
Equity Securities	4,820,082	4,973,058
Accounts Receivable	602,715	382,860
Less: Net Assets with Donor Restrictions - Other	<u>(68,644)</u>	<u>(53,003)</u>
 Total Financial Assets Available to Meet Liquidity Needs	 <u>\$ 15,559,479</u>	 <u>\$ 18,873,104</u>

SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 14 FAIR VALUE MEASUREMENTS

The Corporation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Corporation measures fair value refer to Note 1 – Organization and Summary of Significant Accounting Policies. The following tables present the fair value hierarchy for the balances of the assets and liabilities of the Corporation measured at fair value on a recurring basis as of September 30:

	2023			Total
	Level 1	Level 2	Level 3	
Assets:				
Assets Limited as to Use:				
Fixed Income	\$ 5,081,880	\$ -	\$ -	\$ 5,081,880
Fixed Income Securities Funds	2,116,588	-	-	2,116,588
U.S. Government Securities	3,931,051	-	-	3,931,051
Equity Securities Funds	2,460,964	-	-	2,460,964
Equity Securities	2,710,323	-	-	2,710,323
Subtotal	<u>16,300,806</u>	<u>-</u>	<u>-</u>	<u>16,300,806</u>
Investments:				
Fixed Income Securities Funds	3,764,173	-	-	3,764,173
Fixed Income Securities	645,086	-	-	645,086
Equity Securities Funds	4,376,618	-	-	4,376,618
Equity Securities	4,820,082	-	-	4,820,082
Subtotal	<u>13,605,959</u>	<u>-</u>	<u>-</u>	<u>13,605,959</u>
Total Assets Measured at Fair Value	<u>\$ 29,906,765</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,906,765</u>
	2022			Total
	Level 1	Level 2	Level 3	
Assets:				
Assets Limited as to Use:				
Fixed Income	\$ 2,889,069	\$ -	\$ -	\$ 2,889,069
Fixed Income Securities Funds	2,102,821	-	-	2,102,821
U.S. Government Securities	5,737,908	-	-	5,737,908
Equity Securities Funds	2,307,595	-	-	2,307,595
Equity Securities	2,012,540	-	-	2,012,540
Subtotal	<u>15,049,933</u>	<u>-</u>	<u>-</u>	<u>15,049,933</u>
Investments:				
Fixed Income Securities Funds	5,196,144	-	-	5,196,144
Equity Securities Funds	5,702,150	-	-	5,702,150
Equity Securities	4,973,058	-	-	4,973,058
Subtotal	<u>15,871,352</u>	<u>-</u>	<u>-</u>	<u>15,871,352</u>
Total Assets Measured at Fair Value	<u>\$ 30,921,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,921,285</u>

SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 15 FUNCTIONAL EXPENSES

Program, management, and fundraising expenses for the years ended September 30, 2023 and 2022 are summarized as follows:

	2023			
	Program Services	Management and General	Fundraising	Total
Salaries, Wages, and Employee Benefits	\$ 18,072,702	\$ 3,049,021	\$ 86,960	\$ 21,208,683
Maintenance, Housekeeping, and Utilities	3,443,434	56,790	-	3,500,224
Food and Related Supplies	1,934,914	-	-	1,934,914
Insurance	-	409,141	-	409,141
Consulting and Professional Fees	106,230	602,839	17,500	726,569
Other Operating Expenses	1,717,250	1,481,390	51,509	3,250,149
Depreciation	11,778,024	152,823	-	11,930,847
Amortization of Deferred Costs	31,015	-	-	31,015
Interest Expense	7,303,068	94,759	-	7,397,827
Loss on Disposal of Assets	49,386	-	-	49,386
Total Functional Expenses	\$ 44,436,023	\$ 5,846,763	\$ 155,969	\$ 50,438,755
	2022			
	Program Services	Management and General	Fundraising	Total
Salaries, Wages, and Employee Benefits	\$ 16,091,343	\$ 2,842,564	\$ 80,420	\$ 19,014,327
Maintenance, Housekeeping, and Utilities	3,034,964	50,704	-	3,085,668
Food and Related Supplies	1,847,535	-	-	1,847,535
Insurance	-	378,518	-	378,518
Consulting and Professional Fees	100,643	322,969	-	423,612
Other Operating Expenses	2,551,218	1,404,910	35,981	3,992,109
Depreciation	10,355,926	134,371	-	10,490,297
Amortization of Deferred Costs	17,470	-	-	17,470
Interest Expense	6,534,412	84,786	-	6,619,198
Loss on Disposal of Assets	66,749	-	-	66,749
Total Functional Expenses	\$ 40,600,260	\$ 5,218,822	\$ 116,401	\$ 45,935,483

The combined financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated on a square footage basis include depreciation and interest expense.

**SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 16 COMMITMENTS AND CONTINGENCIES

Health Care Industry

The Corporation is subject to legal proceedings and claims which arise in the ordinary course of business. The Corporation maintains liability insurance coverage for claims occurring during the policy year. Occurrence-based policies need only to be in effect on the date that an accident causing damage occurs in order to trigger coverage. In management's opinion, adequate provision has been made for amounts expected to be paid under the policy's deductible limits for claims not covered by the policy and any other uninsured liability.

Self-Insured Health Plan

The Corporation is self-insured for its employee health plan and purchases specific stop-loss protection for all claims over \$90,000 and aggregate stop-loss protection for total claims which exceed \$1,000,000. An accrual for the self-insurance program was established to provide for estimated claims incurred but not reported. This accrual totaled approximately \$126,000 and \$153,000 at ended September 30, 2023 and 2022, respectively, and is included in Accrued Payroll and Employee Benefits on the combined balance sheets.

Dining Renovation

In September 2022, the Corporation signed a construction contract for renovations in the Promenade Dining, Main Kitchen, and Great Room areas. The contract stipulates that the cost of the project is to be capped at \$3,012,017 as originally designed, with \$174,331 in change orders executed through September 30, 2023. Work began on the project in January 2023, with full completion by November 2023. As of September 30, 2023, there are \$77,245 in remaining construction costs, including retainage.

ATTACHMENT 2 -

- Five Year Forecast

SOUTHMINSTER, INC.

**FORECASTED FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT**

**FOR THE FIVE YEARS ENDING
SEPTEMBER 30, 2024 THROUGH SEPTEMBER 30, 2028**



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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Southminster, Inc.
Charlotte, North Carolina

Management is responsible for the accompanying forecasted financial statements of Southminster, Inc. (the Corporation), which comprise the forecasted balance sheets as of September 30, 2024, 2025, 2026, 2027 and 2028, and the related forecasted statements of operations and changes in net deficit, and cash flows for the years then ending, and the related summaries of significant forecast assumptions and accounting policies in accordance with the guidelines for presentation of a financial forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the forecasted financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this forecast.

Furthermore, the forecasted results may not be achieved, as there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

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

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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

CliftonLarsonAllen LLP

Charlotte, North Carolina
February 26, 2024

SOUTHMINSTER, INC.
FORECASTED STATEMENTS OF OPERATIONS AND CHANGES IN NET DEFICIT
FOR THE YEARS ENDING SEPTEMBER 30,

	2024	2025	2026	2027	2028
REVENUES, GAINS, AND OTHER SUPPORT					
Independent Living Revenue	\$ 21,509,020	\$ 22,622,554	\$ 23,765,135	\$ 24,700,082	\$ 25,550,106
Healthcare Revenue	13,311,543	13,769,352	14,573,732	15,236,732	15,830,996
Earned Entrance Fees	9,952,494	11,677,936	11,692,868	11,770,116	11,928,116
Investment Income	694,322	1,204,365	1,269,231	1,381,465	1,572,809
Contributions	690,000	710,700	732,021	753,982	776,601
Net Assets Released from Restrictions for Operations	28,025	-	-	-	-
Other Income	1,398,432	1,462,892	1,525,491	1,585,032	1,631,631
Total Revenues, Gains and Other Support	47,583,836	51,447,799	53,558,478	55,427,409	57,290,259
OPERATING EXPENSES:					
Healthcare Expenses	6,066,982	6,248,993	6,436,461	6,629,554	6,828,442
Administrative Expenses	6,597,108	6,938,350	7,252,258	7,516,084	7,772,065
Maintenance Expenses	5,167,666	5,322,698	5,482,380	5,646,849	5,816,257
Laundry Expenses	181,496	186,940	192,549	198,325	204,274
Housekeeping Expenses	2,282,440	2,391,160	2,486,328	2,585,287	2,662,845
Dietary Expenses	6,116,999	6,391,147	6,646,026	6,878,240	7,084,587
Other Expenses	5,416,023	5,684,641	5,910,905	6,146,183	6,330,571
Depreciation	12,541,482	12,889,093	13,054,730	13,238,561	13,209,741
Amortization	26,052	21,323	21,299	20,321	18,080
Interest Expense	7,610,426	7,233,107	6,867,478	6,559,710	6,407,820
Total Operating Expenses	52,006,674	53,307,452	54,350,414	55,419,114	56,334,682
OPERATING INCOME (LOSS)	(4,422,838)	(1,859,653)	(791,936)	8,295	955,577
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:					
Net Assets Released from Restrictions for Payments of Debt Service	185,000	96,850	28,100	22,100	1,300
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES AND INCREASE (DECREASE) IN NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS	(4,237,838)	(1,762,803)	(763,836)	30,395	956,877
NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	(16,604,827)	(20,842,665)	(22,605,468)	(23,369,304)	(23,338,909)
NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS, END OF YEAR	(20,842,665)	(22,605,468)	(23,369,304)	(23,338,909)	(22,382,032)
NET ASSETS WITH DONOR RESTRICTIONS					
Net Assets Released from Restrictions	(213,025)	(96,850)	(28,100)	(22,100)	(1,300)
Contributions	36,300	6,000	5,500	5,000	4,000
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(176,725)	(90,850)	(22,600)	(17,100)	2,700
NET ASSETS WITH DONOR RESTRICTIONS, BEGINNING OF YEAR	519,113	342,388	251,538	228,938	211,838
NET ASSETS WITH DONOR RESTRICTIONS, END OF YEAR	342,388	251,538	228,938	211,838	214,538
CHANGE IN NET ASSETS (DEFICIT)	(4,414,563)	(1,853,653)	(786,436)	13,295	959,577
NET DEFICIT, BEGINNING OF YEAR	(16,085,714)	(20,500,277)	(22,353,930)	(23,140,366)	(23,127,071)
NET DEFICIT, END OF YEAR	\$ (20,500,277)	\$ (22,353,930)	\$ (23,140,366)	\$ (23,127,071)	\$ (22,167,494)

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

SOUTHMINSTER, INC.
FORECASTED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDING SEPTEMBER 30,

	2024	2025	2026	2027	2028
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in net asset (deficit)	\$ (4,414,563)	\$ (1,853,653)	\$ (786,436)	\$ 13,295	\$ 959,577
Adjustments to reconcile change in net asset (deficit) to net cash provided (used) by operating activities:					
Depreciation and amortization	12,567,534	12,910,416	13,076,029	13,258,882	13,227,821
Amortization of debt issuance cost	114,096	103,894	103,896	103,895	103,895
Change in other assets	90,850	22,600	17,100	(2,700)	(3,052)
Decrease (increase) in other current assets	5,435,793	21,608	(42,706)	(29,525)	(50,975)
Increase (decrease) in current liabilities	(201,088)	(5,409)	(3,701)	8,357	13,464
Earned entrance fees	(9,952,494)	(11,677,937)	(11,692,867)	(11,770,116)	(11,928,116)
Amortization of premium	(522,773)	(501,944)	(482,211)	(461,511)	(439,770)
Net cash provided by (used in) operating activities	3,117,355	(980,425)	189,104	1,120,577	1,882,844
CASH FLOWS FROM INVESTING ACTIVITIES					
Increase in investments	(4,796,816)	(1,646,283)	(1,038,190)	(3,174,466)	(6,241,608)
Fixed asset additions	(5,147,712)	(5,000,000)	(5,175,000)	(5,356,125)	(5,543,589)
Increase in assets limited as to use	(2,950,769)	(117,258)	(624,116)	63,697	(186,816)
Net cash used in investing activities	(12,895,297)	(6,763,541)	(6,837,306)	(8,466,894)	(11,972,013)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from entrance fees and deposits, net	11,231,500	11,346,000	12,014,000	12,718,000	13,698,000
Payments of line of credit, net	(139,750)	(95,885)	(1,600,000)	(334,365)	-
Payments of finance lease liability	(42,740)	(44,483)	(46,295)	(44,093)	-
Repayments of long-term debt	(3,230,000)	(3,256,850)	(3,303,100)	(3,422,100)	(3,536,300)
Net cash provided by financing activities	7,819,010	7,948,782	7,064,605	8,917,442	10,161,700
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,958,932)	204,816	416,403	1,571,125	72,531
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	8,226,770	6,267,838	6,472,654	6,889,057	8,460,182
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	\$ 6,267,838	\$ 6,472,654	\$ 6,889,057	\$ 8,460,182	\$ 8,532,713
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION					
Cash and Cash Equivalents	\$ 500,000	\$ 650,000	\$ 1,000,000	\$ 2,500,000	\$ 2,500,000
Cash Held Under Bond Agreements	5,767,838	5,822,654	5,889,057	5,960,182	6,032,713
Total Cash, Cash Equivalents, and Restricted Cash	\$ 6,267,838	\$ 6,472,654	\$ 6,889,057	\$ 8,460,182	\$ 8,532,713
SUPPLEMENTAL CASH FLOW INFORMATION					
Cash Paid for Interest	\$ 7,843,097	\$ 7,570,638	\$ 7,250,544	\$ 6,980,620	\$ 6,813,716
Accounts Payable Related to Fixed Asset Additions	\$ 112,712	\$ -	\$ -	\$ -	\$ -

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

SOUTHMINSTER, INC.
FORECASTED BALANCE SHEETS
AT SEPTEMBER 30,

	2024	2025	2026	2027	2028
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 500,000	\$ 650,000	\$ 1,000,000	\$ 2,500,000	\$ 2,500,000
Accounts Receivable	620,796	639,420	658,603	678,361	698,712
Other Current Assets	1,222,439	1,182,207	1,205,730	1,215,497	1,246,121
Assets Limited As To Use - Current	5,767,838	5,822,654	5,889,057	5,960,182	6,032,713
Total Current Assets	8,111,073	8,294,281	8,753,390	10,354,040	10,477,546
ASSETS LIMITED AS TO USE					
Bond Fund	5,767,838	5,822,654	5,889,057	5,960,182	6,032,713
Debt Service Reserve Funds	9,029,538	9,029,538	9,029,538	9,029,538	9,029,538
Southminster Community Fund	50,000	50,000	50,000	50,000	50,000
Capital Campaign Fund	140,000	-	-	-	-
Operating Reserve Fund Required Under North Carolina Statutes	8,398,588	8,655,846	9,279,962	9,216,265	9,403,081
Total Assets Limited As To Use	23,385,964	23,558,038	24,248,557	24,255,985	24,515,332
Less Current Portion	(5,767,838)	(5,822,654)	(5,889,057)	(5,960,182)	(6,032,713)
Assets Limited As To Use, Net of Current Portion	17,618,126	17,735,384	18,359,500	18,295,803	18,482,619
PROPERTY AND EQUIPMENT	312,090,092	317,090,092	322,265,092	327,621,217	333,164,806
Less Accumulated Depreciation	(116,244,772)	(129,133,865)	(142,188,595)	(155,427,156)	(168,636,897)
Net Property and Equipment	195,845,320	187,956,227	180,076,497	172,194,061	164,527,909
LONG-TERM INVESTMENTS	19,436,302	21,082,585	22,120,775	25,295,241	31,536,849
DEFERRED MARKETING AND OTHER COSTS	408,779	364,856	326,457	308,836	293,808
TOTAL ASSETS	\$ 241,419,600	\$ 235,433,333	\$ 229,636,619	\$ 226,447,981	\$ 225,318,731
<hr/>					
	2024	2025	2026	2027	2028
LIABILITIES AND NET ASSETS (DEFICIT)					
CURRENT LIABILITIES					
Accounts Payable	\$ 1,000,000	\$ 1,030,000	\$ 1,060,900	\$ 1,092,727	\$ 1,125,509
Accrued Expenses	1,546,688	1,593,089	1,640,882	1,690,108	1,740,811
Accrued Interest	3,432,554	3,350,744	3,268,350	3,195,654	3,125,633
Line of Credit	2,030,250	1,934,365	334,365	-	-
Current Portion of Finance Lease Liability	44,483	46,295	44,093	-	-
Current Portion of Long-Term Debt	3,160,000	3,275,000	3,400,000	3,535,000	3,675,000
Total Current Liabilities	11,213,975	11,229,493	9,748,590	9,513,489	9,666,953
LONG-TERM DEBT, NET OF CURRENT PORTION	151,801,416	147,927,622	144,017,311	139,998,700	135,882,630
Less Bond Issue Cost	(2,095,985)	(1,992,091)	(1,888,195)	(1,784,300)	(1,680,405)
Long-Term Debt, Net	149,705,431	145,935,531	142,129,116	138,214,400	134,202,225
FINANCE LEASE LIABILITY	90,388	44,093	-	-	-
ADVANCE ENTRANCE FEE DEPOSITS	1,092,859	1,092,859	1,092,859	1,092,859	1,092,859
DEFERRED REVENUE - NONREFUNDABLE ENTRANCE FEES	60,201,764	61,561,496	62,608,567	64,059,586	66,056,334
DEFERRED REVENUE - REFUNDABLE ENTRANCE FEES	11,467,003	10,863,793	11,048,571	11,304,633	11,657,000
REFUNDABLE ENTRANCE FEES	28,148,457	27,059,998	26,149,282	25,390,085	24,810,854
Total Liabilities	261,919,877	257,787,263	252,776,985	249,575,052	247,486,225
NET DEFICIT:					
Net Assets Without Donor Restrictions	(20,842,665)	(22,605,468)	(23,369,304)	(23,338,909)	(22,382,032)
Net Assets With Donor Restrictions	342,388	251,538	228,938	211,838	214,538
Total Net Assets (Deficit):	(20,500,277)	(22,353,930)	(23,140,366)	(23,127,071)	(22,167,494)
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ 241,419,600	\$ 235,433,333	\$ 229,636,619	\$ 226,447,981	\$ 225,318,731

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

Summary of Significant Forecast Assumptions and Accounting Policies

Background and Information

Basis of Presentation

The accompanying financial forecast presents, to the best of the knowledge and belief of management (“Management”) of Southminster, Inc., a North Carolina nonprofit corporation (the “Corporation”), the Corporation’s expected financial position, results of operations and cash flows as of September 30, 2024, 2025, 2026, 2027 and 2028 and for each of the years then ending (the “Forecast Period”).

Accordingly, the financial forecast reflects Management’s judgment as of February 26, 2024, the date of this forecast, of the expected conditions and its expected course of action during the Forecast Period. The assumptions disclosed herein are the assumptions which Management believes are significant to the financial forecast. There usually will be differences between the forecast and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

The financial forecast does not include Southminster Foundation, Inc. (the “Foundation”), an affiliate of the Corporation. The activities of the Southminster Foundation, Inc., have ceased and are expected to remain inactive during the Forecast Period. The Foundation is not obligated for any payments under the Series 2016 Bonds, Series 2018 Bonds, or any taxable bank loans entered into by the Corporation.

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

Summary of Significant Forecast Assumptions and Accounting Policies

Background and Information (continued)

Background of the Corporation

The Corporation owns and operates a Life Plan Community (also known as continuing care retirement community) known as "Southminster" located in Charlotte, North Carolina. Southminster offers its residents use of independent living units and care in its health center in accordance with the terms of a Residence and Services Agreement (as defined subsequently hereinafter) entered into by the Corporation with each resident. The Corporation is a North Carolina nonprofit corporation organized in 1984 to construct and operate Southminster. Southminster opened for operations in May 1987.

The Corporation has received a determination that it is exempt from federal income taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). The Corporation is classified as a public charity under Section 509a(1).

Southminster is not a legal entity separate from the Corporation. Southminster is the name under which the Corporation operates its Life Plan Community. The management and staff of the Corporation, under the direction of the board of directors of the Corporation, manage Southminster.

Southminster Foundation, Inc. (the "Foundation") is a North Carolina nonprofit corporation that was established to operate exclusively for the benefit of the Corporation, primarily through financial support to residents of Southminster who are unable to meet their financial obligations. Effective October 1, 2013, the operations of the Foundation were moved into the operations of Southminster. As such, the financial forecasts included herein contain contribution income and resident support previously recorded on the books and records of the Foundation.

The business and other affairs of the Corporation are governed by a 19-member board of directors, comprised of 13 voting members, 1 non-voting founding director and 5 non-voting Chairs Emeritus. The Corporation is affiliated with Christ Episcopal Church and Myers Park Baptist Church, both of which are located in Charlotte, North Carolina. Although not all of the directors are associated with the sponsoring churches, the governing bodies of the two churches ratify those persons nominated to serve as directors.

Southminster is an entrance fee community located on approximately 27 acres of land at 8919 Park Road, Charlotte, North Carolina, consisting of 29 one-story duplex/triplex cottage units, 66 Terrace units, and a main building that includes 227 independent living apartments, dining rooms, the main kitchen, common rooms for activities and social interactions, a library, administrative offices, and all the necessary support service areas for the normal functioning of the community (e.g., maintenance, housekeeping, resident storage spaces, etc.). The health center (the "Health Center") building is attached to the main building and houses 25 licensed assisted living beds and 60 licensed nursing beds.

Independent Living Units

The independent living units of Southminster (the "Independent Living Units") consist of 322 apartments, duplex/triplex cottage units, and terraces. The apartments are contained within three- and eight-story main buildings and are connected to common areas and healthcare service facilities via enclosed walkways and elevators. Floor plans vary depending on location and include studio, one, two, and three-bedroom units, with one to three bathrooms. Most units include either a patio or balcony, storage facilities, monitored emergency fire and safety systems, and central heating and air conditioning with individual thermostatic controls. Most units also include washer/dryer units. The cottage floor plans also vary in design and size, but include two bedrooms and a den. Southminster has combined some units in its original building to make larger units and continues to look for further opportunities to do so. The terraces are multi-unit buildings with underground parking and units with at least two sides with windows.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Background and Information (continued)

Assisted Living

The Health Center includes 25 licensed assisted living units (all private) with additional memory support care, where needed. Each unit is a one-bedroom suite and equipped with individually controlled heating and air-conditioning, cable hook-ups, a phone jack and an emergency call system. Assisted living residents receive nursing staff attention daily. Residents also receive assistance with medication, bathing, dressing and grooming; linen and housekeeping service; activities and social service programs; and meals three times per day. Residents may be directly admitted into this level of care from the outside community under a Residence and Services Agreement.

Nursing Care

The Health Center also includes 60 licensed nursing care beds (all private) divided among four neighborhoods. The Health Center provides nursing care residents 24-hour supervision and assistance in activities of daily living and health-related care. Bathing facilities, a dining room, and common rooms are also included in this area. Residents may be directly admitted into this level of care from the outside community under a Residence and Services Agreement.

Common Areas

The common areas are located throughout the main building. They serve as gathering places for residents and include a wellness aquatic center, theater, dining rooms, multi-purpose rooms, lounges, central kitchen, library, administration areas, common rooms for activities and social interactions, resident storage spaces, exercise room, and facilities for beautician services. Southminster may also provide facilities for the sale of sundry items, and other amenity areas dependent on Southminster's determination of demand or the availability of providers.

Residents moving into Southminster are admitted under a Residence and Services Agreement, which specifies the terms and conditions, and obligations for residing at Southminster. For copies of the Residence and Services Agreement, please refer to the disclosure statement.

Summary of Significant Forecast Assumptions and Accounting Policies

Background and Information (continued)

Table 1
Unit Configuration by Type, Number and Weighted Average Square Footage

Unit Type	Total	Average Square Footage by Unit Type
<i>Independent Living Units</i>		
Apartments:		
Studio	1	292
One-bedroom	53	598 - 1,000
One-bedroom/den	36	955 - 1,456
Two-bedrooms	78	955 - 2,260
Two-bedrooms/den or great room	58	1,276 - 3,190
Three-bedroom	1	3,081
Terraces:		
Two-bedrooms	12	1,383 - 1,563
Two-bedrooms with den	54	1,602 - 2,140
Cottages:		
Small sunroom	4	1,500
Large sunroom	25	1,800 - 1,900
Total Independent Living Units	322	
<i>Assisted Living</i>		
Assisted Living	25	600
<i>Skilled Nursing</i>		
Private	60	300
Total Health Care Units and Beds	85	
Total Campus Units and Beds	407	

Source: Management

Note: Two guest rooms have been excluded from the unit count above.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Summary of Significant Accounting Policies

Basis of Accounting

The Corporation maintains its accounting and financial records using the accrual method of accounting.

Cash and Cash Equivalents

All liquid investments with a maturity of three months or less at the time of purchase and not limited as to their use or designated as long-term investments are considered to be cash equivalents.

Accounts Receivable

Resident accounts receivable consist of resident monthly service fees and other resident charges.

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

Management believes no allowance for expected credit loss estimate is considered necessary based on historical credit losses and estimated future credit losses and has not forecasted a reserve.

When deemed necessary, the Corporation provides an allowance for uncollectible accounts using management's estimate about the collectability of any past due accounts. Accounts past due are individually analyzed for collectability. Accounts receivable that management determines will be uncollectible are written off upon such determination.

Assets Limited as to Use

Assets limited as to use includes funds held by the Trustee under a bond indenture agreement, the Southminster Community Fund, the operating reserve required by the North Carolina Department of Insurance, and proceeds from the Capital Campaign to be used to pay down debt associated with the replacement health center.

Management classifies as current the portion of assets whose use is limited that are available to meet current liabilities.

Property and Equipment

Property and equipment is stated at cost. Assets contributed to the Corporation are recorded at fair market value as of the date of receipt. Routine maintenance, repairs, renewals, and replacement costs are charged to expense. Expenditures (in excess of \$500) which materially increase the value, change the capacities or extend the useful lives of existing assets are capitalized. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which range from 3 to 30 years. Apartment refurbishment costs which, in aggregate, total \$2,500 or more per unit, are capitalized and depreciated over an average seven-year period. Interest costs incurred during the construction period of significant construction projects are capitalized as a cost of the constructed asset and amortized over the useful life of the asset.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Summary of Significant Accounting Policies

Long-Term Investments

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

Leases

The Corporation determines if an arrangement is a lease at inception. Operating leases are included in property, plant, and equipment as right-of-use (ROU) assets and lease liability in the combined balance sheet. ROU assets represent the Corporation's right to use an underlying asset for the lease term and lease liabilities represent the Corporation's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Corporation will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Corporation has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the combined balance sheet.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Corporation has elected to use an incremental borrowing rate that represents an estimate of the interest rate the Corporation would have to pay on any borrowed funds.

Employee Retention Credit

The CARES Act allows a credit (Employee Retention Credit or ERC) against applicable employment taxes for eligible employers. The management of the Corporation believes it has complied with the conditions of the ERC and has claimed a credit of approximately \$4,935,000. At September 30, 2023, the corporation has recorded a receivable in the amount of approximately \$4,935,000 related to this credit.

Summary of Significant Forecast Assumptions and Accounting Policies

Summary of Significant Accounting Policies (continued)

Deferred Costs and Other Assets

Deferred costs include sales commissions associated with acquiring expansion residential contracts and are deferred until construction is complete and units are available for occupancy. Management amortizes such costs over the estimated average life expectancy of the residents. Other Assets include long-term pledges that consist of promises to pay from various individuals and foundations. Management estimates the present value of such pledges at net realizable value.

Bond Issuance Costs

Issuance costs are deferred and amortized over the terms of the related bond issue. Debt issuance costs consist of costs incurred from the issuance of revenue bonds benefiting the Corporation and include underwriter's discounts, legal and consulting fees, and printing costs.

Debt issuance costs are presented in the forecasted balance sheets as a deduction from the carrying amount of the related liability and amortization expense associated with the debt issuance costs is shown as a component of interest expense. The straight-line method of amortization is used, which approximates the effective interest method.

Original Issuance Premium

Original issuance premium is being amortized over the terms of the related bond issue. Original issuance premium is presented in the forecasted balance sheets as an addition from the carrying amount of the related liability and amortization expense associated with the original issuance premium is shown as a component of interest expense. The effective interest method of amortization is used.

Entrance Fees

The Residence and Services Agreement (the Agreement), which is entered into at the time a prospective resident pays a deposit equal to 10% of the published entrance fee, specifies the services to be provided by the Corporation and the respective rights and duties of the Corporation and resident. The liability associated with these advance deposits is reported as advance entrance fee deposits in the accompanying forecasted balance sheets. Prospective residents applying for direct admission to the Health Center are subject to the same Agreement as those applying for independent living units.

The Corporation offers a standard contract in which entrance fees may be refunded on a pro-rata basis to residents vacating a unit in the first 20 months of occupancy. Once a unit is occupied, entrance fees are recorded as deferred entrance fee revenue. The deferred revenue on standard contracts is recognized as income over the actuarially determined life of the resident.

The Corporation offers two refundable entrance fee plans. Under these plans, a new resident can elect to pay a higher entrance fee, a portion of which is refundable only after the unit is vacated and subsequently occupied by a new resident. The refundable fees under this option are classified in the accompanying forecasted balance sheets as a refundable entrance fees liability.

Summary of Significant Forecast Assumptions and Accounting Policies

Summary of Significant Accounting Policies (continued)

Net Assets (Deficit)

The Corporation reports its net assets using the following two classes: without donor restrictions and with donor restrictions; depending on the presence and type of donor-imposed restrictions limiting the Corporation's ability to use or dispose of specific contributed assets, or the economic benefits embodied in those assets. Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Net assets with purpose donor restrictions are those net assets whose use by the Corporation has been limited by donors to specified purposes. When a donor restriction is met (when the purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the forecasted statements of operations and changes in net assets (deficit) as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as support without restrictions. Net assets with perpetual donor restrictions are those which have been restricted by donors to be maintained by the Corporation in perpetuity. As of September 30, 2023, the Corporation did not have any net assets with perpetual donor restrictions.

Excess (Deficit) of Revenues over (under) Expenses

The forecasted statements of operations and changes in net assets (deficit) include excess (deficit) of revenues over (under) expenses. Changes in net assets without donor restrictions which are excluded from excess (deficit) of revenues over (under) expenses consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Obligation to Provide Future Services

The Corporation annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred entrance fee revenue. If the present value of the estimated cost of future services and use of facilities to be provided to current residents exceeds the deferred revenue from entrance fees and the present value of periodic fees, a liability is recorded (obligation to provide future services) with the corresponding change to income. The present values of revenues and future service costs are calculated using a discount rate of 5.5%.

Independent Living, Healthcare, and Other Revenues

Independent living revenue and healthcare revenue consists of monthly resident Independent Living Unit and Health Center per diem charges and other revenues associated with resident services and are recorded when earned.

Home care revenue associated with off-campus cases is included in other income during the Forecast Period.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Summary of Significant Accounting Policies (continued)

Income Taxes

The Corporation has been recognized by the Internal Revenue Service as exempt from income taxes under Internal Revenue Code Section 501(c)(3). The Corporation is classified as a public charity under Section 509a(1) of the Internal Revenue Code.

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

The Corporation follows guidance in the income tax standard regarding recognition and measurement of uncertain tax positions. The application of the standard has had no impact on the Corporation's forecasted financial statements. The Corporation is also currently exempt from property taxes. Management has forecasted that they will continue to be exempt from property taxes during the Forecast Period.

Use of Estimates

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

Resident Service Revenue

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

Performance obligations are determined based on the nature of the services provided by the Corporation. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Corporation believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents living at the Corporation receiving independent living or healthcare services. The Corporation considers daily services provided to residents of the health center, and monthly rent charged to residents living in independent living, as a separate performance obligation measured on a monthly basis or upon move-out within the month, whichever is shorter. Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement similar to the output method. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to residents and customers in a retail setting (for example, meals or guest rooms) and the Corporation does not believe it is required to provide additional goods or services related to that sale.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Summary of Significant Accounting Policies (continued)

Because all of its performance obligations have a duration of less than one year, the Corporation has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

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

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

All resident service revenue is from private pay individuals.

Contract Costs

The Corporation has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Corporation otherwise would have recognized is one year or less in duration.

Risks and Uncertainties

The Corporation holds investments in a variety of investment funds. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. While no changes in investments have been forecasted, due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will continue to occur in the near term and that such changes could materially affect the Corporation's investment balances and the amounts reported in the forecasted balance sheets of the Corporation.

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Revenue

Revenue for the Corporation is generated primarily as follows:

- Independent Living Revenue- Reflects revenue from monthly service fees for the Independent Living Units.
- Healthcare Revenue- Reflects revenue from per diem charges from the assisted living and nursing residents as well as in-house home care fees.
- Earned Entrance Fees- Reflects revenue (non cash) associated with the amortization of deferred revenue from entrance fees.

Revenue for the Independent Living Units is based on the monthly service fees assumed by Management to be charged to the residents and the assumed utilization of the Independent Living Units. Healthcare revenues consist of funds generated from services provided to residents transferring from the independent living units, and those services provided to residents directly admitted into either assisted living or nursing. Healthcare revenue also includes home care revenue being provided to residents.

Forecasted Occupancy Levels

Forecasted occupancy for the Corporation's Independent Living Units is based upon the historical experience of Management and the actuarial report, giving consideration to current economic conditions and expectations of ongoing success in its marketing activities.

Occupancy of the assisted living units is forecasted to be from Independent Living Units. Nursing bed occupancy is based primarily on internal transfers from Independent Living Units, assisted living units, and a limited number of direct admissions. Forecasted resident transfers from independent living to assisted living or nursing have been provided by Management.

The following tables present the forecasted occupancy for Independent Living Units, as forecasted by Management.

Table 2
Forecasted Utilization of the Independent Living Units

Year Ending September 30, Forecasted:	Average Number of Independent Living Units Occupied	Average Number of Independent Living Units Available	Average Occupancy Percentage
2024	315	322	97.8%
2025	315	322	97.8%
2026	315	322	97.8%
2027	315	322	97.8%
2028	315	322	97.8%

Source: Management

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Revenue (continued)

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

Table 3
Forecasted Second Person Occupancy of the Independent Living Units

Year Ending September 30, Forecasted:	Average Number of Independent Living Units Occupied	Average Number of Existing Independent Living Units with Double Occupants	Double Occupancy Percentage
2024	315	97	30.8%
2025	315	96	30.5%
2026	315	93	29.5%
2027	315	89	28.3%
2028	315	85	27.0%

Source: Management

The combined 85 Health Center beds are all located in the same building. For reasons of operating efficiency and regulatory requirements, assisted living residents may be placed in a skilled nursing unit (but not vice versa). Daily rates are based on level of care, not the physical location of the resident's room.

Table 4
Forecasted Utilization of the Assisted Living and Memory Support Units

Forecasted Year Ending September 30,	Average Number of Available Units	Total Residents	Average Percent Occupancy
2024	25	24	96.0%
2025	25	24	96.0%
2026	25	24	96.0%
2027	25	24	96.0%
2028	25	24	96.0%

Source: Management

Table 5
Forecasted Utilization of the Skilled Nursing Units

Forecasted Year Ending September 30,	Average Number of Available Units	Total Residents	Average Percent Occupancy
2024	60	53	88.3%
2025	60	51	85.0%
2026	60	51	85.0%
2027	60	51	85.0%
2028	60	51	85.0%

Source: Management

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Revenue (continued)

Forecasted Entrance and Monthly Service Fees

The following tables summarize the entrance fees, monthly service fees and daily rates.

From time to time, Management may implement special incentives and move-in incentives with the effect of reducing the entrance fees or reducing net cash flow depending on the incentive. These are currently not being offered nor are they contemplated during the Forecast Period.

Table 6
Monthly Service and Entrance Fees through September 30, 2024

Unit Type	Units	Monthly Service Fee ⁽¹⁾	Entrance Fee ⁽²⁾
<i>Independent Living Units:</i>			
<i>Apartments:</i>			
Studio	1	\$3,410	\$56,500
One-bedroom	53	\$4,055 - \$4,392	\$116,400 - \$279,600
One-bedroom/den	36	\$4,392 - \$4,913	\$262,300 - \$438,100
Two-bedrooms	78	\$4,392 - \$5,923	\$268,800 - \$691,800
Two-bedrooms/den	58	\$4,913 - \$6,204	\$368,500 - \$1,004,400
Three-bedroom	1	\$7,261	\$1,078,200
<i>Terraces:</i>			
Two-bedrooms	12	\$5,168 - \$5,254	\$457,500 - \$499,500
Two-bedrooms/den	54	\$5,343 - \$5,943	\$529,600 - \$749,700
<i>Cottages:</i>			
Small sunroom	4	\$4,380	\$386,200
Large sunroom	25	\$4,534	\$464,500 - \$517,800
Second Person Fees		\$2,271	\$30,000
Total Independent Living Units	322		
<i>Assisted Living</i>			
Assisted Living	25	\$296 - \$357	\$30,000 - \$40,000 ⁽³⁾
Assisted Living Memory Support		\$388 - \$449	\$30,000 - \$40,000 ⁽³⁾
Total Assisted Living Units	25		
<i>Skilled Nursing</i>			
Private	60	\$464 - \$490	\$17,500 - \$25,000 ⁽³⁾
Total Nursing Units	60		
Total Units/Beds	407		

Notes to Table 6:

Source: Management

- (1) Residents admitted directly to health care units/beds are charged daily rates, as shown.
- (2) Entrance fees listed above are for the Standard Plan (0% refundable after 20 months). Management also offers a 90% Refundable Plan and 50% Refundable Plan priced higher than the pricing shown in this table.
- (3) Entrance fees required for direct admission residents only.

Increases in fees are generally anticipated to approximate increases in operating expenses during the Forecast Period. However, fee increases may be adjusted to reflect actual changes in expenses which could be higher than forecasted. Entrance fees are continuously reviewed and adjusted as necessary to align with market demands. Management has forecasted annual increases to its monthly and daily fees in the range of 4% to 5.5% during the Forecast Period. Management has noted that the 2024 rate increases approximated 5.5%.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Revenue (continued)

Entrance Fee Receipts

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

Forecasted Year Ending September 30,	2024	2025	2026	2027	2028
Entrance fees received from unit turnover	\$ 13,231,500	\$ 13,348,000	\$ 14,362,000	\$ 15,186,000	\$ 16,240,000
Entrance fees refunded from unit turnover	(2,000,000)	(2,002,000)	(2,348,000)	(2,468,000)	(2,542,000)
Total entrance fees received, net of refunds	\$ 11,231,500	\$ 11,346,000	\$ 12,014,000	\$ 12,718,000	\$ 13,698,000

Source: Management

For purposes of forecasting entrance fee receipts, Management has assumed that 80% of entrants would select the Standard Plan, 5% would select the 50% Refundable Plan, and 15% would select the 90% Refundable Plan during the Forecast Period.

Investment Income

Investment income consists of interest earnings on cash, cash equivalents, investments, and assets limited as to use, as provided by Management. Management has assumed that its cash, cash equivalents, investments, and assets limited as to use would earn investment income throughout the Forecast Period.

The following table reflects Management's assumed realized investment earning rates during the Forecast Period.

	2024	2025	2026	2027	2028
Cash and Cash Equivalents	5.00%	4.00%	3.00%	3.00%	3.00%
Debt Service Reserve Fund	2.00%	2.00%	2.00%	2.00%	2.00%
Investments	3.00%	4.00%	4.00%	4.00%	4.00%

Source: Management

Other Revenue Items

Other income is comprised primarily of external home care cases and rent, with the most significant lessee being a hospice provider. Under the terms of the lease agreement with the hospice provider, the Corporation is to receive rent each month, with inflationary increases every two years. The lease began November 1, 2020 and expires after 10 years.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Revenue (continued)

Contributions

Management has forecasted unrestricted contributions throughout the Forecast Period based on historical experience.

Management has forecasted donor-restricted contributions related to its capital campaign, as well as the change in the net present value of pledges receivable.

Net Assets Released From Restrictions

Management has forecasted that it would release net assets from restrictions associated with amounts for the pay down of debt related to the construction of its replacement health center, consistent with the purpose of its capital campaign.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Expenses

Operating Expenses

Management has forecasted operating expenses (excluding depreciation, amortization, and interest) based upon Management's experience and current market conditions. Due to labor and inflationary pressures being experienced, management has forecast operating expenses to increase approximately 3% to 4% annually for inflation throughout the Forecast Period.

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

Salaries, Wages and Employee Benefits

In aggregate, salaries and wages are forecasted to increase approximately 3% to 4% annually throughout the Forecast Period. Individual department increases in labor vary depending on the type of position, labor pressures being experienced in the market, and to address caseload increases or other job changes.

Benefit costs include payroll taxes and employee benefits including FICA, unemployment taxes, workers' compensation, health insurance, 403(b) defined contribution plan, incentives and other miscellaneous benefits for the entire facility. These benefit costs are assumed to approximate 27% of wages during the Forecast Period, based on Management's historical experience.

Healthcare Expenses

Costs include those for providing care in assisted living and skilled nursing neighborhoods in Southminster's Health Center. Costs, other than those related to labor, are forecasted to increase 3% each year of the Forecast Period, due to inflation.

Administrative Expenses

Costs include insurance, recruiting and staff development, professional service fees, and other administrative costs. Costs also include community benefit spending needed to maintain property tax exemption.

Administrative expenses (excluding community benefit) increase between 3% and 6% over the Forecast Period due to inflation, costs related to employee recruitment, training, and retention; technology; and insurance increases driven by market activity and increases in construction costs. Resident support and community benefit amounts are expected to increase over the Forecast Period, in conjunction with related fee increases and revenue growth.

Maintenance Expenses

Costs include electricity, water and sewer, gas, and cable television and all activities of maintenance for the campus. Costs, other than those related to labor, are forecasted to increase 3% each year of the Forecast Period, due to inflation.

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Expenses (continued)

Laundry Expenses

Costs include laundry costs for the Corporation. Costs, other than those related to labor, are forecasted to increase 3% each year of the Forecast Period, due to inflation.

Housekeeping Expenses

Costs include housekeeping costs for the Corporation. Costs, other than those related to labor, are forecasted to increase between 3% and 5% each year of the Forecast Period, due to inflation.

Dietary Expenses

Costs include raw food and dietary supplies. Costs, other than those related to labor, are forecasted to increase between 3% and 4.5% each year of the Forecast Period, due to inflation.

Other Operating Expenses

Costs include all other costs incurred with operation of the campus, exclusive of the costs noted above. Costs, other than those related to labor, are forecasted to increase between 3% and 5% each year of the Forecast Period, due to inflation.

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Other Items

Assets Limited as to Use

Held by the Trustees:

The trustees are assumed, by Management, to maintain the following funds for certain indebtedness under the terms of the related trust agreements for each series of bonds and the Master Trust Indenture:

- Bond Funds – The Bond Funds combine the Interest, Principal, and Sinking Fund Accounts required to be funded for the Bonds. Management assumes that the Corporation would make monthly deposits into the Interest Accounts equal to 1/6th of the next semi-annual interest payments due on the Bonds and monthly deposits into the Principal Accounts equal to 1/12th of the next scheduled principal payments for the Bonds.
- Debt Service Reserve Funds– The Debt Service Reserve Funds include reserves, as required by the Master Trust Indenture for the various bonds that require debt service reserve funds.

Board Designated:

- Southminster Community Fund – Board Designated amount supporting Southminster's fundraising and community benefit efforts.
- North Carolina Statutory Operating Reserve Requirement – Section 58-64-33 of the General Statutes of North Carolina, as amended, requires that all continuing care facilities maintain operating reserves equal to 50% of the total operating costs (as defined in Section 58-64-33) (or 25% of the total operating costs if such facilities maintain an occupancy level in excess of 90% and the North Carolina Commissioner of Insurance so approves) forecasted for the twelve-month period covered by the most recent annual statement filed with the North Carolina Department of Insurance. Such operating reserves may only be released upon approval of the North Carolina Commissioner of Insurance. Management has forecasted, based on its forecasted occupancies, meeting the 25% operating reserve requirement.

The following table sets forth the forecasted calculation of the operating reserve.

Summary of Significant Forecast Assumptions and Accounting Policies

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

Table 9
Forecasted Operating Reserve Calculation

	2024	2025	2026	2027	2028
Forecasted Total Operating Expenses	\$52,006,674	\$ 53,307,452	\$54,350,414	\$55,419,114	\$56,334,682
Include:					
Principal Payment	3,230,000	3,256,850	3,303,100	3,422,100	3,536,300
Line of Credit Payment	139,750	95,885	1,600,000	334,365	-
Exclude:					
Debt Service (reserved for separately in DSRF)	(9,029,538)	(9,029,538)	(9,029,538)	(9,029,538)	(9,029,538)
Depreciation	(12,541,482)	(12,889,093)	(13,054,730)	(13,238,561)	(13,209,741)
Amortization of Deferred Marketing Cost	(26,052)	(21,323)	(21,299)	(20,321)	(18,080)
Principal Redeemed from Capital Campaign Proceeds	(185,000)	(96,850)	(28,100)	(22,100)	(1,300)
Total Operating Costs	\$33,594,352	\$ 34,623,383	\$37,119,847	\$36,865,059	\$37,612,323
Operating Reserve Percentage *	25%	25%	25%	25%	25%
Operating Reserve	\$ 8,398,588	\$ 8,655,846	\$ 9,279,962	\$ 9,216,265	\$ 9,403,081
* Units Occupied at 9/30:					
Independent Living	315	315	315	315	315
Assisted Living	24	24	24	24	24
Total Units Occupied and Reserved	339	339	339	339	339
Units Available	347	347	347	347	347
Occupancy Percentage	98%	98%	98%	98%	98%

Source: Management

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

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

Property and Equipment

Property and equipment balances, net of accumulated depreciation, were forecasted based on costs of routine property and equipment additions during the Forecast Period, reduced by estimated annual depreciation. The following table presents capital expenditures during the Forecast Period.

Table 10
Capital Expenditures

For the Forecasted Year Ending September 30,	2024	2025	2026	2027	2028
Routine Capital Additions	\$ 4,636,937	\$ 5,000,000	\$ 5,175,000	\$ 5,356,125	\$ 5,543,589
Dining Renovations:					
Construction Costs	510,775	-	-	-	-
Total Property and Equipment Additions	\$ 5,147,712	\$ 5,000,000	\$ 5,175,000	\$ 5,356,125	\$ 5,543,589

Source: Management

Long-Term Debt and Interest Expense

Forecasted interest expense and long term debt during the Forecast Period were based on the Series 2016 Bonds, the Series 2018 Bonds, and the 2021 Bank Loans as described below. Interest rates are forecasted to range from 4 to 6.7 percent during the Forecast Period.

On June 30, 2021, the Corporation entered into two term loan agreements with a financial institution to provide up to \$30,000,000 to refinance existing bank debt issued for independent living construction completed in prior years and to finance renovations to convert the previous health center space into 20 independent living apartments, with construction completed during the year ended September 30, 2023. At issuance, the term loans bore interest at one-month LIBOR plus 1.30%. Loan 1 was comprised of \$12,000,000 in principal, had a seven-year maturity, and was expected to be repaid in full from project entrance fees. As of September 30, 2022, Loan 1 was fully drawn and \$3,296,157 had been repaid out of entrance fee proceeds received, and as of September 30, 2023, Loan 1 had been fully repaid out of entrance fee proceeds received. Loan 2 is comprised of \$18,000,000 in principal and has a final maturity of 12 years; interest-only payments were due monthly during the draw period. Principal and interest payments began being made on a monthly basis in August 2023, equal to 1/300 of the outstanding principal balance on the Completion Date (defined in the loan agreement as the date occurring on the first business day of the seventh month after the receipt of the final certificate of occupancy, but in any event not before July 3, 2023). Loan 2 was fully drawn during the year ended September 30, 2023, with \$120,000 in principal payments made, leaving \$17,880,000 outstanding at September 30, 2023.

On July 18, 2018, the Corporation entered into a loan agreement with the Public Finance Authority (the Authority) and, concurrently, the Authority issued its \$86,200,000 Retirement Facilities First Mortgage Revenue Bonds (Southminster), Series 2018 (Series 2018 Bonds). The Series 2018 Bonds were issued to finance the construction of a replacement health center and a portion of the two independent living construction projects (financed by a combination of the Series 2018 Bonds and previously issued bank loans, as discussed above). The Series 2018 Bond proceeds were also used for additional common areas, kitchen expansion, office spaces for environmental services operations (housekeeping, maintenance, transportation), a reconfigured loading dock, and to pay issuance costs and fund debt service reserves. During the year ended September 30, 2023, the Corporation used capital campaign proceeds to accelerate, without penalty, principal payments totaling \$1,925,000.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

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

Line of Credit

On June 29, 2022, the Corporation entered into an agreement with a financial institution for a \$3,000,000 revolving line of credit. Any outstanding balance would bear interest at a rate of Term SOFR plus 2.50% (with a floor of 0.00%). On June 28, 2023, the agreement was amended to increase the revolving line of credit from \$3,000,000 to \$5,000,000. All principal outstanding is due June 27, 2024. As of September 30, 2023, \$2,170,000 was outstanding on the line of credit. Management anticipates that it will renew the revolving line of credit prior to its expiration and has forecasted the repayment of the line of credit as presented in its forecast.

Interest rates are forecasted to range from 5 to 7.8 percent during the Forecast Period.

Other Long-Term Debt

2007 Expansion, Financing, and Refinancing

In 2007, the Corporation undertook a \$73 million expansion and renovation project which resulted in the addition of 89 new independent living apartments, a new wellness/aquatic center, expansion of and enhancements to administrative and common areas, and a modest renovation to the health center. Construction began in January 2007 using a bank line of credit and construction loan that was later repaid with permanent financing. Construction was completed during fiscal year 2010 and stable occupancy was reached in the first quarter of the 2013 fiscal year. On November 15, 2007, the Corporation entered into a loan agreement with the North Carolina Medical Care Commission (the Medical Care Commission) and, concurrently, the Medical Care Commission issued \$62,180,000 and \$2,000,000 Fixed Rate Retirement Facilities First Mortgage Revenue Bonds (Southminster Project) Series 2007A and 2007B Bonds (Series 2007A Bonds and Series 2007B Bonds), respectively, and \$25,500,000 Variable Rate Retirement Facilities First Mortgage Revenue Bonds (Southminster Project) Series 2007C (Series 2007C Bonds). In addition to repaying the outstanding construction loan and line of credit, the proceeds from Series 2007 Bonds were deposited with the trustee to cover the remaining construction, capitalized interest, and other project-related costs; to pay for costs of issuance; and to fund various debt service reserves. The Series 2007B and Series 2007C Bonds have been repaid in prior years.

On November 10, 2016, the Corporation entered into a loan agreement with the North Carolina Medical Care Commission (the Medical Care Commission) and, concurrently, the Medical Care Commission issued \$58,765,000 Retirement Facilities First Mortgage Revenue Refunding Bonds Series 2016 to advance refund the Series 2007A Bonds, pay for costs of issuance, and fund debt reserves. The Series 2016 Bonds mature on October 1, 2020 through 2037 with interest rates of 5%.

Summary of Significant Forecast Assumptions and Accounting Policies

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

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

Table 11
Forecasted Principal Payments

Forecasted Year Ending September 30,	Series 2016 Bonds	Series 2018 Bonds	2021 First Horizon Bank Loan #2	Line of Credit	Total Principal Payments
2024	\$ 2,325,000	\$ 185,000	\$ 720,000	\$ 139,750	\$ 3,369,750
2025	2,440,000	96,850	720,000	95,885	3,352,735
2026	2,555,000	28,100	720,000	1,600,000	4,903,100
2027	2,680,000	22,100	720,000	334,365	3,756,465
2028	2,815,000	1,300	720,000		3,536,300
2029	2,955,000	275	720,000		3,675,275
2030	3,100,000	-	720,000		3,820,000
2031	3,255,000	-	720,000		3,975,000
Thereafter	27,745,000	83,941,375	12,120,000		123,806,375
Total ⁽¹⁾	\$ 49,870,000	\$ 84,275,000	\$ 17,880,000	\$ 2,170,000	\$ 154,195,000

Source: Management

At September 30, 2023, there was an unamortized bond premium equal to \$6,689,189.

Current Assets and Current Liabilities

Cash

Cash balances for the Forecast Period are based on the results of the forecasted Statements of Cash Flows. For purposes of presentation, cash balances are forecasted to achieve a balance of \$2,500,000 by the end of the Forecast Period.

Accounts Receivable

Accounts receivable are forecasted to remain at historical levels throughout the Forecast Period, adjusted for inflation.

Other Current Assets

Other current assets include interest receivable, sales tax receivable, prepaid expenses and dietary inventories which have been forecasted based on historical levels, and also included the ERC. Management has forecasted receipt of the ERC in 2024.

Accounts Payable

Accounts payable have been forecasted based on historical levels throughout the Forecast Period, adjusted for inflation, except for amounts related to construction payables.

Accrued Expenses

Accrued expenses have been forecasted based on historical levels throughout the Forecast Period, adjusted for inflation.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

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

Accrued Interest

Accrued interest has been calculated based on forecasted interest rates and repayment terms on the outstanding debt of the Corporation.

See Accompanying Independent Accountants' Compilation Report

ATTACHMENT 3 -

COMPARATIVE FINANCIAL STATEMENTS OF THE 2023 FORECASTED TO ACTUAL RESULTS INCLUDING DESCRIPTIONS OF ANY MATERIAL DIFFERENCES (specifically those greater than \$500,000):

Statement of Operations:

	PY FORECAST		ACTUAL	
	2023	2023	VARIANCE	
REVENUES, GAINS, AND OTHER SUPPORT				
Independent Living Revenue	\$ 20,580,445	\$ 20,451,742	\$ (128,703)	
Healthcare Revenue	12,679,390	12,587,266	(92,124)	
Earned Entrance Fees	9,154,468	8,974,687	(179,781)	
Investment Income	376,537	1,369,187	992,650 [1]	
Contributions	690,000	735,811	45,811	
Net Assets Released from Restrictions	20,000	46,542	26,542	
Other Income	1,166,835	6,150,121	4,983,286 [2]	
Total Revenues, Gains and Other Support	44,667,675	50,315,356	5,647,681 [2]	
OPERATING EXPENSES:				
Healthcare Expenses	6,320,894	6,107,826	213,068	
Administrative Expenses	6,011,128	6,275,891	(264,763)	
Maintenance Expenses	4,937,057	5,309,054	(371,997)	
Laundry Expenses	183,440	184,689	(1,249)	
Housekeeping Expenses	2,106,496	2,177,338	(70,842)	
Dietary Expenses	5,516,946	5,850,791	(333,845)	
Other Expenses	5,166,756	5,173,477	(6,721)	
Depreciation	11,923,196	11,930,847	(7,651)	
Amortization	21,660	31,015	(9,355)	
Interest expense	7,332,109	7,397,827	(65,718)	
Total Operating Expenses	49,519,682	50,438,755	(919,073) [3]	
OPERATING LOSS	(4,852,007)	(123,399)	4,728,608 [2]	
EXCESS OF REVENUES OVER EXPENSES	(4,852,007)	(123,399)	4,728,608 [2]	
OTHER CHANGES IN UNRESTRICTED NET DEFICIT				
Net Assets Released from Restrictions for Payments of Debt Service	1,925,000	1,925,000	-	
Change in Unrealized Gain on Investments	2,422,970	1,838,054	(584,916) [4]	
NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS	(504,037)	3,639,655	4,143,692 [2]	
NET DEFICIT WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	(20,244,482)	(20,244,482)	-	
NET DEFICIT WITHOUT DONOR RESTRICTIONS, END OF YEAR	(20,748,519)	(16,604,827)	4,143,692 [2]	
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	(1,945,000)	(1,971,542)	26,542	
DONOR RESTRICTED CONTRIBUTIONS	46,300	140,342	(94,042)	
NET ASSETS WITH DONOR RESTRICTIONS, BEGINNING OF YEAR	2,350,313	2,350,313	-	
NET ASSETS WITH DONOR RESTRICTIONS, END OF YEAR	451,613	519,113	67,500	
INCREASE IN NET DEFICIT	(2,402,737)	1,808,455	4,211,192 [2]	
NET DEFICIT, BEGINNING OF YEAR	(17,894,169)	(17,894,169)	-	
NET DEFICIT, END OF YEAR	\$ (20,296,906)	\$ (16,085,714)	\$ 4,211,192 [2]	

[1] Investment income is higher than forecast due to \$489,000 in unbudgeted realized gains recognized when liquidations were made during the fiscal year out of long-term investments, \$263,000 in unbudgeted capital gains in December 2022, and overbudget dividend income in the second and third quarters (which included money market earnings), all related to Southminster's long-term investment portfolio. Southminster also experienced over budget interest income from earnings on its debt service reserve funds held for its Series 2016 and Series 2018 tax exempt bonds due to higher interest rates, as well as the use of a sweep account to utilize daily cash balances to capitalize on higher interest rates. [2] In September 2023, Southminster filed three amended payroll tax returns for the first three quarters of calendar 2021, in order to claim the Employee Retention Credit (ERC), which resulted in the recording of a \$4,934,993 receivable and other income. [3] Total Operating Expenses were \$919,000 higher than

forecast due to negative variances in Maintenance and Administrative expenses. Dietary expenses were also over budget but were offset in part by below budget Healthcare expenses related to shifting healthcare dining staff away from healthcare universal workers and back to a more traditional dining/dietary model; inflation of food costs also was a driver of over budget dietary expenses. Maintenance expenses were over budget due to maintenance contract labor (due to work on the various building systems), utilities, and landscaping overages. Administrative expenses were over budget due to unbudgeted consulting work related to the ERC. [4] Southminster does not typically forecast for Changes in Unrealized Gain/Loss on Investments, however, due to significant negative market volatility experienced in 2022, Southminster did budget \$2.4 million in market recovery. Most of 2023 tracked towards that recovery, however, there was negative market activity in August and September, right at the end of the 2023 fiscal year, that resulted in being \$585,000 below forecasted Unrealized gains on investments for the 2023 fiscal year.

Statement of Cash Flows:

	PY FORECAST		ACTUAL	
	2023	2023	VARIANCE	
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net deficit	\$ (2,402,737)	\$ 1,808,455	\$ 4,211,192	[2]
Adjustments to reconcile change in net deficit to net cash provided by operating activities:				
Depreciation and amortization	11,944,856	11,961,862	17,006	
Amortization of debt issuance costs	108,776	148,281	39,505	
Loss on disposal of assets	-	49,386	49,386	
Realized and unrealized gain on investments	(2,422,970)	(2,327,299)	95,671	
Change in Other Assets	145,792	293,554	147,762	
Change in Prepaids and Receivables	383,221	(233,260)	(616,481)	[5]
Change in Current Liabilities	(368,045)	(70,034)	298,011	
Earned entrance fees	(9,154,468)	(8,974,687)	179,781	
Amortization of bond premium	(546,012)	(546,012)	-	
Employee Retention Credit receivable	-	(4,934,993)	(4,934,993)	[2]
Net cash used by operating activities	(2,311,587)	(2,824,747)	(513,160)	[5]
CASH FLOWS FROM INVESTING ACTIVITIES				
Sales (purchases) of investments	(46,658)	3,736,337	3,782,995	[6]
Fixed asset additions	(9,795,008)	(10,409,302)	(614,294)	[7]
Increase in assets limited as to use	22,109	254,649	232,540	
Net cash used in investing activities	(9,819,557)	(6,418,316)	3,401,241	[6]
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from entrance fees and deposits, net	16,344,402	14,470,211	(1,874,191)	[8]
Proceeds from debt	3,721,652	3,721,651	(1)	
Proceeds from line of credit	3,000,000	6,120,000	3,120,000	[9]
Repayments of line of credit	-	(3,950,000)	(3,950,000)	[9]
Payments of Financing costs	-	(13,600)	(13,600)	
Repayments of right-of-use lease liability	(41,068)	(41,069)	(1)	
Repayments of long-term debt	(12,963,843)	(12,963,843)	-	
Net cash provided by financing activities	10,061,143	7,343,350	(2,717,793)	[8]
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,070,001)	(1,899,713)	170,288	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	\$ 8,226,770	\$ 8,226,770	\$ -	
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 6,156,769	\$ 6,327,057	\$ 170,288	
Supplementary Disclosure: Interest paid during year	\$ 7,842,652	\$ 7,824,889	\$ (17,763)	

[5] Cash flows Used by Operating activities was \$513,000 higher than forecast due to the Change in Prepaids and Receivables line due to a \$367,000 unbudgeted insurance settlement being received subsequent to year end (thus being recorded as an increase in a receivable, as opposed to a decreased receivables balance as presented in the forecast). [6] Net Cash Used in Investing Activities is \$3.4 million lower than forecast due to an inflow of liquidity totaling \$3.7 million during fiscal year 2023 from the sale of investments during FY23 to meet liquidity pressures from capital purchases and higher expenses. Southminster also did not reinvest earnings during the year in order to preserve long-term investments, following significant unrealized losses incurred during FY22, but instead liquidated those

earnings to meet liquidity needs during the year. Those earnings would have been forecasted to be reinvested as in prior years, rather than pulled for operating needs. [7] Fixed Asset Additions are \$614,000 higher than forecast due to \$800k more in gross PP&E purchases (due to higher spending for apartment refurbishments during the year and higher spending on a planned dining renovation) offset by lower amounts of PP&E in AP than forecast. [8] Net Cash Provided by Financing Activities is lower due to approximately \$500,000 less in entrance fee receipts than forecast and \$1.6 million more in refunds paid out during the fiscal year than originally forecast. There has been no change in the overall mix of contracts with 20% of residents continuing to select refundable entrance fee plans, however due to the mix of homes turning over during the year, the amounts received were weighted more heavily to the standard entrance fee plan. [9] The forecast also expected Southminster would draw a total of \$3 million on its line of credit (on which it had not previously made draws). Instead, Southminster had draws totaling \$6.12 million offset by paydowns totaling \$3.95 million, for a remaining line balance at year end of \$2.17 million.

Balance Sheet:

	PY FORECAST		ACTUAL	
	2023	2023	VARIANCE	
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 500,000	\$ 385,922	\$ (114,078)	
Short-term Investments	-	821,067	821,067 [10]	
Accounts Receivable, Net	394,346	602,715	208,369	
Other Current Assets	1,430,231	6,676,313	5,246,082 [2]	
Total Current Assets	2,324,577	8,486,017	6,161,440 [2]	
ASSETS LIMITED AS TO USE				
Bond Fund, current	5,656,769	5,656,924	155	
Capital Campaign Fund	-	146,799	146,799	
Amounts held by Trustee	9,029,538	8,934,410	(95,128)	
Southminster Community Fund	50,000	50,000	-	
Operating Reserve Fund Required Under North Carolina Statutes	7,720,072	7,720,072	-	
Total Assets Limited As To Use	22,456,379	22,508,205	51,826	
PROPERTY AND EQUIPMENT				
Less Accumulated Depreciation	307,548,268	306,868,064	(680,204) [11]	
Net Property and Equipment	(104,858,959)	(103,655,185)	1,203,774 [11]	
LONG-TERM INVESTMENTS				
	18,518,152	13,818,419	(4,699,733) [12]	
DEFERRED MARKETING AND OTHER COSTS				
	585,775	699,604	113,829	
TOTAL ASSETS	\$ 246,574,192	\$ 248,725,124	\$ 2,150,932 [13]	
LIABILITIES AND NET DEFICIT				
CURRENT LIABILITIES				
Accounts Payable	\$ 1,063,449	\$ 2,590,305	\$ (1,526,856) [14]	
Retainage Payable		35,000	(35,000)	
Accrued Expenses	1,404,877	1,501,639	(96,762)	
Accrued Interest	3,421,469	3,449,282	(27,813)	
Current Portion of Lease Liability	42,741	42,741	-	
Current Portion of Long-Term Debt (including line of credit)	6,045,000	5,215,000	830,000 [15]	
Total Current Liabilities	11,977,536	12,833,967	(856,431) [16]	
LONG-TERM DEBT, NET OF CURRENT PORTION AND ISSUANCE COSTS				
	153,433,204	153,459,108	(25,904)	
ADVANCE ENTRANCE FEE DEPOSITS				
	900,000	1,092,859	(192,859)	
RIGHT-OF-USE LEASE LIABILITY				
	134,871	134,870	1	
DEFERRED REVENUE				
	70,096,990	70,731,643	(634,653) [17]	
REFUNDABLE ENTRANCE FEES				
	30,328,497	26,558,391	3,770,106 [17]	
Total Liabilities	266,871,098	264,810,838	2,060,260 [18]	
NET ASSETS (DEFICIT):				
Net Assets (Deficit) without Donor Restrictions	(20,748,519)	(16,604,827)	4,143,692 [2]	
Net Assets with Donor Restrictions	451,613	519,113	67,500	
Total Net Assets (Deficit):	(20,296,906)	(16,085,714)	4,211,192 [2]	
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ 246,574,192	\$ 248,725,124	\$ 2,150,932 [19]	

[10] Southminster had not forecast utilizing Short-Term Investments during the 2023 fiscal year, however, given liquidity needs, stock market concerns about the banking industry, and higher interest rates leading to higher earnings opportunities in a less volatile environment, Southminster used a money market account during the year to help manage cash flow needs while also earning in excess of 5% interest. [11] Accumulated Depreciation is \$1.2 million below forecast due to \$1.2 million in write-offs that were not included in the forecast. These write-offs also impacted the gross Property and Equipment balance, however, the \$1.2 million impact was offset by over budget fixed asset additions during 2023, as noted in the cash flow statement above. [12] Long-Term Investments were \$4.7 million below forecast due to \$3.8 million in drawdowns not included in the forecast due to higher liquidity pressures from

increased expenses, higher capital spending and refund payouts during the fiscal year. The investment portfolio also did not recover as much as forecasted, with the Unrealized Gain/Loss on Investments being \$585,000 below forecast, discussed in the Income Statement above. [13] Total Assets are \$2.2 million above forecast due the recording of the Employee Retention Credit receivable and higher Property and Equipment balance, offset by the lower Investments balance discussed above.

[14] Accounts Payable is \$1.5 million higher than forecast due to \$1.3 million in entrance fee refunds outstanding at 2023 fiscal year end that were not anticipated in the forecast. [15] The Current portion of long-term debt is \$830,000 lower than forecast due to the line of credit balance being \$2.17 million at period end versus the forecasted \$3 million. [16] Current Liabilities are \$856,000 higher than forecast due to the higher A/P balance for entrance fee refunds offset by the lower current portion of debt due to the line balance outstanding at year end. [17] Total Deferred Revenue from entrance fees is \$3.1 million below forecast due to \$500,000 less in entrance fee receipts than forecast and \$1.6 million more in refunds paid out during the fiscal year than originally forecast. It was expected that 30% of deferred entrance fees at fiscal year end would be refundable, however, based on the mix of homes turning over and which homes had refundable contracts selected, the mix ended at 27% refundables, rather than the expected 30%, which led to lower Refundable Entrance Fees recorded on the balance sheet at fiscal year end. [18] Total Liabilities were \$2 million below forecast due to lower Refundable Entrance Fees and Line of Credit balance offset by higher Accounts Payable than forecast. [19] Total Liabilities and Net Deficit are \$2.15 million higher than forecast due to a lower Net Deficit than forecast from the recording of the \$4.9 million Employee Retention Credit offset by a lower Refundable Entrance Fee balance at period end.

ATTACHMENT 4 -

- Residence and Services Agreement



S O U T H M I N S T E R

8919 Park Road – Charlotte, NC 28210

Residence and Services Agreement

I. Introduction

This Residence and Services Agreement (hereinafter called the “Agreement”) is made this day of _____, 20____, by and between Southminster, Inc., a North Carolina non-profit corporation (hereinafter called “Southminster”), and ___ (hereinafter called "Resident", “You”, or “Your”). In the event that more than one person enters into this Agreement together, the terms Resident, You, and Your shall apply to all persons jointly and severally except where the context otherwise requires.

Southminster is a continuing care retirement community and is solely responsible for the financial and contractual obligations of Southminster. The Southminster Foundation, Inc. is an affiliated organization that raises charitable donations for the benefit of Southminster and Southminster’s Residents. The Southminster Foundation, Inc. has no responsibility for the financial or contractual obligations of Southminster. Christ Episcopal Church, 1412 Providence Road, Charlotte, NC 28207 and Myers Park Baptist Church, 1900 Queens Road, Charlotte, NC 28207 are the founding churches of Southminster. The founding churches have no responsibility for the financial or contractual obligations of Southminster.

II. Definitions

- A. Basic Fees. Basic Fees are Your Entrance Fee and Your Service Fees.
- B. Date of Agreement. The Date of Agreement is the date, appearing in the Introduction Section, when You and Southminster execute this agreement provided that You have paid Southminster an Entrance Fee deposit to reserve a Residence for potential occupancy. Southminster does not approve You for residency and is not obligated to provide You with a Residence or services until the Date of Occupancy.
- C. Date of Availability. The Date of Availability is the date when the Residence that You reserved is declared by Southminster, at its sole discretion, to be available for occupancy.

- D. Date of Occupancy. The Date of Occupancy is the mutually agreed upon date when Southminster's obligation to provide You with services as defined in this Agreement begins, when Southminster provides an accommodation for You to occupy as Your Residence, and when Your obligation to pay for services begins.
- E. Date of Termination. The Date of Termination is the date when Southminster is no longer obligated to provide You with services or with an accommodation for Your use as a Residence.
- F. Date of Vacancy. The Date of Vacancy is the date on or after the Date of Termination when the Residence that You last occupied is Vacated. When more than one (1) Resident is a party to this Agreement, this definition applies only when the last party to this Agreement Vacates.
- G. Entrance Fee. The Entrance Fee is a fee paid by the Date of Occupancy. An Entrance Fee has an associated refund plan that You select from options that may be provided to You. Schedule I specifies the Entrance Fee You pay, the Entrance Fee refund plan that You select, and the method for calculating any Entrance Fee refund for which You may be eligible based in that selected refund plan. Additions to the number of parties to this Agreement or certain changes in Residence may result in an additional Entrance Fee amount.
- H. Health Center Credit Day. A Health Center Credit Day is a credit that You can use to offset one (1) day's worth of the Service Fees for an accommodation in the Health Center.
- I. Health Center. The Health Center consists of licensed, and at Southminster's option, unlicensed health care accommodations. At the Date of Agreement, the two (2) licensed levels of care provided by Southminster are Nursing and Adult Care Home as defined, regulated, and licensed by the appropriate governing authorities.
- J. Independent Living. Independent Living consists of accommodations in cottages and apartments. When Your Residence is in Independent Living, there is an expectation that You are able to live independently. Southminster makes available limited health services to Your Residence in Independent Living. Southminster policy specifies the criteria for initial and continued occupancy of a Residence in Independent Living.
- K. Move. A Move is a permanent change in Your Residence.
- L. Rescission Period. The Rescission Period is a period of thirty (30) days following the later of the Date of Agreement or the date You receive a disclosure statement from Southminster that meets the requirements of North Carolina law.
- M. Residence. Residence is the accommodation at Southminster that is Your home. You are entitled to one (1) Residence at any given time, except that when there are multiple parties to this Agreement each may be entitled to separate Residences under circumstances defined in this Agreement. Any of Southminster's different types of accommodations may serve as Your Residence, including those in Independent Living

and in the Health Center. Southminster may restrict the number of people that may occupy a Residence.

- N. Service Fees. Service Fees are periodic fees that You pay beginning with the Date of Occupancy and on an on-going basis until the Date of Vacancy. For different types of accommodations, Service Fees may be monthly fees or daily fees.
- O. Transfer. A Transfer is a temporary stay in an accommodation that is not Your Residence and is at or outside of Southminster.
- P. Vacate. Vacate means to remove all of Your property from the Residence (and associated storage areas) from which You are Moving and to return all Southminster property (including items such as keys, access cards, etc.). If there is not another party to this Agreement that is still a Resident, Your property must be removed from Southminster property.

III. Additional Terms Applicable until the Date of Occupancy

- A. Final Admission Decision. The final decision to approve You for admission is made solely by Southminster by the Date of Occupancy. At all times before the Date of Occupancy, You agree to provide or arrange for others to provide Southminster with requested health and financial information as required by Southminster for the admission process, and to immediately notify Southminster of changes in Your health or financial circumstances that may affect the admissions decision. You may be required to interview with Southminster health staff, or to obtain, at Your expense, physical and mental examinations and tests as required by Southminster for the admissions process. Southminster reserves the right, as allowed by law, to accept or reject any person for residency up until the Date of Occupancy. If Southminster denies You admission, or if changes in Your health preclude You from taking occupancy, Sections IX.B. and X.B.a. define the process to cancel this Agreement and the refunds due to You. If You submit false or misleading information as part of the admission process, Southminster may terminate this Agreement in accordance with Section IX.E.
- B. Entrance Fee Deposit. By the Date of Agreement You will have paid a deposit equal to ten percent (10%) of the Entrance Fee for the Residence that You have reserved and selected the Entrance Fee refund plan as described in Schedule I. Your Entrance Fee deposit fixes Your Entrance Fee for Your reserved Residence at the amount in effect on the day of the deposit. You may change Your reserved Residence or Entrance Fee refund plan up until the Date of Occupancy, but for changes made more than thirty (30) days after the Date of Agreement, the Entrance Fee amount and the 10% deposit amount due may change based on the Entrance Fee rates in effect at the time of Your change. Your Entrance Fee deposit will be credited toward the balance of the Entrance Fee due or returned to You in accordance with Section X. When required by law, Your Entrance Fee deposit will be placed into an escrow account as described in Schedule I.
- C. Service Fees Prior to Occupancy. The Service Fees described in Schedule I are those in effect at the Date of Agreement for Your reserved Residence. Southminster may change

Service Fees with thirty (30) days written notice including during the period between the Date of Agreement and the Date of Occupancy.

- D. Availability and Occupancy of an Independent Living Residence. If Your reserved Residence was previously occupied, You must schedule a Date of Occupancy within sixty (60) days of the Date of Agreement unless an extension is granted in writing by Southminster. If Your reserved Residence has not been previously occupied (for example new construction), Southminster will give You at least forty-five (45) days notice of the Date of Availability and You must schedule a Date of Occupancy that falls within forty-five (45) days after the Date of Availability, unless an extension is granted in writing by Southminster. The Date of Occupancy cannot occur until You have been approved for residency by Southminster. If You do not schedule the Date of Occupancy or obtain an extension as stated in this paragraph, the Entrance Fee amount and the 10% deposit amount due may change based on the Entrance Fee rates in effect at the final Date of Occupancy, or Southminster may terminate this Agreement in accordance with Section IX.E. By the Date of Occupancy You must pay the remaining balance of the Entrance Fee and the first Service Fees due in advance for Your reserved Residence. **You are not required to have a Date of Occupancy that falls within the Rescission Period.** The Date of Occupancy will appear on Schedule I.
- E. Availability of Your Reserved Residence. If actions or events subsequently cause Southminster to notify You that the Residence that You reserved will not be available for occupancy, You will have thirty (30) days to reserve another Residence based on the same priority for reservation used in Your initial reservation, or to cancel this Agreement in accordance with Section IX.B. These are Your only remedies. You are not entitled to, and hereby waive, any right of specific enforcement to require Southminster to make available Your reserved Residence. Southminster will endeavor to make available the Residence that You reserved, but cannot guarantee delivery of that Residence or be held responsible for failure to deliver that Residence or campus renovations or expansions. Without limiting the foregoing, Southminster is not responsible for any delays in the delivery of a Residence resulting from causes beyond the control of Southminster, including changes and/or upgrades to the Residence made by You, Acts of God, natural disasters, fire, labor disputes or other force majeure occurrences. You will be kept informed of progress on Your reserved Residence.

IV. Residence

- A. Your Initial Residence. The number and a description of Your initial Residence is in Schedule I of this Agreement. An optional Schedule II describes options, upgrades, or other non-standard items that You have chosen, changes made by previous occupants that You have chosen to keep, along with additional conditions, charges, and terms for payment associated with those items.
- B. Continuum. Southminster provides a variety of accommodations for Your Residence, including some accommodations designed to provide for additional support and services if and when required by changes in Your health or capabilities. You understand that Your Residence may change during the time You live at Southminster in accordance with the

terms of this Agreement. By executing this Agreement, You agree to abide by Southminster's policy regarding criteria for remaining in a Residence in Independent Living or in accommodations in the different levels of care in the Health Center.

- C. Modification of Your Residence by Southminster. Southminster has the right to modify Your Residence to meet applicable law or regulation, for reasons of health or safety, for maintenance or repair, to prevent damage or deterioration, to maintain it in marketable condition, or for other reasonable purposes.
- D. Modification of Your Residence by You. Southminster must approve, in advance, any structural or physical change to Your Residence or to the surfaces, fixtures or equipment provided by Southminster. You are responsible for the costs of any such change. Unless Southminster chooses to keep the changes, You or Your estate are liable for the subsequent cost to return the Residence to its original condition. Southminster will own and retain title to such changes, but is not responsible for the cost of maintenance of such changes. The value of changes is not a factor in determining any Entrance Fee refund due.
- E. Right of Entry. You authorize employees or agents of Southminster to enter Your Residence or storage areas for the purposes of services, repairs, maintenance, renovation, inspection, security, emergency drills, in the event of an emergency, to check compliance with this Agreement or with Southminster policy, and for other reasonable purposes. Southminster will always endeavor to maintain Your privacy and the privacy of the Residence.
- F. Vacating Your Residence. If You terminate this Agreement or Move from a Residence, and that Residence does not continue to be the Residence of another party to this Agreement, You must Vacate that Residence within the time allowed by Southminster policy. Your Date of Termination and Date of Vacancy must be the same except in the event of Your death in which case Southminster policy defines the time available to Vacate the Residence. If You have not Vacated within the time allowed, Southminster may charge extra fees, or may remove and either dispose of, or store, Your personal belongings at the expense of You or Your estate. Section VI.I. describes Your obligation for Service Fees as You Vacate.
- G. Condition of Vacated Residence. Upon Vacating Your Residence, You shall leave it in good condition. Except for normal wear and tear, You or Your estate shall be liable to Southminster for costs required to restore the Residence to good condition or to standard condition.

V. Common Areas and Amenities, Programs and Services

- A. Common Areas and Amenities. Southminster will provide common areas and amenities for Your use and benefit. Common areas include at a minimum, dining rooms, multi-purpose rooms, spaces and facilities for activities, lounges, a chapel, a library, an equipped exercise room, and facilities for beautician services. Southminster may also provide facilities for limited banking services, facilities for the sale of sundry items, and

other amenity areas dependent on Southminster's determination of demand or the availability of providers.

- B. Utilities, Communications, and Alarm Systems. Your Basic Fees include water, sewer, one telephone line (including local telephone service as provided through Southminster), trash removal, basic cable television service (or equivalent), access to premium cable television service (or equivalent), an urgent call system, a fire alarm system, and a carbon monoxide detector (where required). Electricity is included in Your Basic Fees except for in cottages where it is an additional cost. Gas is available in all cottages and is an additional cost. Gas may be available in some other Residences but may be an additional cost. You are responsible for the cost of long-distance telephone service and calls and for premium cable television service. Additional telephone lines may be available for additional cost. Internet services are available through Southminster's contracted provider. See current Southminster policy for associated costs.
- C. Meals. If Your Residence is in Independent Living, Your Basic Fees each month include a number of meals equivalent to one (1) dinner for each day in the month, usable anytime within the month in a Southminster dining room. If Your Residence is in the Health Center, Your Basic Fees include three (3) meals per day. Other meals, meals for guests, and catering are available at an additional cost. Special diets as prescribed by Your physician are provided in Basic Fees when You are in the Health Center. Limited special diets may be available for You if Your Residence is in Independent Living and may be at an additional cost. Limited tray service will be provided when it is determined by Southminster health staff to be appropriate and may be at an additional cost.
- D. Housekeeping and Laundry Services. Your Basic Fees include housekeeping services on at least a weekly basis. Housekeeping includes at a minimum vacuuming, dusting, cleaning of baths and kitchens, changing of bed linens, and trash removal. Other housekeeping services may be available at an additional cost. If Your Residence is in Independent Living, Your Basic Fees include weekly laundering of personal linens as defined in Southminster policy. If Your Residence is in the Health Center, Your Basic Fees include bed and bath linen provided by Southminster. Some Residences are equipped with a washer and dryer. Southminster provides washers and dryers in common areas at no additional cost to You if You do not have a washer and dryer in Your Residence. If Southminster determines that safety, sanitation, or health issues arise in Your Residence because of Your actions or inactions, You agree that Southminster will provide, at Your expense, whatever additional housekeeping or laundry services Southminster determines are necessary to mitigate the issues.
- E. Groundskeeping. Your Basic Fees include basic groundskeeping services including lawn, tree, and shrubbery care for those items that are provided by Southminster. Southminster at its sole discretion may make changes to lawns, trees, shrubs, or any other landscaping on its property. You may plant items approved by Southminster in areas determined by Southminster, but You are responsible to maintain those areas and plants at Your expense.

- F. Maintenance and Repairs. Your Basic Fees include the maintenance, repair, and replacement of property, furnishings, and equipment owned or leased by Southminster. Other maintenance services may be available at an additional cost.
- G. Staffing. Southminster will have staff present at Southminster twenty-four hours per day, every day of the year.
- H. Transportation. Your Basic Fees include scheduled local transportation for You for shopping trips, medical appointments, and occasional activities and events. Transportation for special, personal, or group trips may be available and may be at an additional cost.
- I. Parking. Your Basic Fees include one (1) parking space for each Residence provided that You or another party to this Agreement who shares the Residence owns a licensed personal vehicle and has a valid driver's license. Covered or enclosed parking spaces may be subject to additional charges. Southminster policy governs registration requirements, space assignment and use, allowed vehicles, and other terms for parking.
- J. Life Enrichment. Various social, recreational, spiritual, educational and cultural programs and activities will be provided by Southminster for You to enjoy at Your option. Some of these programs may require an additional charge.
- K. Health Center. As part of Your Base Fees when You occupy an accommodation in the Health Center, Southminster will provide facilities, equipment, staff, and services that are required to maintain current licenses, and will provide services permitted and typically provided for each licensed level of health care. At a minimum, the following services are provided as part of Your Basic Fees when you are staying in an accommodation in the Health Center:
 - a. Medical Director. Southminster will retain a licensed physician as Medical Director to consult on the medical aspects of the licensed levels of care.
 - b. Nursing Staff. Licensed and/or Registered Nurses will be available twenty-four (24) hours per day.
 - c. Other Services. Other services include diet planning by a registered and licensed dietitian, assisted bathing facilities, goal-oriented care planning, social services, and planned activities.
- L. Other Health Services Not Included in Basic Fees. Additional health services not included in Your Basic Fees may include, but are not limited to: physician services; dental work; physical, occupational, and speech therapy; rehabilitative treatments and equipment; ambulance services; outpatient nursing services; pharmacy services and medicines; laboratory services; durable medical equipment; food supplements; personal care and incontinence supplies or other health related items; and nursing, care planning, case management, or personal care services for Residents in Independent Living or above what is required for each licensed level of health care in the Health Center. Some services may be available exclusively only for Residents in the Health Center or only for Residents in Independent Living. These additional services are subject to additional

charges by Southminster or by third-parties that provide the services on Your or on Southminster's behalf.

VI. Financial Arrangements

- A. Entrance Fee. By the Date of Occupancy You agree to pay Southminster the remaining balance of the Entrance Fee for Your Residence as set forth in Schedule I. Entrance Fee deposits and reservation or waiting list deposits not previously credited or paid to You will be credited toward the balance of the Entrance Fee due. Your Entrance Fee may be subject to refund (see Section X).
- B. Service Fees. You agree to pay Service Fees on an on-going basis for a period beginning with Your Date of Occupancy and ending with Your Date of Vacancy except as described in this Agreement or in Southminster policy. Service Fees are to be paid in advance and will be pro-rated for partial months. If there is more than one party to this Agreement, the first or single person rate applies to one (1) of You when You share the same Residence, and to each of You if You each have different Residences.
- C. Additional Fees and Charges. There may be additional fees and charges for services that are not included in the Basic Fees. The means for billing or payment of these additional fees and charges will be decided by Southminster. When services are provided by third parties, You may be responsible for payment arrangements directly with those parties.
- D. Adjustments in Fees and Charges. Southminster may change the Service Fees or any other fees or charges at any time with thirty (30) days advance notice to You. It is anticipated that Service Fees will be adjusted at least annually to coincide with the start of Southminster's fiscal year.
- E. Billing and Payment Terms. Southminster will furnish You with a monthly statement showing Service Fees and additional fees or charges for the current or previous periods. The total amount due is payable within ten (10) days of the monthly statement date. Southminster may charge interest at a rate not to exceed the maximum allowed by law on any unpaid balance owed thirty (30) days from the monthly statement date. Southminster may terminate this Agreement if You have a past due amount in excess of sixty (60) days. You shall be responsible for the payment of attorney's fees and all other costs incurred by Southminster relative to the collection of any amounts past due. Termination of this Agreement does not end the obligation of You or Your estate to pay all amounts due, no matter when incurred.
- F. Health Center Credit Days. At the Date of Occupancy, each Resident whose Residence is in Independent Living is granted fourteen (14) Health Center Credit Days. At each subsequent anniversary of the Date of Occupancy, unused Health Center Credit Days for each Resident may be carried forward and, for each Resident whose Residence is in Independent Living, up to fourteen (14) new days granted, provided that the total accumulated for each Resident never exceeds forty-four (44) days. Health Center Credit Days are non-transferable, must be used only as defined in this Agreement and in

Southminster policy, and have no value if not used. No new Health Care Credit Days are granted after You Move to the Health Center.

- G. Use of Health Center Credit Days in the Health Center. Unless otherwise specified by Southminster policy, for each day You occupy or hold an accommodation in the Health Center, whether or not that accommodation is Your Residence, You must use a Health Center Credit Day until all such accumulated days are used. When You use a Health Center Credit Day, one day's worth of the Service Fee for an accommodation in the Health Center is waived but You will be charged for the additional two (2) meals per day provided in the Health Center and for other items that are not included in Your Base Fees. While You use Health Center Credit Days, Your Service Fees continue based on the Independent Living Residence from which You Moved or Transferred.
- H. Stays in a Health Center Accommodation without Health Center Credit Days. For each day that You occupy an accommodation in the Health Center without the use of a Health Center Credit Day, whether or not the accommodation is Your Residence, You will be charged the Service Fees for the Health Center accommodation.
- I. Continuation of Service Fees. Except as described in this Agreement or by Southminster policy, You are obligated to continue to pay Service Fees for Your Residence (including a Residence in the Health Center) until the Residence has been Vacated or while You are away from the Residence for any reason including a temporary stay in a different accommodation at or outside of Southminster.

VII. Terms of Residency

- A. Rights of Occupancy and Use. Subject to the terms and provisions of this Agreement, You have the right to occupy, use, and enjoy a Residence, common areas, amenities, programs and services of Southminster as defined in this Agreement from the Date of Occupancy until the Date of Termination.
- B. Damage. You are responsible for any damage to Southminster's owned or controlled property, including the cost of repair, replacement, or diminution of value that occurs as a result of Your negligence, abuse, or misuse or that of Your guest, employee, contractor or volunteer.
- C. Inappropriate Use. You may not engage in illegal activity while on or in Southminster owned or leased property, including in Your Residence, nor may that property be used in any manner in violation of any law or regulation. Your Residence may not be used for commercial purposes unless approved in writing by Southminster.
- D. Policies. You agree to abide by Southminster policies and procedures, including amendments, modifications and changes as may be adopted by Southminster. Such policies and procedures shall be made readily available to You.
- E. Access to Southminster. Southminster has the right to deny access to, or limit the use of its premises and property by any party but may not deny You access to Your Residence

or to common areas except in emergencies, for health or safety reasons, or as provided for in this Agreement.

- F. Transfer of Property. You agree not to make any gift or other transfer of property for the purpose of evading Your obligations under this Agreement, or if such gift or transfer would render You unable to meet such obligations. Such action could render You ineligible for potential financial assistance from Southminster.
- G. Representations Made by You. You affirm that representations and information that You provided for consideration for admission to Southminster, including health and financial information and including all additional information provided up to the Date of Occupancy, are accurate and reflect Your current status and, as such, are the basis for this Agreement.
- H. Financial and Health Information. While this Agreement is in effect and at Southminster's request, You agree to provide updates of the personal health and financial information that You originally provided to Southminster as part of the admission process. Except as prohibited by law, You agree to keep Southminster informed of health changes that affect Southminster's ability to meet its obligations to You, including authorizing access by appropriate Southminster staff or providers to records for health services that You receive away from Southminster.
- I. Visitors. Your visitors may stay for short periods in Your Residence or in other Southminster accommodations that may be provided. No person other than You may reside in Your Residence without the written approval of Southminster.
- J. Non-Southminster Service Providers. Should you choose to engage, on a paid or un-paid basis, the services of any party other than Southminster or its agents for services provided at Southminster, You agree to abide by Southminster policies and procedures for use of such providers. Southminster reserves the right to limit or prohibit access to its property by a provider or providers or to limit the use of providers. You agree to be responsible for the provider and the actions of the provider while engaged by You and to indemnify and hold harmless Southminster for any actions of such providers. Such providers are not considered Visitors as described in Section VII.I.
- K. Loss of Property. Southminster shall not be responsible for the loss of, or damage to any property belonging to You due to theft, mysterious disappearance, fire or any other cause.
- L. Insurance. You agree to furnish Southminster with evidence of required insurance coverage when requested. Any liability insurance that You carry should insure Your performance of the indemnity provisions of this Agreement. If You undertake activities that Southminster determines may create risk for Southminster, its employees and agents, other Residents, or visitors, Southminster may require that You carry other or additional insurance related to that risk. From the Date of Occupancy:
 - a. You agree to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to

Southminster and to assign rights to proceeds to Southminster for services provided by Southminster;

- b. You agree to maintain insurance on vehicles that You park or drive at Southminster with coverage at least equal to the minimum required by law;
 - c. You agree to maintain an insurance policy that provides You with liability and personal property insurance with coverage at least equal to the minimum recommended in Southminster policy. You are strongly encouraged to carefully consider Your circumstances in deciding if limits higher than the minimum required by Southminster are appropriate.
- M. Will, Power of Attorney, and Health Care Power of Attorney. You agree, prior to the Date of Occupancy, to have executed a will naming an executor and a general power of attorney designating a competent person as attorney-in-fact. You are strongly encouraged to execute a healthcare power of attorney, and, if so desired, a living will. You agree to provide Southminster with copies of general and health care power of attorney documents, any living will, any other advance directives, and the location of Your will, prior to the Date of Occupancy. Except for Your will, You agree to provide Southminster with copies when these documents are changed.
- N. Inability to Manage Your Affairs. You agree that if you become incapable of governing yourself and managing your affairs and you have no legally recognized representative that can act on Your behalf, Southminster will have an interest in the matter which will entitle Southminster to institute legal action for the determination of Your competency and for the appointment of a legal guardian.
- O. Personal Physician. You agree to designate a licensed physician as Your personal physician. You are responsible for the cost of physician services.

VIII. Moves, Transfers, and Marriage after Occupancy

- A. General. Moves or Transfers within Southminster may occur with Southminster approval and are subject to the availability of the desired accommodation. A Move may involve the payment of an additional Entrance Fee amount and other fees as described in Southminster policy. You are responsible for Move costs and arrangements except as specified in Southminster policy or as agreed to in writing by Southminster. Southminster may prioritize Moves and Transfers at its sole discretion.
- B. Moves or Transfers to or within the Health Center. As a continuing care retirement community, Southminster provides multiple levels of care and Residence options. Each of these is designed to serve various needs that You may have as a Resident. Should You have needs that require or are best met by an accommodation in the Health Center, or by a change to a different accommodation there, You agree to Move or Transfer as recommended by Southminster. Southminster will consult to the extent possible with You, Your designated representative, Your physician, Southminster health care professionals, and representatives of Your family when appropriate in assessing the

appropriate accommodation. You agree that Southminster retains the right to make a final determination of the need to recommend that You Move or Transfer, and You agree to voluntarily comply with that recommendation as one of the conditions of being a Resident of Southminster.

- C. Move or Transfer to an Outside Organization. Southminster is not designed or licensed to care for persons who have certain conditions, including but not limited to certain psychiatric conditions or mental illnesses, certain acute medical conditions, and certain contagious or dangerous diseases. If You or Southminster determines that You need care beyond that provided by Southminster, or that Your continuing presence at Southminster is detrimental to the health or peace of You or of others at Southminster, You agree to voluntarily Move or Transfer to an outside organization capable of providing such care as one of the conditions of being a Resident of Southminster. Except in an emergency, Southminster will consult to the extent possible with You, Your designated representative, Your physician, Southminster health care professionals, and representatives of Your family when appropriate in assessing the appropriate accommodation. You agree to pay the expense of such a Move or Transfer and for all care subsequently provided by the other organization. This Agreement will be terminated by You or by Southminster in accordance with Section IX if the outside Move or Transfer becomes permanent.
- D. Temporary Displacement from Your Residence. If Southminster decides that Your Residence must be temporarily unoccupied for more than one (1) day for an emergency, to meet a law or regulation, for reasons of health or safety, for inspection, for purposes of modifications or repairs, or for some other reasonable purpose, You agree to Transfer to a temporary accommodation arranged by Southminster. Your Service Fees will continue but the costs of Transfer and of the temporary accommodation will be paid by Southminster unless the reason for the Transfer was caused by actions or inactions by You, Your guests, or Your non-Southminster service providers.
- E. Move to Accommodate Changes by Southminster. You agree to Move to a different Residence if changes implemented by Southminster will eliminate or significantly change Your Residence. Such a Move would only be required when deemed necessary by Southminster for the welfare of current or future Residents or for the continued successful operation of Southminster. You will be given at least thirty (30) days notice. All costs for Your Move will be paid by Southminster. Southminster will endeavor to provide You with a similar Residence whenever possible. Improvements that You made to the Residence that You are Vacating will be reimbursed by Southminster based on fair market value or, at Southminster's option and expense, relocated or replicated in Your new Residence.
- F. Marriage or Addition of Another Party after Date of Occupancy. Should You marry a person who is also a Resident of Southminster, the two of You may occupy either Residence or both Residences. Should You marry a person who is not a Resident or wish to add an additional party to this Agreement, Your spouse or the additional person may become a Resident if he or she meets all the requirements for admission, enters into a Residence and Services Agreement with Southminster, and pays the Entrance Fee and

Service Fees as defined in this Agreement. If Your spouse or the additional person does not meet the requirements of Southminster for admission as a Resident, You may terminate this Agreement in accordance with Section IX.C. or IX.D. (whichever is appropriate), or Your spouse or the additional person may be approved for admission under special circumstances and with negotiated fees as agreed to in writing by all parties to this Agreement.

IX. Rescission, Cancellation, and Termination

- A. Rescission. (See the definition of Rescission Period at II.L. on page 2.) You may rescind this Agreement during the Rescission Period. (See Section X.B.a. for refund terms.) You are not required to have a Date of Occupancy that falls within the Rescission Period.
- B. Cancellation. If, prior to the Date of Occupancy, Southminster denies You admission, or You die, or if, on account of illness, injury, or incapacity You are precluded from occupying a Residence at Southminster, this Agreement is automatically cancelled. You agree to provide evidence of changes in Your condition and Southminster will determine if the changes preclude You from occupancy. If more than one of You is a party to this Agreement, and the changes listed above that preclude occupancy affect only one of You, the Agreement can continue or be cancelled at the option of the other party or parties as expressed in writing to Southminster. If Southminster notifies You that Your reserved Residence will not be available for occupancy, You may reserve another Residence in accordance with Section III.E. or cancel this Agreement in accordance with the terms of this paragraph. (See Section X.B.a. for refund terms.)
- C. Termination by You Before the Date of Occupancy. After the Rescission Period and before Your Date of Occupancy, You may terminate this Agreement for reasons other than those defined in Section IX.B. above with thirty (30) days written notice. (See Section X.B.b. for refund terms.)
- D. Termination by You After the Date of Occupancy. After the later of the Rescission Period or the Date of Occupancy, You may terminate this Agreement by giving Southminster thirty (30) days written notice of such termination. In the event of the death of the last surviving Resident that is a party to this contract, this Agreement shall terminate immediately. (See Section X.B.c. for refund terms.)
- E. Termination by Southminster. Southminster may terminate this Agreement at any time if there is a determination by Southminster that there is just cause. Just cause may include, among other reasons, any material misrepresentation or omission made by You in the materials that You submitted as part of the admissions or financial assistance process; Your failure to make timely payments in accordance with Section VI; Your failure to abide by Southminster policies; the breach of any of the terms and conditions of this Agreement; Your refusal to voluntarily make a Move or Transfer that is deemed necessary and recommended in accordance with this Agreement; Your permanent Move or Transfer to an outside organization; or a good faith determination made by Southminster that You are a danger to Yourself or to others. Southminster will provide You with thirty (30) days notice of termination unless You are determined to be a danger

to Yourself or others in which case termination may be effective immediately. (See Section X.B.b. or Section X.B.c. for refund terms.). Denial of admission by Southminster prior to the Date of Occupancy is considered a cancellation rather than a termination and is described in Section IX.B.

X. Refund of the Entrance Fee

- A. General. Schedule I identifies the Entrance Fee that You paid, the Entrance Fee refund plan that You selected, and the basis for calculating the amount of the Entrance Fee that may be refundable to You. Any Entrance Fee refund for which You may be eligible is not made until the last surviving Resident that is a party to this Agreement has a Date of Vacancy and all other terms of this Agreement have been met. For purposes of calculating any refund of Your Entrance Fee, additional Entrance Fees paid under this Agreement after the Date of Occupancy (for certain Moves or for adding additional parties to the Agreement) are added together and treated as if paid at the first Date of Occupancy. Your refund will be paid to Your estate unless You arranged otherwise in writing with Southminster.
- B. Entrance Fee Refund by Type of Termination. This section describes Entrance Fee refunds, by type of terminations as described in Section IX.
- a. Rescission or Cancellation. If there is a rescission or cancellation as described in Sections IX.A and IX.B, the refund is 100% of all portions of the Entrance Fee that You have paid, less applicable non-standard costs described in Schedule II. Depending on the type of termination, any refund due will be paid within thirty (30) days of the end of the Rescission Period or from the date of cancellation.
 - b. Termination Before the Date of Occupancy. If, before the Date of Occupancy, You or Southminster terminate this Agreement as described in Sections IX.C. or IX.E., the refund is 100% of all portions of the Entrance Fee that You have paid, less non-refundable fees specified in Schedule I, less applicable non-standard costs described in Schedule II, less any other amounts owed under the terms of this Agreement. Any refund due will be paid within thirty (30) days from the date of termination.
 - c. Termination After the Date of Occupancy. If, after the Date of Occupancy, You or Southminster terminate this Agreement as described in Sections IX.D. or IX.E., the refund is the refundable portion of Your Entrance Fee as described in Schedule I, less applicable non-standard costs described in Schedule II, less any other amounts owed under the terms of this Agreement. Any refund due will be paid within thirty (30) days of the date of receipt by Southminster of an Entrance Fee received in full by Southminster from the next Resident that occupies the Independent Living Residence being Vacated as a result of Your termination.

XI. Financial Assistance

As long as Southminster remains classified as a non-profit charitable organization under Federal law and regulation, Southminster will endeavor to avoid termination of this

Agreement solely because You are financially unable to pay Southminster's fees. The decision to deny or grant financial assistance is at the sole discretion of Southminster. Southminster will provide financial assistance only if it can do so without impairing its ability to operate on a sound financial basis.

You agree that to be eligible for consideration for financial assistance, You will provide all information that Southminster decides is necessary to assess Your eligibility for financial assistance, and You will, when so requested by Southminster, obtain any other form of financial assistance that might be available to You including family assistance or government subsidy programs. You agree to notify Southminster immediately if you become aware that You might reasonably expect to need financial assistance and to work cooperatively with Southminster to make reasonable changes that might help delay or minimize any eventual financial assistance need.

If You receive financial assistance from or arranged through Southminster, You agree to comply with reasonable conditions which may include a Move to a different Residence. You agree that Southminster will deduct from refunds due to You, or may seek to recover from Your estate, any financial assistance that Southminster or any of its' owned, controlled, or affiliated organizations has provided to You.

XII. General

- A. Assignment. Your rights and privileges under this Agreement are personal to You and may not be transferred or assigned by You by any act by You, by legal proceeding, or in any other manner.
- B. Management of Southminster. The absolute rights of management are reserved by Southminster. Southminster reserves the right to accept or reject any person for residency as allowed by law.
- C. Multiple Residents as Parties to this Agreement. When more than one (1) Resident is a party to this Agreement, Date of Availability, Date of Occupancy, Date of Termination, and Date of Vacancy applies to each Resident separately when such dates do not coincide for all the Residents. This Agreement continues in force until the last Resident that is party to this Agreement has a Date of Termination and a Date of Vacancy. All Residents that are parties to this Agreement shall all be equally and fully responsible for the payment of all fees and charges required under this Agreement.
- D. Rights to Property/Subordination. This Agreement does not transfer or grant any interest in the real or personal property owned or administered by Southminster other than the rights and privileges as described in this Agreement. Nothing contained in this Agreement shall be construed to create the relationship of landlord and tenant between Southminster and You. Any rights, privileges, or benefits under this Agreement, including Your right to a full or partial refund (except for escrowed Entrance Fee deposits as described in Section III.B. and Schedule I), shall be subordinate to any existing or subsequent mortgages or deeds of trust on any of the premises or to any other interest in the real property of Southminster and to all amendments, modifications, replacements, or

refinancing of any existing or subsequent mortgages or deeds of trust or to any liens or security interests held by secured creditors of Southminster. This subordination provision means that the claims of secured creditors, in the event of Southminster's bankruptcy or default on its financial obligations, shall be paid before You are entitled to receive any applicable refund. Upon request, You shall execute and deliver any document which may be required by Southminster, or by the holder of any such mortgages or deeds of trust or other encumbrances, to effect or confirm such subordination.

- E. Severability and Forbearance. If any term or provision of this Agreement or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Agreement or the application of such term or provision to persons or circumstances other than those to which it is held invalid or unenforceable shall not be affected thereby, and each term and provision of the Agreement shall be valid and enforceable to the fullest extent permitted by law. No act of forbearance or failure to insist upon prompt performance of any of the terms of this Agreement by Southminster shall be construed as a waiver of rights granted to Southminster, or limit Southminster's ability to enforce all the provisions of this Agreement.
- F. Repair, Construction, or Destruction of Property. Southminster shall not be liable for any damage, compensation or claim by reason of inconvenience or annoyance resulting from the necessity of repairing Southminster buildings or property, from construction at Southminster, or from displacement from property as the result of damage, destruction, construction, or repair.
- G. Third Party Injuries and Claims. You agree to indemnify, defend and hold Southminster harmless from and against any and all claims, demands, liabilities, losses or damages (including attorneys' fees) arising out of any injury to or death of any person or any damage to property occurring within the Southminster retirement community and caused by Your acts or omissions or the acts or omissions of Your invitees, licensees, or guests.
- H. Entire Agreement. All schedules and addenda attached to this Agreement are incorporated herein and made a part hereof by reference. This Agreement, including any schedules and addenda attached hereto, constitutes the entire agreement between Southminster and You and supersedes all prior written or prior contemporaneous oral understandings or agreements between Southminster and You. Southminster shall not be liable or bound in any manner by any statements, representations, or promises made by any person representing or assuming to represent Southminster, unless such statements, representations, or promises are set forth in this Agreement or its Schedules and Addenda.
- I. Amendments and Modifications. This agreement shall not be altered, amended or modified except in writing and duly executed by You and Southminster.
- J. Successors and Assigns. Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of Southminster and Your heirs, executors, administrators, guardians, and assigns.

K. Gender. Throughout this Agreement, the use of the masculine or feminine gender shall include either, and the use of the singular shall include the plural.

L. Notice Provisions. Any notices, consents, or other communications to Southminster hereunder (collectively “notices”) shall be in writing and addressed as follows:

President
Southminster, Inc.
8919 Park Road
Charlotte, NC 28210

M. Governing Law. This Agreement shall be governed by the laws of the State of North Carolina.

IN WITNESS WHEREOF the parties have hereunder set their hands and seals as of the day and year first written above.

SOUTHMINSTER, INC.

RESIDENT(S)

By: _____

Title: _____



S O U T H M I N S T E R

A Continuing Care Retirement Community

8919 Park Road – Charlotte, NC 28210

Schedule I of the Residence and Services Agreement

I. Introduction

This Schedule I is a part of the Residence and Services Agreement entered into on this day of _____, 20____, by and between Southminster, Inc., a North Carolina non-profit corporation (hereinafter called "Southminster"), and _____ (hereinafter called "Resident", "You", or "Your").

II. Residence

You have reserved Residence number _____ for occupancy by _____ party (parties). This Residence is the following type:

cottage apartment nursing assisted living assisted living – dementia.

This Residence is or is not constructed as of the Date of Agreement.

This Residence is unfurnished but is provided with standard features selected and provided by Southminster. If You select options, upgrades, or request or accept other non-standard features or if there are features that are provided as an additional charge, those are identified in Schedule II. Following is a description of the reserved Residence:

III. Entrance Fee

- A. **Entrance Fee Amount:** The Entrance Fee for the Residence that You have reserved, based on the Entrance Fee refund plan that You have selected, is \$_____ for the 1st person and \$_____ for the 2nd person for a total of \$_____.
- B. **Entrance Fee Deposit:** Your Entrance Fee deposit is \$_____. This is 10% of the total Entrance Fee noted above. This deposit is or is not required by law to be placed into an escrow account.
- C. **Entrance Fee Refund Plan:** You have selected the _____ Entrance Fee refund plan. Based on the refund plan You selected, the method for calculating any Entrance Fee refund for which You may be eligible in accordance with Section X is described below. Note that when calculating the refundable portion for all plans, a month is defined as a full or partial calendar month including the months of the Date of Occupancy and of the Date of Vacancy and all months are counted from the Date of Occupancy.

Standard Entrance Fee Refund Plan. The refundable portion of the Entrance Fee is the difference between the total Entrance Fee paid less 5% of that sum per month. No refund of the Standard plan Entrance Fee is made after twenty (20) months.

50% Entrance Fee Refund Plan. The refundable portion of the Entrance Fee is the difference between the total Entrance Fee paid less 5% of that sum per month through the earlier of the tenth (10th) month or the Date of Vacancy. After the tenth (10th) month, the refundable portion is 50% of the sum of Entrance Fees paid.

90% Entrance Fee Refund Plan. The refundable portion of the Entrance Fee is the difference between the total Entrance Fee paid less 5% of that sum per month through the earlier of the second (2nd) month or the Date of Vacancy. After the second (2nd) month, the refundable portion is 90% of the sum of Entrance Fees paid.

- D. **Escrow of Entrance Fee Deposit.** If Your Entrance Fee deposit is required to be placed into an escrow account as indicated in this section, You acknowledge receipt of a copy of the escrow agreement between Southminster and the escrow agent and agree to the terms of that escrow agreement. The escrow agreement defines the instruments into which the escrow may be invested to earn interest, and the terms and conditions under which the escrow agent will release Your Entrance Fee deposit to Southminster or to You. Southminster selects and may change the escrow agent.

IV. Service Fee

The Service Fee for the Residence that You have reserved is a **monthly** or **daily** fee. It equals \$ _____ for the 1st person and \$ _____ for the 2nd person for a total of \$ _____ as of Date of Agreement. **NOTE that the Service Fee may change before and after the Date of Occupancy in accordance with Section III and VI of the Agreement. The Service Fee at the Date of Occupancy will be based on the rates in effect at that date.**

V. Date of Occupancy

Your Date of Occupancy is _____. All parties to this Agreement acknowledge this Date of Occupancy by initialing below:

Southminster: _____ Resident: _____ Resident: _____

VI. Non-refundable Fee

If You or Southminster terminate this Agreement as described in Section IX.C. or Section IX.E. of the Agreement, You will owe Southminster a non-refundable fee of \$ _____ in addition to any other obligations defined under the Agreement. As described in Section X of the Agreement, the non-refundable fee, when owed, may be deducted from any refund due to You.



SOUTHMINSTER

8919 Park Road – Charlotte, NC 28210

Schedule II of the Residence and Services Agreement

I. Introduction

This Schedule II is a part of the Residence and Services Agreement entered into on this day of _____, 20_____, by and between Southminster, Inc., a North Carolina non-profit corporation (hereinafter called “Southminster”), and _____ (hereinafter called "Resident", “You”, or “Your”). The Residence that You have reserved is #_____.

II. Non-standard Features You Have Requested

You have selected the upgrades, options, or other non-standard features as described and at the prices shown below in this section. Prices and payment term for these items are also described. As described in Section X of the Agreement, You are required to pay for these items even if termination occurs prior to the Date of Occupancy.

[Note: a chart is inserted to list the item, associated price, and payment terms.]

III. Non-standard Features from Previous Occupants

The Residence that You have reserved has the following features that were implemented by a previous Resident:

[Note: a chart is inserted to list the item, associated price, and responsibility for maintenance.]

IN WITNESS WHEREOF the parties have hereunto set their hands and seals as of the _____ day of _____, 20_____.

SOUTHMINSTER, INC.

RESIDENT(S)

By:_____

Title:_____

ATTACHMENT 5 -

- Southminster's Mission Statement

SOUTHMINSTER, INC.

MISSION STATEMENT

At Southminster our mission is to embrace community, caring and collaboration to enrich the lives of those we serve.

We are Southminster.

VISION STATEMENT

We are committed to being a thriving, inclusive culture celebrating innovative living and person-centered care.

Meeting the region's emerging needs through thoughtful growth and collaboration, we will be the premier choice to live and work.

SOUTHMINSTER VALUES

Community

We create welcoming and resilient communities where we work and live.

Excellence

Teamwork and discipline guide us in our pursuit of excellence.

Compassion

We respond with support when challenged and faced with struggles.

Wellbeing

We holistically care for one another.

Do the Right Thing

We believe trust and integrity are paramount to doing what's right even when no one is watching.

ATTACHMENT 6 -

- Acknowledgment of Receipt of Disclosure Statement



S O U T H M I N S T E R

ACKNOWLEDGEMENT OF RECEIPT OF DISCLOSURE STATEMENT

Southminster, Inc.
8919 Park Road
Charlotte, NC 28210

Southminster (the “Facility”) has delivered a Disclosure Statement to me, a prospective resident, prior to or at the time of executing a Residency Agreement to provide continuing care, or prior to or at the time of the transfer of any money or other property to the facility, whichever occurred first.

As a prospective resident, the facility’s representatives have encouraged me to read the Disclosure Statement in its entirety before entering into any contract or written agreement or paying any fee.

I understand the facility, like all other continuing care facilities in the State of North Carolina, is subject to an act concerning registration and disclosure by continuing care facilities (the “Act”). Registration under the act does not constitute approval, recommendation, or endorsement of the facility by the Department of Insurance or the State of North Carolina, nor does such registration evidence the accuracy or completeness of the information in the Disclosure Statement.

I understand this matter involves a financial commitment and associated risk as well as a legally binding contract. In evaluating the Disclosure Statement and the Financial Statements prior to any commitment, I was encouraged to consult with an attorney and/or financial advisor who can review these documents with me, if any matters contained herein are not clear, including an understanding of solvency and deficit fund balance levels for this and other continuing care facilities.

Prospective Resident

Date of Signature

Southminster Representative

Date of Signature

ATTACHMENT 7 –

- Interim Financial Statements as of December 31, 2023

SOUTHMINSTER, INC.
INTERIM STATEMENT OF OPERATIONS AND CHANGE IN NET DEFICIT
December 31, 2023

	FIRST QUARTER			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
REVENUES, GAINS, AND OTHER SUPPORT						
Independent Living Revenue	\$ 5,463,098	\$ 5,439,233	\$ 23,865	\$ 5,463,098	\$ 5,439,233	\$ 23,865
Healthcare Revenue	2,518,973	2,717,749	(198,776)	2,518,973	2,717,749	(198,776)
Home Care Revenue	1,172,369	1,031,460	140,909	1,172,369	1,031,460	140,909
Resident Assistance	(192,964)	(177,375)	(15,589)	(192,964)	(177,375)	(15,589)
Earned Entrance Fees	2,249,602	2,476,009	(226,407)	2,249,602	2,476,009	(226,407)
Investment Income, net	390,068	294,472	95,596	390,068	294,472	95,596
Realized Losses	(65,371)	-	(65,371)	(65,371)	-	(65,371)
Contributions	362,446	394,200	(31,754)	362,446	394,200	(31,754)
Net Assets Released from Restrictions for Operations	46,390	28,025	18,365	46,390	28,025	18,365
Other Income	165,038	105,826	59,212	165,038	105,826	59,212
Total Revenues, Gains, and Other Support	<u>12,109,649</u>	<u>12,309,599</u>	<u>(199,950)</u>	<u>12,109,649</u>	<u>12,309,599</u>	<u>(199,950)</u>
OPERATING EXPENSES						
Salaries, Wages, and Employee Benefits	6,223,740	5,833,450	(390,290)	6,223,740	5,833,450	(390,290)
Maintenance, Housekeeping, and Utilities	821,192	770,033	(51,159)	821,192	770,033	(51,159)
Food and Related Supplies	508,523	509,234	711	508,523	509,234	711
Insurance	106,423	106,905	482	106,423	106,905	482
Information Technology, Consulting, and Professional Fees	257,447	263,894	6,447	257,447	263,894	6,447
Professional Development	78,085	79,279	1,194	78,085	79,279	1,194
Marketing	66,014	70,494	4,480	66,014	70,494	4,480
Other Operating Expenses	418,480	434,339	15,859	418,480	434,339	15,859
Depreciation and Amortization	3,053,504	3,138,521	85,017	3,053,504	3,138,521	85,017
Interest Expense	1,887,310	1,902,200	14,890	1,887,310	1,902,200	14,890
Loss on Disposal of Assets	13,438	12,000	(1,438)	13,438	12,000	(1,438)
Community Benefit	199,892	196,501	(3,391)	199,892	196,501	(3,391)
Total Operating Expenses	<u>13,634,048</u>	<u>13,316,850</u>	<u>(317,198)</u>	<u>13,634,048</u>	<u>13,316,850</u>	<u>(317,198)</u>
OPERATING LOSS	(1,524,399)	(1,007,251)	(517,148)	(1,524,399)	(1,007,251)	(517,148)
Change in Unrealized Gains on Investments	1,915,463	-	1,915,463	1,915,463	-	1,915,463
Net Assets Released from Restrictions for Payments of Debt Service	80,000	80,000	-	80,000	80,000	-
CHANGE IN NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS	471,064	(927,251)	1,398,315	471,064	(927,251)	1,398,315
Contributions with Donor Restrictions	8,997	9,575	(578)	8,997	9,575	(578)
Net Assets Released from Restrictions	<u>(126,390)</u>	<u>(108,025)</u>	<u>(18,365)</u>	<u>(126,390)</u>	<u>(108,025)</u>	<u>(18,365)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(117,393)	(98,450)	(18,943)	(117,393)	(98,450)	(18,943)
CHANGE IN NET ASSETS (DEFICIT)	353,671	(1,025,701)	1,379,372	353,671	(1,025,701)	1,379,372
NET ASSETS (DEFICIT) AT BEGINNING OF PERIOD	<u>(16,085,714)</u>	<u>(16,085,714)</u>	<u>-</u>	<u>(16,085,714)</u>	<u>(16,085,714)</u>	<u>-</u>
NET ASSETS (DEFICIT) AT END OF PERIOD	<u>\$ (15,732,043)</u>	<u>\$ (17,111,415)</u>	<u>\$ 1,379,372</u>	<u>\$ (15,732,043)</u>	<u>\$ (17,111,415)</u>	<u>\$ 1,379,372</u>

SOUTHMINSTER, INC.
INTERIM BALANCE SHEET
December 31, 2023

	2024	2023
Assets		
Current Assets		
Cash & Cash Equivalents	\$ 546,758	\$ 3,150,778
Short-Term Investments	723,079	-
Trusteed Cash Assets	2,246,100	2,250,588
Accounts Receivable-Residents	591,276	454,985
Sales Tax Receivable	165,444	311,703
Pledges Receivable, Current	167,017	97,872
Other Current Assets	6,161,759	1,076,081
Total Current Assets	10,601,433	7,342,007
Property, Plant, & Equipment, At Cost		
Land and Land Improvements	5,456,799	5,317,358
Buildings	290,833,345	284,982,702
Furniture, Fixtures and Equipment	10,873,671	10,380,424
Right of Use Asset	222,029	222,029
	307,385,844	300,902,513
Less Accumulated Depreciation	(106,423,740)	(95,510,726)
	200,962,104	205,391,787
Construction in Progress	301,857	1,250,359
Net Property, Plant, & Equipment	201,263,961	206,642,146
Other Assets		
Operating Reserve	7,720,072	6,444,655
Southminster Community Fund	50,000	50,000
Capital Campaign Fund	79,854	270,516
Debt Service Reserves	9,135,435	8,770,535
Investment Securities, At Market	15,537,590	16,586,948
Pledges Receivable, Non-Current	124,798	345,753
Deferred Costs and Other Assets	436,620	392,270
Total Other Assets	33,084,369	32,860,677
Total Assets	\$ 244,949,763	\$ 246,844,830
Liabilities		
Current Liabilities		
Accounts Payable	\$ 655,539	\$ 2,128,979
Retainage Payable	35,140	-
Accrued Payroll and Employee Benefits	1,869,691	1,704,255
Accrued Interest Expense	1,742,287	1,766,134
Line of Credit	2,941,397	-
Current Portion of Lease Liability	42,741	41,068
Current Portion of Long Term Debt	3,160,000	5,436,441
Total Current Liabilities	10,446,795	11,076,877
Long Term Debt		
Series 2016 Bonds, Plus Unamortized Premium	48,052,542	50,873,228
Series 2018 Bonds, Plus Unamortized Premium	87,804,467	88,355,283
2021 Term Bank Loans	16,980,000	18,180,339
Unamortized Bond Issuance Costs	(2,180,707)	(2,313,263)
Total Long Term Debt, Net	150,656,302	155,095,587
Lease Liability	124,344	167,498
Advance Entrance Fee Deposits	1,152,369	1,084,249
Deferred Standard Entrance Fee Revenue	71,470,605	68,556,141
Refundable Entrance Fees	26,831,391	28,565,794
Total Liabilities	260,681,806	264,546,146
Net Assets (Deficit)		
Net Assets with Donor Restrictions	401,722	737,422
Net Assets (Deficit) without Donor Restrictions	(16,133,765)	(18,438,738)
Total Net Assets (Deficit)	(15,732,043)	(17,701,316)
Total Liabilities and Net Assets (Deficit)	\$ 244,949,763	\$ 246,844,830

SOUTHMINSTER, INC.
INTERIM STATEMENT OF CASH FLOWS
December 31, 2023

For the three months ended,
12/31/2023 **12/31/2022**

Cash Flows from Operating Activities

Change in Total Net Deficit	\$	353,671	\$	192,851
Adjustments:				
Earned Entrance Fees		(2,249,602)		(2,056,532)
Depreciation		3,043,444		2,878,072
Amortization of Bond Premium		(132,181)		(141,691)
Amortization of Bond Issue Costs		29,374		31,499
Amortization of Deferred Marketing Costs		10,060		10,353
Loss on Disposal of Assets		13,438		10,993
Net Unrealized Gains on Investments		(1,915,463)		(979,396)
Realized Losses/(Gains) on Investments		65,371		(197,727)
 (Increase)/Decrease In:				
Accounts Receivable, Net		11,439		(72,125)
Other Current Assets		3,592,915		3,731,842
Deferred Assets		(45,797)		4,852
Increase/(Decrease) In:				
Accounts Payable		(147,462)		(24,005)
Accrued Payroll and Employee Benefits		368,052		129,565
Accrued Interest Expense		(1,706,996)		(1,712,343)
Net Cash Provided by Operating Activities		1,290,263		1,806,208

Cash Flows From Investing Activities

Change of Assets Limited to Use		(201,023)		1,555,341
Sales of Investments		295,854		458,270
Purchases of Property and Equipment for Routine Additions		(962,245)		(1,827,140)
Purchases of Property and Equipment for Non-Routine/Expansion Projects		(510,775)		(1,934,261)
Net Cash Used in Investing Activities		(1,378,189)		(1,747,790)

Cash Flows from Financing Activities

Proceeds from Entrance Fees		2,988,565		2,243,403
Proceeds from Entrance Fees (Top of East First Generation)		-		4,902,560
Entrance Fees Refunded		(975,184)		(516,670)
Entrance Fees Refunded (Top of East and Terrace First Generation)		-		-
Deposits Received, Net of Refunds and Conversions to Entrance Fees		59,510		(54,210)
Deposits Received on Expansion Units, Net of Refunds and Conversion to Entrance Fees		-		(447,920)
Proceeds from 2021 Bank Loans		-		2,599,645
Proceeds from Line of Credit		8,975,000		-
Principal Payments on Series 2016 Bonds		(2,325,000)		(2,215,000)
Principal Payments on Series 2018 Bonds		(80,000)		(1,610,000)
Repayments of 2021 Bank Loans		(180,000)		(4,290,057)
Repayments of Line of Credit		(8,203,603)		-
Repayments of Lease Liabilities		(10,526)		(10,114)
Payment of Debt Issuance Costs		-		(4,000)
Net Cash Provided by Financing Activities		248,762		597,637

Net Increase in Cash and Cash Equivalents		160,836		656,055
Cash and Cash Equivalents, Beginning of Year		385,922		2,494,723
Cash and Cash Equivalents, End of Year	\$	546,758	\$	3,150,778