



Disclosure Statement

**The Cypress of Raleigh
Continuing Care Retirement Community**

**Provider: The Cypress of Raleigh Club, Inc.,
The Cypress of Raleigh Owners' Association, Inc., and
The Cypress of Raleigh, LLC**

Date of Disclosure Statement: December 31, 2025

Last Date for Delivery: June 9, 2027

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

1. Financial Snapshot: Key Ratios for The Cypress of Raleigh

Table FS-1. Financial Snapshot – Key Combined Ratios for The Cypress of Raleigh Club, Inc. and The Cypress of Raleigh Owners’ Association, Inc.

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

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3	NC 25 th % ¹	NC 50 th % ¹	NC 75 th % ¹
DCOH	129.82	165.44	182.08	179.74	180.88	186.94	—	—	—
CUSH	347.16	865.72	975.43	11,894.03	N/A*	N/A*	—	—	—
OR	0.96	0.91	0.92	0.93	0.92	0.92	—	—	—
NOM	0.26	0.29	0.28	0.28	0.29	0.29	—	—	—
NOM-A	0.26	0.29	0.28	0.28	0.29	0.29	—	—	—
DSCR	186.25	188.28	187.08	1,953.46	N/A*	N/A*	—	—	—
CD	310.60	772.10	11,572.71	N/A*	N/A*	N/A*	—	—	—
CED	0.78	1.03	2.28	0.99	1.05	0.92	—	—	—

*The Cypress of Raleigh Club Inc. and The Cypress of Raleigh Owner’s Association, Inc. do not have any long-term property debt. The only long-term debt relates to vehicle leases.

Table FS-1A. Financial Snapshot – Key Ratios for The Cypress of Raleigh, LLC

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

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3	NC 25 th % ¹	NC 50 th % ¹	NC 75 th % ¹
DCOH	62.9	164.87	87.84	114.18	107.06	109.49	—	—	—
CUSH	0.84	0.74	1.10	1.98	N/A*	N/A*	—	—	—
OR	0.24	0.27	0.29	0.29	0.28	0.27	—	—	—
NOM	N/A**	N/A**	N/A**	N/A**	N/A**	N/A**	—	—	—
NOM-A	N/A**	N/A**	N/A**	N/A**	N/A**	N/A**	—	—	—
DSCR	15.26	4.41	11.41	15.90	N/A*	N/A*	—	—	—
CD	0.28	1.13	1.42	N/A*	N/A*	N/A*	—	—	—
CED	N/A***	N/A***	N/A***	N/A***	N/A***	N/A***	—	—	—

*The Cypress of Raleigh, LLC’s long-term debt consists solely of internal debt to its investors, which will be paid off in full by the end of the third quarter of 2027.

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

**All Member Monthly Payments, operating receipts, and other disbursements flow through The Cypress of Raleigh Club, Inc.

***All purchases of property, plant, and equipment are made by The Cypress of Raleigh Club, Inc. and The Cypress of Raleigh Owners' Association, Inc.

Liquidity Ratios:

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

Profitability Ratios:

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

Capital Structure Ratios:

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

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

Table of Contents

1. Provider Identification	1
2. Organizational Structure	3
3. Key Persons and Management Personnel	4
4. Governing Body and Oversight.....	6
5. Related Parties.....	8
6. Relationships with Religious, Charitable, or Other Organizations	8
7. Other Persons Responsible for Obligations	8
8. Obligated Groups	9
9. Debt Covenants and Compliance.....	9
10. Third-Party Management Arrangements	9
11. Real Property Leases	11
12. Endowment Funds	11
13. Description and Location of The Cypress	11
14. Living Units by Level of Care	13
15. Continuing Care at Home Program	13
16. Resident Population Served	15
17. Occupancy Rates	16
18. Semiannual Resident Meetings	16
19. Resident Property Rights	16
20. Services Provided Under the Contract.....	22
21. Resident Fees	31
22. Refundable Entrance Fee Obligations	34
23. Financial Hardship Policies	35
24. Contract Cancellation and Refund Policies	35
25. Re-occupancy of Units	38
26. Resident Relocation	38
27. Admission and Continuation Standards	38
28. Age and Insurance Requirements	39
29. Reserve Funding and Refund Security	39
30. Expansion and Renovation Plans	41
31. Audit Opinion and Timeliness	41

32. Audited Financial Statements	41
33. Five-Year Prospective Financial Statements	42
34. Variances from Prospective Financial Statements	42
35. Key Financial Metrics	43
36. Actuarial Opinion and Balance	47
37. Most Recent Department Examination Report	47
38. Other Material Information	48
39. Contract Forms and Attachments	48
Appendix A — Audited Financial Statements	49
Appendix B — Five-Year Prospective Financial Statements	50
Appendix C — Statement of Actuarial Opinion	51
Appendix D — Representative Contract(s)	52
Appendix E — Examination Report	53
Appendix F — Statutory Ratio and Supporting Definitions	54
Appendix G — The Cypress Organizational Chart	56

1. Provider Identification

Legal Responsibility for Providing Continuing Care

The Cypress of Raleigh, LLC (sometimes referred to as the “Company”), The Cypress of Raleigh Club, Inc. (sometimes referred to as “The Club”), and The Cypress of Raleigh Owners’ Association, Inc. (sometimes referred to as the “Association”) are licensed by the North Carolina Department of Insurance to offer and provide continuing care to Members at The Cypress of Raleigh Continuing Care Retirement Community (“The Cypress” or the “Community”). Each of these entities is responsible for performing particular functions for The Cypress. The Club and The Company are the entities that enter into Membership Agreements to provide continuing care to prospective Members at The Cypress (“Cypress Membership Agreement”), and they are responsible for The Cypress’ financial and contractual obligations. The Association was formed to comply with the North Carolina Condominium Act (North Carolina General Statutes Chapter 47C) (the “Condominium Act”) regarding the ownership of commonly held property. The Association is not a party to the Cypress Membership Agreements and has no obligation to provide continuing care services under the Cypress Membership Agreements.

No other person or entity is responsible for providing continuing care to Members except as expressly disclosed in this Disclosure Statement.

Doing Business As (DBA)

The Company, The Club, and The Association conduct business under the name “The Cypress of Raleigh.” The name “The Cypress of Raleigh” is a trade name only and does not represent a separate legal entity. The Company and The Club remain legally responsible for performing their respective obligations under the Cypress Membership Agreements.

1.1 The Club

Item	Information
Legal Provider Name:	The Cypress of Raleigh Club, Inc.
Doing Business As (DBA):	The Cypress of Raleigh
Business Address:	8801 Cypress Lakes Drive, Raleigh, North Carolina 27615
Telephone Number:	(919) 870-9007
Legal Entity Type:	501(c)(4) nonprofit corporation organized under the laws of North Carolina
For-Profit / Nonprofit Status:	Nonprofit
Federal Tax Status:	Tax-exempt under Section 501(c)(4) of the Internal Revenue Code

Item	Information
Ownership Type:	No owners, shareholders, or private stakeholders
Tax Filing Status:	Current on all required federal and state tax filings
Ownership/Control:	Governed by a board of directors in accordance with The Club's bylaws

1.2 The Association

Item	Information
Legal Provider Name:	The Cypress of Raleigh Owners' Association, Inc.
Doing Business As (DBA):	The Cypress of Raleigh
Business Address:	8801 Cypress Lakes Drive, Raleigh, North Carolina 27615
Telephone Number:	(919) 870-9007
Legal Entity Type:	501(c)(3) nonprofit corporation organized under the laws of North Carolina
For-Profit / Nonprofit Status:	Nonprofit
Federal Tax Status:	Tax-exempt under Section 501(c)(3) of the Internal Revenue Code
Ownership Type:	No owners, shareholders, or private stakeholders. Each Unit owner at The Cypress will be a member of The Association as long as ownership of the Unit is retained.
Tax Filing Status:	Current on all required federal and state tax filings
Ownership/Control:	Governed by a board of directors in accordance with The Association's bylaws

1.3 The Company

Item	Information
Entity:	The Cypress of Raleigh, LLC
Doing Business As (DBA):	The Cypress of Raleigh
Business Address:	7101 Creedmoor Road, Suite 142, Raleigh, NC 27613
Telephone Number:	(919) 847-7275

Item	Information
Legal Entity Type:	Limited liability company organized under the laws of North Carolina
For-Profit / Nonprofit Status:	For Profit
Federal Tax Status:	Not tax-exempt
Ownership Type:	Privately owned and controlled
Tax Filing Status:	Current on all required federal and state tax filings
Ownership/Control:	The Company’s sole managing member is The Cypress Management Group, LLC, a North Carolina limited liability company. The Cypress Management Group, LLC owns a controlling interest in The Company and is the only member of The Company that owns a five percent (5%) or greater equity or beneficial interest in The Company.

2. Organizational Structure

A chart showing the Provider entities’ organizational structure is attached hereto as Appendix G.

Accessible Text Equivalent of Organizational Chart:

- **The Cypress of Raleigh Management Group, LLC** – Sole member and manager of The Cypress of Raleigh, LLC.
- **The Cypress of Raleigh, LLC** – Developed The Cypress, including the Clubhouse and The Rosewood, as well as luxury condominium single-family Cottages and Villas that are purchased by or on behalf of Members who reside at The Cypress; has overall management responsibility for The Club pursuant to the Amended and Restated Management Agreement dated May 28, 2025 between The Company and The Club (“The Club Management Agreement”); retains the ultimate responsibility for hiring The Cypress’ operational managers and monitoring the Community’s operating costs, wages, salaries, expenses, fees, and overall fiscal viability; a licensed real estate broker that often acts as listing agent for Unit resales, in which event it represents the interests of the seller.
- **The Cypress of Raleigh Club, Inc.** – Manages the various membership functions and provides continuing care services to Members at The Cypress; serves as managing agent for The Association pursuant to the Amended and Restated Condominium Management Agreement dated May 28, 2025 between The Club and The Association (the “Association Management Agreement”).

- **The Cypress of Raleigh Owners’ Association, Inc.** – Formed to comply with North Carolina law regarding ownership of commonly held property; each Unit owner is a member of The Association; has delegated to The Club responsibility for maintenance, repair, replacement, administration, and operation of the Community’s property pursuant to The Association Management Agreement.
- **Life Care Services** – Provides day-to-day operational management services for The Cypress pursuant to a management agreement with The Club; provided, however, The Company and The Club retain the ultimate responsibility for hiring managers and monitoring the operating costs, wages, salaries, expenses, fees, and overall fiscal viability of The Cypress.
- **Member Committees** – The Club has established the following Member Advisory Committees: finance, buildings and grounds, food and beverage, health and safety, library, and social and activities. Member Committees hold regularly scheduled meetings to enable Members to ask questions and to facilitate communication between the Members and the Community’s administration regarding a variety of subjects, including proposed changes in policies, programs and services, or other issues for the good of The Cypress.

3. Key Persons and Management Personnel

Definitions (for purposes of this Section):

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

3.1 Managers of The Cypress Management Group, LLC; Directors and Senior Officers of The Club

Name / Role	Education	Experience	Length of Service
Mark T. Andrews, Manager of The Cypress	B.S. Engineering, Penn State University	30 + years in commercial real estate (acquisitions, development, and management)	17 years

Name / Role	Education	Experience	Length of Service
Management Group, LLC; President of The Club		of office, warehouse, retail, hotel, condominiums, CCRC, etc.)	
Michael G. Sandman, Manager of The Cypress Management Group, LLC; Vice President of The Club	B.S. Finance, The American University; J.D., UNC Chapel Hill	30+ years in real estate ventures (subdivisions, condominiums, CCRC, office, retail, multi-family, warehouses, hotels, etc.)	17 years
Craig C. Huggins, Manager of The Cypress Management Group	B.S. Business Administration, UNC Chapel Hill	44+ years in real estate ventures (commercial lending; acquisitions, development, and management of condominiums, office buildings, subdivisions, hotels, CCRC, apartments, etc.)	17 years
Joe Steven Cline (Director, The Club)	B.S. Biology, Davidson College; DDS, UNC Chapel Hill; Masters Public Health, UNC Chapel Hill	40+ years in public health (Director, Wake Co., NC Dept of Health; Deputy State Health Director, NC Div of Public Health; Asst Sec for Health and Information Technology, NC DHHS	17 years
John R. Mitterling (Director, The Club)	B.A. Speech Communication, UNC Chapel Hill	Certified Fundraising Executive; 40+ years in nonprofit fundraising and development	17 years
Dave Gospodarek (Director, The Club)	B.S. Accounting, Cum Laude, Univ. of Wisconsin - Madison	50+ years licensed CPA; prior to joining the Board, handled the Community's accounting, auditing, and tax needs.	5 years

Business Address for The Cypress Management Group, LLC and The Company: 7101 Creedmoor Road, Suite 142, Raleigh, North Carolina 27615

Business Address for The Club: 8801 Cypress Lakes Drive, Raleigh, North Carolina 27615

Disclosure Regarding Outside Interests: Michael G. Sandman is the principal of the Office of Michael G. Sandman, Attorney at Law (“Sandman Law Firm”), located at 7101 Creedmoor Road, Suite 142, Raleigh, North Carolina 27613. Sandman Law Firm regularly provides legal services to the Providers. For the calendar year ended 2025, the Provider

entities paid the following amounts to Sandman Law Firm in exchange for legal services: (i) The Association – \$780, (ii) The Club – \$12,842.50, and (iii) The Company – \$16,900.24.

Adverse Disclosures: None of the individuals listed above has reported any Adverse Disclosures.

3.2 The Association

The Association is a nonprofit condominium association, which acts through its Board of Directors. The Board is elected each year by the Unit owners at a regular annual meeting. The Association's current Board of Directors is comprised of the following individuals:

- **Mark T. Andrews (Director; President)**, whose biographical information is set forth in Section 3.1.
- **Jack Hogge (Director; Vice President)**, whose address is 8601 Cypress Lakes Drive, Unit 208, Raleigh, North Carolina 27615.
- **Zac Walker (Director)**, whose address is 8811 Cypress Lakes Drive, Unit 401, Raleigh, North Carolina 27615.

Business Address: 8801 Cypress Lakes Drive, Raleigh, North Carolina 27615

Disclosure: None of the officers or directors of The Association have reported any Outside Interests or Adverse Disclosures.

3.3 10% + Ownership Interests

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

The Club and The Association are organized as nonprofit corporations and therefore have no equity ownership interests. The Cypress Management Group, LLC holds a controlling beneficial interest in The Company in excess of ten percent (10%). No other entity or individual holds a ten percent (10%) or greater beneficial interest in The Company.

4. Governing Body and Oversight

4.1 The Company

- **Overall Management Responsibility for The Club:** In accordance with The Club Management Agreement, The Company has overall management responsibility for The Club. Services provided include but are not limited to reviewing and approving capital expenditures and operating budgets; monitoring The Cypress' financial condition; approving personnel policies for The Cypress' employees; annually reviewing The Cypress' insurance coverages on property and personnel; contracting for and supervising the provision of legal and accounting services for The Cypress; and actively monitoring compliance with the budget and the performance of The

Cypress and its management. These activities are carried out by means of reports, studies, regular meetings, and frequent on-site inspections.

- **Receives Annual Overhead Payment:** The Club is obligated to pay The Company an annual overhead payment equivalent to ten percent (10%) of the Community's total operating costs, including those of The Association (the "Overhead Payment"), as compensation for services provided by The Company. The Overhead Payment and the services that The Company provides are described in detail in the Cypress Membership Agreement, The Club Management Agreement, and the Declaration of Condominium for the Cypress of Raleigh Condominium recorded in Book 13240, Page 738, Wake County Registry (the "Declaration of Condominium").
- **Receives Membership Fee from New Members:** In addition to the Overhead Payment, The Company is entitled to assess and collect from new Members a Membership Fee for services incidental to their membership in The Club. The Membership Fee is calculated as ten percent (10%) of the gross purchase price for the Cottage or Villa purchased by (or on behalf of) a Member and is paid to The Company at closing on the Unit. The Membership Fee is not a transfer fee and is treated as income by The Company when received and is not amortized.

4.2 The Cypress Management Group, LLC

The Cypress Management Group, LLC is a North Carolina limited liability company formed for the purpose of managing The Company. Its sole member-managers are Michael G. Sandman, Craig C. Huggins, and Mark T. Andrews. The Cypress Management Group, LLC's address is 7101 Creedmoor Road, Suite 142, Raleigh, North Carolina 27613.

4.3 The Club

The Club was formed to carry out the membership services provided to the Community's Members in accordance with the Cypress Membership Agreement. Pursuant to The Association Management Agreement, The Club also manages the Community's commonly owned property, including the Clubhouse and The Rosewood, as well as the Member services provided at the Clubhouse and Health Center. Member Monthly Payments, all other operating receipts, and all disbursements flow through The Club. As described in Section 10.1, The Club has contracted with Life Care Services to provide day-to-day operational management services for The Cypress, with The Company and The Club retaining the ultimate responsibility for hiring managers and monitoring the Community's operating costs, wages, salaries, expenses, fees, and overall fiscal viability.

4.4 The Association

The Association was formed to comply with the Condominium Act. Each Unit owner at The Cypress will be a member of The Association as long as ownership of the Unit is retained. There will be one membership in The Association for each Unit owned. If Unit ownership is vested in more than one person, then all owners of the Unit will designate one of the co-owners to act as a member of The Association. Voting rights in The Association are as

prescribed in the Declaration of Condominium and the Bylaws of The Association. A Unit owner's membership in The Association will automatically terminate when ownership of the Unit ceases.

In accordance with the Condominium Act, Unit owners own the common property of The Cypress, including the Clubhouse and The Rosewood. The Association serves as the governing body for all issues related to the real estate aspects of the Units and the common properties. All activities undertaken by The Association are for the sole benefit of the Unit owners, and all funds received by The Association are used for the benefit of all Unit owners. Pursuant to The Association Management Agreement, The Association has delegated to The Club the responsibility for the maintenance, repair, replacement, administration, and operation of the Community's property.

5. Related Parties

5.1 The Cypress of Raleigh Home Care

- **Nature of Relationship:** "The Cypress of Raleigh Home Care" is the assumed business name under which The Club is licensed to provide home health care services.
- **Goods/Leases/Services Provided:** The Cypress of Raleigh Home Care provides a broad range of home health care services to Members in their Cottages and Villas, including but not limited to skilled home health, physical therapy, and nursing services. Members are not obligated to use the services provided by The Cypress of Raleigh Home Care.
- **Actual/Probable Cost:** The Cypress of Raleigh Home Care services are provided on a fee for service basis. The Cypress of Raleigh Home Care generated gross income from its home care services in the amount of \$3,311,189 in 2025.

6. Relationships with Religious, Charitable, or Other Organizations

None of the Provider entities has a relationship with a sponsoring religious denomination, faith-based community, or educational institution. Memberships in industry organizations such as LeadingAge North Carolina are limited to networking and professional development and carry no governance authority or financial support.

7. Other Persons Responsible for Obligations

Except as specifically described in this Disclosure Statement, no other person or entity is responsible for the Providers' financial or contractual obligations.

8. Obligated Groups

None of the Provider entities is a member of an obligated group.

9. Debt Covenants and Compliance

None of the Provider entities is subject to any debt covenants.

10. Third-Party Management Arrangements

10.1 Life Care Services LLC

The Community's day-to-day operations are managed by Life Care Services LLC ("Life Care Services" or "LCS") pursuant to a management contract with The Club. Life Care Services' responsibilities include: recruiting, employing, and training administrative personnel; supervising the licensing, equipping, and staffing of The Cypress; preparing annual budgets; establishing and operating a system of financial controls for The Cypress, including comparative analyses with other facilities; supervising the delivery of health care services which meet the guidelines of the Federal Medicare (Title XVIII) program; and overseeing the food service and quality accommodations provided by The Cypress. Life Care Services is not financially responsible for the contractual obligations or other obligations of any of the Provider entities. The Company, in its capacity as managing agent for The Club, retains the ultimate responsibility for hiring managers and monitoring the operating costs, wages, salaries, expenses, fees, and overall fiscal viability of The Cypress.

LCS is the nation's third largest operator of senior living communities. It serves more than 40,000 residents in more than 140 communities. With over 50 years of service, Life Care Services has developed expertise in nearly every facet of senior living management and has been ranked #1 in customer satisfaction with independent senior living communities for four years in a row. For more information, visit Life Care Services' website: <https://www.lcsnet.com/management-services/management-services-overview>.

As approved by The Club, Life Care Services employs an executive director and health care administrator for The Cypress, whose information is included in Sections 10.1.1 and 10.1.2. The Club or The Company employs all other personnel, although some services, such as landscape maintenance, may be outsourced. A medical doctor, an occupational therapist, a physical therapist, and a speech and hearing therapist are available for consultation.

Life Care Services Principal Officers

Name / Role	Education	Experience/Responsibilities	Length of Service
Chris Bird, Chief Executive Officer	B. A. History, University of Memphis	Broad experience in operations, marketing, new business development, fostering capital	25 years

Name / Role	Education	Experience/Responsibilities	Length of Service
		partner relationships, and leadership of CCRCs; Responsible for the oversight of nearly 40,000 seniors and 27,000 employees.	
Daniel Lahey, Executive Vice President/Chief Financial and Investment Officer	B.A. Accounting and Finance, Wartburg College	Provides leadership for corporate accounting and treasury, community finance, investments, capital markets, and asset and portfolio management.	18 years
GeLynna Shaw, Executive Vice President of Operations	B.A. Accounting, Tennessee Technological University	Oversees all aspects of community operations including sales, health and wellness, dining, resident engagement, and plant operations.	8 years
Bridgette Uhlemann, Senior Vice President and General Counsel	B.A. English and Law, Politics and Society, Drake University; J.D., Drake University Law School	Oversees legal affairs, including corporate governance, contract law, public policy, and corporate and regulatory compliance.	11 years
Jason Victor, Senior Vice President, Treasurer and Corporate Finance Officer	B.S. Accounting, University of Northern Iowa	CPA with active license in the state of Iowa; Responsible for corporate accounting, corporate payroll, community payroll, treasury, and tax departments; Oversees all aspects of general accounting, cash management, billing and receivables, accounts payable, payroll, consolidations, and financial reporting.	19 years
Jill Sorenson, Senior Vice President/Director, Operations Management	B.S. Business Administration, Simpson College; MBA, University of Phoenix	Broad experience in accounting, information technology, and corporate resource development; Holds her nursing home administrator license	25+ years

10.1.1 The Cypress Executive Director

In April 2026, Dan Cuthriell was hired by Life Care Services to serve as the interim Executive Director for The Cypress of Raleigh. Mr. Cuthriell previously served as the Community's Executive Director from 2020 through 2022. He has served in various CEO and Senior Level Administrative positions in the CCRC industry since 1993 and has held administrative positions in rehabilitation and acute care centers since 1981. Prior to joining The Cypress of Raleigh, Mr. Cuthriell worked as a management consultant for another CCRC and was responsible for planning, financing, and developing several new CCRCs in North Carolina. Mr. Cuthriell has a BS degree from James Madison University, a Master of Science degree from Nova Southeastern University in Florida, and a Master of Business Administration degree from Regent University in Virginia. He has served on the Board of Directors for LeadingAge North Carolina and is a Licensed Nursing Home Administrator.

10.1.2 The Rosewood Health Center Administrator

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

11. Real Property Leases

None of the real property that makes up The Cypress is leased.

12. Endowment Funds

None of the Provider entities maintains endowment funds.

13. Description and Location of The Cypress

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

13.1 Cottage and Villa Condominium Units

The Cypress includes 37 free-standing Cottages with garages and 282 single-story Villas located in 5 mid-rise buildings, which were developed by The Company. There are numerous different Villa floor plans for the following types of units: 1-bedroom, 2-bedroom, corner 2-bedroom, and corner 2-bedroom with den. There are also 4 different standard Cottage plans. All Villas and Cottages are furnished with washers and dryers, and fully equipped kitchens. The Units also contain many safety features, including grab rails in the bathtub, an urgent call system monitored 24 hours a day, and smoke alarms.

The Company has sold all the Villas and Cottages it constructed at The Cypress, and all Unit sales are now resales pursuant to the terms of a Resale Purchase and Sale Agreement substantially in the form included in Appendix D (referred to herein as a “Cypress Purchase Agreement”). The Company does not currently have plans to construct additional Units at The Cypress, but it reserves the right (but not the obligation) to develop an additional phase consisting of up to 111 units.

13.2 Clubhouse and The Rosewood Health Center

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

13.3 Smoke-Free Community

The Cypress is committed to providing a safe, healthy, and comfortable living and working environment for its Members, employees, and guests. To support this commitment, The Cypress maintains a smoke-free environment. Other than the limited exceptions described below, smoking is prohibited in all of the Community’s indoor and outdoor areas, including but not limited to the Cottages and Villas, The Rosewood, the Clubhouse, and all other common areas. The Cypress may take reasonable action if smoking, smoke odors, vapor, or related residue creates a health, safety, sanitation, nuisance, or fire-risk concern. If a Member’s violation of the Community’s smoke-free policy results in The Cypress incurring costs for cleaning, repairs, deodorization, or other remedial measures, the Member will be responsible for reimbursing such costs. The Cypress will make reasonable efforts to enforce its smoke-free policy; however, it does not guarantee a smoke-free environment or the absence of smoke, vapor, odors, or related residue.

Prior to implementing its smoke-free policy, The Cypress permitted Members to smoke within their Units provided that they installed an approved air purification system at the

Member's sole cost and expense. Currently only a very limited number of existing Members are permitted to smoke within their Units. Members joining The Cypress after the effective date of this Disclosure Statement will be subject to the Community's smoke-free policy.

14. Living Units by Level of Care

As of December 31, 2025, The Cypress included:

- 319 independent living Units:
 - 37 free-standing Cottages with garages
 - 282 one and two bedroom single-story Villas located in 5 mid-rise buildings (Buildings A, B, C, D, and E)
- 4 adult care home beds in The Rosewood
- 57 skilled nursing beds in The Rosewood
- On May 14, 2025, The Club received a Certificate of Need to add up to 4 additional skilled nursing beds and 4 additional adult care home beds to The Rosewood.

15. Continuing Care at Home Program

The Club received a Home Care Agency License on August 25, 2009. With this License, The Cypress of Raleigh Home Care is able to provide a broad range of home health care services to Members in their Cottages and Villas. Members are not obligated to enter into home care contracts with The Cypress of Raleigh Home Care. However, those Members who do not require care in The Rosewood but need additional personal services to continue living in their Units, will be eligible for the assistance-in-living and/or home care program provided by The Cypress of Raleigh Home Care. In such event, assistance-in-living and home care services will be provided by nursing staff and other staff members. Services such as bathing, dressing, shopping, personal laundry, additional housekeeping, in-home care, and special transportation will be available to the Members, on a fee for service basis.

Members using The Cypress of Raleigh Home Care's services must provide 24 - hour prior notice to cancel a day of home care services and must provide 7 days' prior notice for total cancellation of home care services. The availability of temporary home care services will be determined upon reassessment/evaluation and will be subject to agreement by the Member(s) and The Cypress of Raleigh Home Care.

Table 15.1: The Cypress of Raleigh Home Care Services and Fees.

HOME CARE SERVICE	DESCRIPTION	PRICE*
Admission	Registered Nurse – Completes full assessment at initial visit (assessment is required to enroll into home care)	\$150.00
Readmission Assessment	Registered Nurse – Performs readmission assessment	\$75.00
Companion Care	Assistance with light housekeeping, pet care, and running errands (No hands-on care)	\$25.00/Hour
One to One CN/A Care	Assistance with activities of daily living (ADLs) and light housekeeping with one CN/A assigned to Member for hour(s) specified	1–5 hours = \$37.00/Hour >5 hours = \$32.00/Hour
	One to One CN/A Couples Care	1–5 hours = \$55.00/Hour >5 hours = \$48.00/Hour
Assistance in Living (AIL)	CN/As provide assistance in activities of daily living: Visits will be made a minimum of 4 times per day, Hours: 8am to 8pm – 7 days/week Half-day schedule is available 8am – 2pm, 12pm – 6 pm, or 2pm – 8pm, with a minimum of 3 visits per day.	\$140.00/Day \$80.00/half-day
	Assistance in Living (AIL) Couples Care	\$195.00/Day \$115/half-day
Registered Nurse Visits	Registered Nurse Visits – medication management, medication administration, vital signs, wound care, communication with physician, assistance with medication refills	\$70.00/visit
Registered Nurse Hourly	Registered Nurse Visits extending more than one hour will be charged at an hourly rate	\$70.00/hour
Medication Reminders	Medication reminders up to 4 times per day	\$20.00/reminder

HOME CARE SERVICE	DESCRIPTION	PRICE*
Long Term Care Insurance Billing	Verification of benefits and submission of necessary documentation and file claims (This service in no way changes the Member's responsibility for payment for services, regardless of insurance company payment.)	\$75.00/month

*Home care services provided on the following days will be billed at 1.5 times the hourly rate: Christmas Eve, Christmas Day, New Year's Eve, New Year's Day, Easter Saturday, Easter Sunday, Mother's Day, Memorial Day, July 4th, Labor Day, and Thanksgiving Day, as well as services provided during or in preparation for inclement weather. Hospitalized Members who request Home Care are responsible for paying for the employees' parking and mileage at a rate equal to the IRS Mileage Reimbursement Rate.

16. Resident Population Served

As of December 31, 2025, the resident population served at The Cypress under continuing care contracts was as follows:

- 458 residents in independent living
- 3 residents in assisted living
- 45 residents in skilled nursing

16.1 Waitlist

As of December 31, 2025, The Company maintained a waitlist of approximately 328 individuals who have signed Priority Reservation Agreements indicating their interest in purchasing a Unit and becoming a Member at The Cypress of Raleigh. Individuals on the waitlist are prospective applicants and are not Members of The Cypress unless and until they have been approved for Membership and have executed a Cypress Membership Agreement and commenced residing at The Cypress.

To be placed on the waitlist, prospective applicants are required to submit a \$1,000 waitlist deposit. The waitlist deposit is fully refundable. If the applicant later is approved for Membership and a purchase contract for a Unit is executed, the waitlist deposit is applied toward the purchase price deposit for the home.

Joining the waitlist and delivering the \$1,000 waitlist deposit does not guarantee the prospective applicant admission as a Member of The Cypress. The prospective applicant will be required to satisfy all admission requirements applicable at the time a Cypress Purchase Agreement is signed, including the requirement of a physician's certification of the prospective applicant's ability to live independently and submission of an acceptable updated financial statement.

17. Occupancy Rates

Table 17.1: 12-month Daily Average Occupancy Rates for past 5 fiscal years

Fiscal Year-End	Independent Living (%)	Assisted Living (%)	Skilled Nursing (%)
12/31/2025	100%	93%	82%
12/31/2024	100%	100%	81%
12/31/2023	100%	75%	84%
12/31/2022	100%	75%	86%
12/31/2021	100%	100%	75%

18. Semiannual Resident Meetings

The Association holds meetings with Members of The Cypress at least twice each year, as required by law.

Fiscal Year 2025 Meeting Dates

- October 28, 2025
- July 31, 2025

As required by law, an independent member of The Association’s board of directors was present at each of the meetings (Jack Hogge on October 28, 2025 and July 31, 2025).

19. Resident Property Rights

19.1 Two Separate Interests – A Transferable Real Estate Interest and a Non-Transferable Membership Interest

Two separate property interests are acquired when a Member resides at The Cypress of Raleigh. The first is a transferable interest in real property, and the second is a non-transferable membership interest in The Club.

19.1.1 Transferrable Real Estate Interest

The Villas and Cottages where Members reside at The Cypress are condominium Units that are purchased at a real estate closing in accordance with North Carolina law and the terms of the Cypress Purchase Agreement, which include the following:

- **Purchaser:** Typically, the purchaser is the individual(s) that intends to purchase a membership interest in The Club and reside at The Cypress. Other times, a third party purchases the Unit and designates the person(s) who will acquire a membership interest in The Club and reside in the Unit (the “Designated Member”), as discussed in more detail in Section 19.2.3.

- **Purchase Price:** Purchase price is determined by the Unit seller and purchaser.
- **Earnest Money Deposit:** At contract signing, purchaser typically delivers an earnest money deposit equal to fifteen percent (15%) of the Unit purchase price to be held pending closing. The purchase price balance is paid at closing.
- **Special Warranty Deed:** Title to the Unit is conveyed to the purchaser at closing via a special warranty deed.
- **Monthly Payment:** As described in Section 21.3 and Table 21.3.1 below, Members are required to pay Monthly Payments for the services provided under the Cypress Membership Agreement and their prorata share of The Association's common expenses. The Monthly Payment due for the month of closing is prorated between seller and purchaser at closing. Purchaser agrees to accept responsibility for paying the Monthly Payments from and after the closing date.
- **Common Expenses; Hazard Insurance:** At closing, purchaser pays to The Association a non-refundable working capital fund contribution equal to two (2) months' common expenses and a payment equal to twelve (12) months' hazard and flood insurance premiums for the purchased Unit.
- **Reserve Deposit:** Purchaser delivers a \$14,000 Operating Reserve Deposit to The Club at closing, as discussed in detail in Section 29.2.
- **Taxes:** Real estate taxes are prorated between seller and purchaser at closing on a calendar year basis.
- **Purchaser's Right to Terminate or Cancel:** If a purchaser cancels the Cypress Purchase Agreement within the Cancellation Period defined below, all payments made by purchaser prior to such cancellation shall be refunded to purchaser in accordance with N.C.G.S. §58-64A-170. Notwithstanding the fact that N.C.G.S. §47C-4-108 provides for a seven (7) day cancellation period for condominium acquisitions, the Cypress Purchase Agreement provides for a longer cancellation period as follows. A purchaser has the absolute right to cancel the Cypress Purchase Agreement without penalty at any time by delivering written notice to the seller during the thirty (30) calendar day period immediately following the later of (i) the full execution of the Cypress Purchase Agreement, or (ii) the date the Disclosure Statement is delivered to purchaser (the "Cancellation Period"). All payments made by the purchaser before such cancellation shall be refunded by the seller within ten (10) days after the expiration of the Cancellation Period. The Cypress Purchase Agreement also shall be automatically terminated in the event of a purchaser's death or incapacity prior to closing. If the Cypress Purchase Agreement is terminated in such manner, all deposits will be refunded to purchaser, less the reasonable costs incurred by The Cypress, within ten (10) days after the seller receives notice .
- **The Company's Repurchase Option:** When a Unit owner wishes to sell the Unit and receives a bona fide third-party offer, the owner is required to offer it for sale to

The Company for the same price as the highest bona fide offer received. If The Company fails to exercise its repurchase option within thirty (30) days, the owner may proceed with the sale of the Unit to the third party.

19.1.2 Resale Listing Process.

- **Resale Involves Sale of Real Estate and Membership in The Club:** Each resale of a Unit at The Cypress of Raleigh involves both the corresponding purchase of a fee interest in real estate and the purchase of a non-transferable membership interest in The Club.
- **Membership Not Incidental to Unit Ownership: Membership in The Club is not incidental to the ownership of a home at The Cypress. Occupancy of a home and access to and use of the common elements and services provided by The Club are restricted to a qualified Member or Designated Member. As described in Section 27 and Section 28, membership in The Club is subject to age, financial, and medical qualifications in accordance with the Cypress Membership Agreement.**
- **The Company is Uniquely Qualified to Represent Owners in Resales at The Cypress:** Due to the complex and dual nature of each resale, The Company expends ongoing and considerable resources in marketing The Cypress, including hiring consultants, purchasing third party professional reports, collecting and reviewing data analytics specific to senior citizens, and maintaining Priority Reservation Agreements with individuals who have expressed an interest in The Cypress and have delivered refundable deposits so that they may be advised of community resales when they occur. As well, employees of The Company are well-versed in both the sale of real estate and the qualifications of membership in The Club (including a HIPPA certification to protect the confidential information required to be delivered for consideration of admission as a Member). As part and parcel of this effort, The Company offers its services to owners at the time of a resale at a commission rate considered to be at or below a market rate for the sale of real estate and with no additional consideration for assisting with the membership admission process.
- **Procedure and Fees Required when Owner Uses Agent other than The Company:** Owners are not required to engage The Company for resales, nor is admission of membership contingent on the use of The Company for the resale of a home. However, in such cases where an Owner elects to sell a home without engaging The Company, The Cypress may impose reasonable restrictions on access to the home and common elements for purposes of ensuring the safety and well-being of The Cypress residents. The Company also may charge the Owner a \$1,000 administrative fee per prospective member, payable to The Company in advance, to reimburse The Company for the time and expense of assisting with the membership admission process. This administrative fee shall be non-refundable, whether or not such prospective member is admitted for membership at The Cypress and/or closes

on the sale of a home. In such instances, an Owner and its agent(s) should engage legal counsel experienced in transactions of this nature, and they shall be responsible for all elements of disclosure required by the CCRC Act and the Condominium Act. The Owner and its agent(s) shall be required to execute an indemnification agreement in favor of The Company, The Club and The Association covering any liability arising out of the failure to comply with the CCRC Act, the Condominium Act and the requirements set forth in the Disclosure Statement.

19.1.3 CCRC Act Controls over NC Condominium Act and NC Law Prohibiting Transfer Fees

The purchase, sale, and ownership of a Unit at The Cypress and membership in The Club are subject to the provisions of the CCRC Act and the North Carolina Condominium Act. North Carolina also has a law prohibiting transfer fees (North Carolina General Statutes Chapter 39A). In the event of a conflict among these laws, a Member, by signing the Cypress Membership Agreement, evidences the Member's acknowledgement and agreement that the CCRC Act shall control, including specifically North Carolina General Statutes § 58-64A-375(b) which provides:

(b) Continuing care retirement communities and providers licensed under this Article that are also subject to the provisions of the North Carolina Condominium Act under Chapter 47C of the General Statutes shall not be subject to the provisions of Chapter 39A of the General Statutes, provided that the continuing care retirement community's declaration of condominium does not require the payment of any fee or charge not otherwise provided for in a resident's continuing care contract, or other separate contract for the provisions of membership or services.

19.1.4 Leasing a Unit

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

19.1.5 Covered Parking

When a Unit is purchased at The Cypress, the Member may also purchase the right to use a garage or covered parking space if one is available (a "Parking Space License"). Each Parking Space License is governed by the terms and conditions of a Villa Garage/Covered Parking Space Agreement. It is also subject to the recorded Declaration because the garage and covered parking spaces are common elements of The Cypress of Raleigh

Condominium. Only a Member may use a Parking Space License. It cannot be transferred to or used by a non-Member, and any transfer of a Parking Space License requires the prior reasonable approval of both The Company and The Association. When a Member who owns a Parking Space License ceases to be a Cypress Member, the Parking Space License must be transferred either to the purchaser of that Member's Unit or another existing Cypress Member. Under no circumstances may a Parking Space License be retained or used by a former Member or by that Member's estate, heirs, or beneficiaries – other than through the acquisition of the Parking Space License as a Cypress Member. As part of the sales process or otherwise, The Company is available to assist in locating an eligible purchaser for the Parking Space License from among existing and incoming Cypress Members.

19.1.6 Common Operating Systems and Associated Noise and Vibrations

Cottages and Villas, the Community's common areas, and the buildings in which they are located contain a variety of shared operating systems that are essential to the Community's day-to-day operations (collectively, the "Operating Systems"). These Operating Systems include but are not limited to:

- Electrical, mechanical, and plumbing systems;
- Heating, ventilating, and air-conditioning equipment;
- Elevators and generators;
- Water pump systems, water heaters, and boilers;
- Fire and life-safety systems, security systems, and building automation/management systems;
- Telephone, internet, and cable equipment; and
- Trash chutes and dumpsters.

The Operating Systems operate continuously or at various intervals as needed, and may emit sounds, vibrations, or other operational noise in the ordinary course of use. Use of the Community's covered parking areas by Members also generates sounds and vibrations in the ordinary course of use, such as those related to vehicle motors, fans, tires, and brakes. The Provider entities make no representation or warranty that the sounds, vibrations, and operational noises emitted by or associated with the Operating Systems and/or the covered parking areas will not be perceptible to, or create sensitivity for, Members.

19.2 Non-Transferable Membership Interest in The Club

At the time a Unit is purchased at The Cypress, the Member or Designated Member is required to purchase a non-transferable membership in The Club in exchange for the payment of the Membership Fee to The Company, as discussed in detail in Section 21.2. Upon the resale of a Unit, the new purchaser or Designated Member likewise will pay the Membership Fee to The Company. The terms of membership, including the continuing care

services that will be provided at The Cypress, are set forth in a Cypress Membership Agreement substantially in the form attached at Appendix D.

19.2.1 Membership Subject to Certain Restrictions.

As discussed in more detail in Section 27 and Section 28 and more fully described in the Cypress Membership Agreement, membership in The Club is subject to certain age, financial, and medical qualifications.

19.2.2 Non-Transferable Membership Not Incidental to Unit Ownership

Membership in The Club is not incidental to the ownership of a home at The Cypress; however, the occupancy of a home and access to and use of the common elements and services provided by The Club are restricted to a qualified Member or Designated Member, as the case may be. Only membership in The Club (as distinguished from ownership of a Unit) gives a Member the right to use The Club Facilities and the right to live in The Rosewood Health Care Center when (s)he is no longer capable of independent living.

19.2.3 Designated Member

Typically, the individuals who purchase a Cottage or Villa intend to reside at The Cypress and will acquire a membership interest in The Club at the real estate closing. Other times, the Unit is purchased by a third party that will designate the person(s) who will reside in the Unit (the "Designated Member"), and the Designated Member rather than the Unit owner acquires The Club membership interest. The Designated Member must: (a) meet the basic eligibility requirements for membership in The Cypress; (b) be approved by The Company; (c) execute the Cypress Membership Agreement; and (d) comply with the terms of the Cypress Membership Agreement, including, without limitation, assurances regarding the Monthly Payments. The Designated Member's membership in The Club will terminate when the Designated Member ceases to reside at The Cypress. Any subsequent residents of the Villa or Cottage, including the purchaser, must acquire their own membership in The Club prior to occupying the Villa or Cottage. The Membership Fee for the membership will be assessed at the then applicable rate for future Members and must be paid to The Company prior to occupancy of the Villa or Cottage. Members who transfer their Units and move into The Rosewood retain their membership interest in The Club, and they are required to pay Monthly Payment at the then applicable Member rates for The Rosewood.

19.2.4 Adding a Member After Initial Occupancy; Occupancy Limited to Two Members.

After initial occupancy of a Cottage or Villa by a Member, circumstances can arise in which the Member wants an additional person to have a right to occupy the Unit. For example, the Member may get married and the couple may wish to make the Unit their home, or the Member may wish to have a close family member move into the Cottage or Villa with him or her. Unless such additional person already is a Member, he or she may not occupy a Unit without the express written approval of The Club. The additional person must go through The Cypress' admission procedures, and the acceptance of any such additional person will be in accordance with the current policies governing all other admissions. If the additional

person is accepted for admission, he or she shall sign a Cypress Membership Agreement and pay a Membership Fee to The Company based on the fair market value of the Cottage or Villa, as determined by an appraiser. The approved additional person shall also pay a second person monthly fee. If the additional person does not meet The Cypress' requirements for residency, he or she will not be permitted to occupy the Cottage or Villa for more than thirty (30) days (except with the express written approval of The Club), or the Cypress Membership Agreement may be terminated. Each Unit shall be occupied by no more than two (2) individuals, each of whom must be a Member.

19.2.5 Marriage between Existing Members

In certain instances, two existing Members who each own a Unit may wish to marry and live in one Unit (the "Occupied Unit") and to sell the other Unit (the "Vacated Unit"). In that event neither Member would be required to pay an additional Membership Fee to The Company. However, until the Vacated Unit has been sold, the owner of the Vacated Unit would continue to be charged the Monthly Fee applicable to that Unit. For so long as the Member who owns the Vacated Unit is paying the Monthly Payment for the Vacated Unit, he or she would not be required to pay a second person fee for the Occupied Unit. If the married couple wishes to retain ownership of both of their Units, each Member would continue to be charged the Monthly Fee applicable to his or her Unit. Because both Members would have been admitted to The Cypress previously under separate Cypress Membership Agreements, each of their Cypress Membership Agreements would remain in effect separately.

20. Services Provided Under the Contract

The decision to move into a continuing care retirement community demands careful consideration of many factors, including the services to be provided. The services provided to Members at The Cypress encompass meal preparation (personalized for the medical and nutritional needs of the Member), personal safety, socialization, transportation, and monitoring of other activities of daily living, and are part of a coordinated system of care and resources to address both medical and non-medical drivers of health outcomes associated with growing older. The following disclosures describe the services provided under the Cypress Membership Agreement as well as those available for an additional charge.

20.1 The Rosewood Health Center

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

physician or physician group on a consulting basis to act as Medical Director for The Rosewood. The Medical Director currently is Curana Health's physician-led care team.

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

The following is a summary of some key features of The Rosewood and the health care services available to Members at The Cypress:

- **The Rosewood Room Rates; Average Increases:** Current rates for Members at The Rosewood are shown in Table 20.1.1 below, and average increases in Member rates at The Rosewood since 2020 are shown in Table 20.1.2 below.
- **Up to 45 Cumulative Days of Care at Semi-Private Room Rate Included in Monthly Payment; Additional Days of Care Available for Additional Payment:** If the Medical Director determines, in consultation with a Member's attending physician, family or personal representative, and the Member (to the extent possible), that the Member requires health care in The Rosewood, such care will be provided for up to forty-five (45) lifetime cumulative days at the regular Monthly Payment for Members signing Cypress Membership Agreements from and after January 1, 2025. Members who signed Cypress Membership Agreements prior to January 1, 2025 will receive up to ninety (90) lifetime cumulative days at the regular Monthly Payment. The 45 or 90 cumulative days to which a Member is entitled under the Cypress Membership Agreement are referred to herein as the "Cumulative Days". The Cumulative Days include basic nursing care provided in a semi-private room, food service, housekeeping, and flat laundry service. During the Cumulative Days, Members are obligated to pay for two (2) extra meals per day in addition to other items not covered by the Monthly Payment. The current costs for such additional items are shown in Table 20.1.3 below.
- **Health Center Care Beyond the Cumulative Days:** If a Member requires care at The Rosewood beyond the Member's Cumulative Days, the Member will be responsible for the regular Monthly Payment (reduced by the appropriate absence credit) in addition to the applicable Member rate for health care at The Rosewood and other charges, pursuant to the terms of the Cypress Membership Agreement. If a Member would like to obtain additional nursing staff care while a resident in The Rosewood, arrangements may be made through The Cypress of Raleigh Home Care for an additional charge. Friends, relatives, or spouses may, at an additional charge, have meals with Members admitted to The Rosewood, so long as advance notice is given to The Rosewood.
- **Health Center Items Not Covered by Monthly Payment:** During the Cumulative Days and for any additional stays at The Rosewood, Members will be responsible for

the following costs, which are not covered by the Monthly Payment: certain nursing supplies, therapies, pharmacy, special duty nurses, personal laundry, rental of equipment, and other services provided upon request. The current costs for such additional services are shown in Table 20.1.3 below.

- **Private and Semi-Private Rooms:** Both private and semi-private rooms are available in The Rosewood. Basic rates are based on a semi-private room. A Member may elect to occupy an available private room for an additional charge. Should only a private room be available, a Member who opts for a private room would pay the difference between the private and semi-private rate.
- **What if The Rosewood is Fully Occupied:** If The Rosewood is fully occupied, the Member will be provided health care services in, and agrees to relocate to, another health care facility. The Club will be responsible for any additional charges associated with the alternate health care accommodations so long as the Member continues to pay the Monthly Payment. The Member will be relocated to The Rosewood when accommodations become available.
- **Analysis of Appropriate Level of Care:** Members may be admitted to The Rosewood from a hospital or directly from their Units. Upon a Member's admission to The Rosewood, The Rosewood staff will determine the appropriate level of nursing care (as prescribed by a physician) required by the Member. As part of this determination, the Member's long-term ability to return to his/her Cottage or Villa is evaluated. The professional staff will provide an appropriate plan of care, the ultimate goal of which shall be, if at all possible, to return the Member to his/her Unit as soon as practicable. If approved by the Member's physician, the Member may visit his/her Cottage or Villa with the assistance of volunteers as a part of the rehabilitation process.
- **Permanent Care Available:** Members who are unable to return to their Units have the benefit of permanent care in The Rosewood. If a Member who is the sole occupant of his/her Unit is permanently assigned to The Rosewood, he/she will pay the Monthly Payment at the then applicable Member rate reduced by an absence credit. In addition, after a Member has used all of the Member's Cumulative Days in The Rosewood, the Member will pay the standard applicable Health Center rate until the Member's Unit is resold. After the Unit is resold, the Member will pay only the applicable Health Center rate. If two (2) Members occupy a Unit and one (1) of them becomes a permanent resident of The Rosewood, then the Monthly Payment for the Member continuing to occupy the Unit will be reduced to the single occupancy rate, and the Member residing in The Rosewood will pay the applicable Member rate for The Rosewood.
- **Instances Where Care at The Rosewood Will Not be Provided:** A Member will not be admitted to or treated in The Rosewood if such Member requires care that cannot lawfully be provided at The Rosewood and/or the Medical Director determines in his or her reasonable opinion that such Member's mental or physical

condition is such that his or her admittance or treatment at The Rosewood would present an unreasonable risk of injury or detriment to that Member or any other Member receiving treatment or residing at The Rosewood, including but not limited to, a situation in which the Member seeking admittance to or treatment at The Rosewood has been or is suspected to have been infected with a communicable disease for which there is no readily available cure and/or vaccine.

- **Activities Director:** An activities director is responsible for coordinating and directing the arts, crafts, social and recreational activities for Members staying in The Rosewood. The focus of these activities will be restorative care by enhancing the quality of life through physical, emotional, psychological, and spiritual programs while catering to the individual needs of each Member.
- **Medicare:** Certain beds in The Rosewood are certified by the federal government, and the facility is able to receive reimbursement from Medicare. It should be noted that the determination of a Member's Medicare eligibility is subject to Federal regulation; and, therefore, not all Health Center stays will be eligible for Medicare reimbursement.
- **Medicaid:** The Cypress has chosen not to participate in the Medicaid program. Nevertheless, it will be The Cypress' policy to not terminate a Member's residency solely by reason of his/her inability to pay the Monthly Payment or other Health Center charges.

Table 20.1.1: The Rosewood Health Center Rates as of January 1, 2026 (rates subject to change)

Room Type	Member Costs During Cumulative Days	Member Cost After Cumulative Days	Non-Member Rate (\$15,000.00 Entrance Fee Required)
Private Suite – Assisted Living	\$76 per day (covers \$50 room upgrade + 2 additional meals)	\$220.00 per day	\$365.00 per day
Semi-Private Suite – Skilled Nursing Care	\$26 per day (covers 2 additional meals)	\$280.00 per day	\$450.00 per day
Private Suite – Skilled Nursing Care	\$76 per day (covers \$50 room upgrade fee + \$26 for 2 additional meals)	\$340.00 per day	\$560.00 per day

Room Type	Member Costs During Cumulative Days	Member Cost After Cumulative Days	Non-Member Rate (\$15,000.00 Entrance Fee Required)
Private Deluxe Suite – Skilled Nursing Care	\$186 per day (covers \$160 room upgrade fee + \$26 for 2 additional meals)	\$470.00 per day	\$790.00 per day

Table 20.1.2: The Rosewood Health Center Rate Increases since 2020

	2020	2021	2022	2023	2024	2025	2026
Assisted Living	\$8	\$5	\$10	\$17	\$13	\$10	\$11
Skilled Nursing	\$16	\$9	\$15	\$26	\$20	\$15	\$13

Table 20.1.3: Additional Charges for Services While Residing in The Rosewood as of January 1, 2026 (rates subject to change)

Additional Service	Charge
Guest meals for guests 7 yrs and older	\$16.00 per meal
Guest meals for guests 6 yrs and younger	No charge
Private rehabilitation services	\$39/unit
Rehabilitation evaluation	\$100.00
Hair salon	As presented
Medical supplies	Based on usage

20.2 Services Covered by the Monthly Payment

The following services are provided to Members in accordance with the Cypress Membership Agreement and are covered by the Monthly Payments. The current amounts of the Monthly Payments are listed in Table 21.3.1 below. The Company may modify the procedures to be followed in furnishing these services in order to best meet the needs of the Members. Members will be advised of any changes in these services through the Member Committees and written and verbal communications. While the services are outlined herein separately, they are part and parcel of a coordinated system of care to address both medical and non-medical drivers of health outcomes.

- **Cumulative Days in The Rosewood:** Members signing Cypress Membership Agreements from and after January 1, 2025 are entitled to 45 Cumulative Days. Members signing Cypress Membership Agreements prior to January 1, 2025 are entitled to 90 Cumulative Days.
- **Club Activities:** The Club employs a full-time Director of Community Life Services who plans and organizes a variety of events tailored to the special interests of the Members. These programs are focused on wellness to meet the intellectual, physical, emotional, social, and spiritual needs of the Members. Activities include cultural excursions, multiple lecture series, dance and art classes, card games, craft activities, tournaments, and shopping. Two full-time Wellness Coordinators are employed who plan and organize fitness and wellness programs such as Tai-Chi, yoga, aquatic, aerobics, and strength and balance classes.
- **Urgent Call System:** All Units have a two-way urgent call system. The purpose of this system is to summon help in an emergency. The urgent call system is connected to an indicator panel in The Rosewood, which identifies the Cottage or Villa from which the signal was initiated. Licensed nursing personnel with emergency training will respond to calls from the urgent call system and will summon any other appropriate emergency personnel that may be required.
- **Monthly Food Service Allowance:** Healthy eating and nutrition are central to a Member's well-being and are interrelated with health, personal safety, socialization, transportation and monitoring other activities of daily living that may not be apparent absent daily use of the Community's dining areas and food delivery services in the presence of trained staff. The excellence of The Cypress of Raleigh's dining program supports the coordinated system of care provided by The Club to address both medical and non-medical drivers of health outcomes. As part of residency at The Cypress, Members receive meal services as described in this section. To assist in tracking meal usage and monitoring the health of Members, Members receive quarterly meal points, which may be used for food and beverage selections from a varied menu of favorites, seasonal items, and daily specials, giving Members optimal choice and flexibility for their dining experience. A Member's meal points are designed to be allocated in the Member's discretion over the course of each calendar quarter and typically are sufficient for one meal per day. With four distinct dining venues, the Members can choose to use meal points on dining experiences in the formal or main dining venues or on quick grab-and-go menu items from the buffet-style bistro and bar menus. Home delivery and take-out meals are also available. A registered dietician is available for consultation. Charges for guest meals will be published by The Club and subject to change without prior notice based on variable food and labor costs. A Member's meal point allowance is not equivalent to dollars, cannot be exchanged for dollars, and does not reflect the actual cost of food and labor utilized for the delivery of food service as part of a Member's residency at The Cypress. Unused meal points will not carry over to the next calendar quarter. Additional meal points cannot be purchased. Any

additional meals that may be requested by a Member in excess of their monthly meal points will be charged on a per-item basis to the Member at a dollar amount determined by The Cypress. To the extent required by law, appropriate sales and use taxes will be charged to Members and collected on sales of alcohol and guest meals.

- **Private Dining Room:** A private dining room is available for use by Members and their guests for special family or social occasions. Catered events and wait staff may be available, upon request, for an additional charge. Advance reservations with the Director of Food & Beverage or Dining Room Manager are required. Standing reservations for groups and/or clubs are not available.
- **Weekly Flat Laundry:** Members receive weekly flat laundry service, which includes sheets, pillowcases, towels, face cloths, and dish cloths. The flat laundry will be washed, dried, folded, and returned on a weekly basis at the next scheduled housekeeping visit. The Club reserves the right to charge a reasonable fee for additional services to those Members who utilize the flat laundry service in excess of typical Member usage.
- **Weekly Housekeeping Services:** Members will receive weekly housekeeping services. These services include kitchen and bathroom cleaning, surface cleaning, dusting, and vacuuming. Periodically, window washing, carpet cleaning and other additional housekeeping will be performed.
- **Scheduled Maintenance of Unit and Common Area:** Maintenance, as more particularly described in the Declaration of Condominium, will be provided for each Cottage and Villa, and The Cypress common areas. If a Member needs maintenance service, the Member may submit a request with the Facilities Coordinator or concierge.
- **Grounds Care and Gardening:** The Community's lawns, trees and shrubs will be maintained, as well as the interior and exterior of the Clubhouse, the parking areas, walks, and exercise trails. In addition, gardening areas are available for Members' use and will be under the direction of the Director of Community Life Services on a first-come, first-serve basis.
- **Certain Utilities:** Electric, gas (if applicable), water, sewer, and basic cable services will be included in the Monthly Payment for Villa owners. Cottage Owners must pay a separate charge for electric and gas services.
- **Scheduled Transportation:** Scheduled transportation is available for Members. Scheduled trips include nearby grocery stores, banks, shopping centers and select cultural events and activities. Special trips may be periodically scheduled at an additional cost to each participant.
- **Campus Security:** The Cypress is a gated community with security staff personnel onsite twenty-four (24) hours a day. Additionally, cameras and a card access system provide security to all buildings and the Community.

- **Mail Delivery:** Once each business day, the U.S. Postal Service collects and distributes mail to each Member's personal mailbox. At the request of a Member, mail can be forwarded during the Member's absence from his/her Unit.
- **Surface Parking:** The Cypress has surface parking for both the Members and their invited guests. In addition, all Cottages have a two-car garage. To ensure that sufficient parking is available to all our Members and their invited guests, Members are limited to keeping no more than one (1) vehicle on campus for each Member with an active driver's license, except as otherwise agreed to in writing by the Executive Director.

20.3 Member Services Available For An Additional Charge

If a Member wishes to receive services in addition to those covered by the Monthly Payment, the Member may request such services for an additional charge. The optional services may include, but will not be limited to, additional meals not covered by the Member's monthly meal points, additional housekeeping, beauty parlor, barbershop, and home health and assistance-in-living services provided by The Cypress of Raleigh Home Care in the Member's Unit. Additional charges may also be assessed for special health services and supplies. The special health services may include, but will not be limited to, therapies, pharmacy, special duty nurses, and medical treatment by an attending physician or the Medical Director. The additional charges for optional services will be payable on the seventh (7th) day of the month following the month in which the optional services were obtained.

Table 20.3.1 Cost for Additional Services not Covered by Monthly Payment

Additional Services for Members Residing in Units	Cost (as of January 1, 2026)
Member meals in excess of monthly meal point allowance	Per menu
Guest plated meals	\$7.50/meal
Guest buffet meals	\$8.00/meal
Catering/Private Parties	As agreed upon
Bar Charges (beer, wine, mixed drinks)	\$3.00 & up, plus tax
Additional meals during temporary stay in The Rosewood	\$25.00/day
Additional housekeeping services	\$50.00/hour
Covered Parking	Agreed upon by Unit seller and buyer
Transportation to airport	\$30.00/trip

Additional Services for Members Residing in Units	Cost (as of January 1, 2026)
Valet transportation	\$25.00/half-hour
Medical appointments within 10-mile radius	\$0.00 between 8:00am and 4:00 pm
Valet transportation after 4:00pm	\$50.00/hour
Bus rental – Large Bus	\$100.00/hour
Bus Rental – Medium Bus	\$80.00/hour
Bus Rental – Van	\$65.00/hour
Additional maintenance services	\$25.00/half-hour
IT services	\$25.00/half-hour
Activities Charges	As presented
Hair Salon Charges	As presented
Home Care Services	See Section 15 and Table 15.1 above.
Printing/Copying Services	\$.20/page B&W; \$.50/page color
Returned Check Fee	\$35.00
Late Fee (after 10 days)	\$25 or 5% of balance
Replacement Name Badge	\$50.00/\$10.00 each
Replacement Magnets	\$6.00 each
Replacement FOB	\$25.00 each
Replacement PERS Pendant	\$175.00 each
Replacement House Key	\$25.00 each
Replacement Mailbox Key	\$25.00 each
Replacement Padlock for Storage Unit	\$25.00 each
Additional/Replacement Storage Key	\$15.00 each
Additional/Replacement Transponder	\$85.00 each

20.4 Interruption or Delay of Services

If the Club is delayed, hindered, or prevented from delivering or performing any of the services described in the Cypress Membership Agreement by reason of any event or circumstance, whether or not foreseeable, not under The Club's reasonable control, including without limitation any governmental restriction, scarcity of labor or materials, strike, riot, civil disorder, fire, natural disaster, extreme weather event, disease, medical epidemics or outbreaks,

curtailment of transportation facilities or infrastructure, and/or threats or acts of terrorism, the delivery or performance of such services shall be excused for the period of delay, and the delivery or performance of any such services shall be extended as necessary to complete performance after the delay period.

21. Resident Fees

21.1 Purchase Price for Cottage or Villa

Resale prices for Villas and Cottages at The Cypress are determined by agreement between sellers and buyers. Listing prices vary based on a Unit's size and location, as well as any custom modifications that may have been made to the Unit.

21.2 Non-Refundable Membership Fee – 10% Gross Purchase Price of Cottage or Villa

The cost of Membership in The Club is a separate, non-refundable Membership Fee calculated as ten percent (10%) of the gross purchase price of the Member's (or Designated Member's) Villa or Cottage. The Membership Fee entitles a Member to that certain license or collection of rights, coupled with the corresponding responsibilities and obligations, associated with permanent residency within The Cypress, including but not limited to the right to use The Club Facilities and the right to live in The Rosewood when the Member is no longer capable of independent living. The Membership Fee is payable to The Company at closing on the Unit. Upon the resale of a Unit, the new purchaser or Designated Member likewise will pay the Membership Fee to The Company.

21.2.1 Membership Fee is not an Entrance Fee or a Transfer Fee

The Membership Fee is not a traditional entrance fee or a transfer fee. In the event of a conflict between the CCRC Act, the NC Condominium Act, and North Carolina law prohibiting transfer fees, a Member, by signing the Cypress Membership Agreement, evidences the Member's acknowledgement and agreement that the CCRC Act shall control, including specifically North Carolina General Statutes § 58-64A-375(b).

21.3 Monthly Payments for Member Services and Condominium Fees

- **Commencement of Monthly Payment Obligations:** Each Member must begin making Monthly Payments upon the earlier of the date on which the Member occupies the Unit, or the closing date specified in the Cypress Purchase Agreement.
- **Items Included in Monthly Payment:** The Monthly Payments cover (i) the cost of the various continuing care services provided to Members of The Club in accordance with the Cypress Membership Agreement, and (ii) the Member's pro rata share of The Association's common expenses (actual costs of operating, maintaining, and repairing The Cypress' common elements, together with a reserve for replacements). The Member services fee and the condominium fee are included in a single Monthly Payment as a convenience for the Members so they will not have to make multiple payments.

- Percentages of Monthly Payment Applicable to Member Services and Condominium Expenses:** In 2024, the Member services fee represented approximately 77.3% of the total Monthly Payment, and the condominium fee represented approximately 22.7% of the total Monthly Payment. In 2025 the Member services fee represented approximately 77.6% of the total Monthly Payment, and the condominium fee represented approximately 22.4% of the total Monthly Payment.
- Monthly Payment Amounts Vary Based on Unit Type:** The amounts of the Monthly Payments vary depending upon the type of Cottage or Villa purchased and are based on the actual cost of the Community's operations and the cost to provide services to the Members. Current Monthly Payment amounts are shown in Table 21.3.1 below.
- Second Person Fee.** The total Monthly Payment will be higher when a second person occupies the Unit.
- Annual Monthly Payment Increases:** The Monthly Payment amounts typically increase each year. Table 21.3.2 below shows the average annual Monthly Payment increase since 2021. The formula for determining the maximum annual increase permitted on the portion of the Monthly Payment attributable to the Membership services is based on the higher of: (a) the annual percentage increase of the Consumer Price Index, U.S. City Average, All Items (1967 - 100) (hereinafter "C.P.I.") issued by the U.S. City Average, Labor Statistics in its monthly report entitled "The Consumer Price Index, U.S. City Average" and its monthly report entitled "The Consumer Price Index, U.S. City Average and Selected Areas," or (b) the annual percentage increase of the Medical Care Component of the C.P.I. An additional three (3%) percent may be added to the higher of the annual percentages. Members receive at least sixty (60) days' advance notice of any Monthly Payment adjustment.
- Monthly Billing Statements:** Each month The Club will provide an itemized billing statement to Members which includes the first person Monthly Payment, the second person Monthly Payment, if applicable, and any additional charges not included in the Monthly Payment. Monthly statements are placed in each Member's mailbox or other appropriate location on or before the fifth (5th) day of the month. Each monthly statement must be paid within seven (7) days after the delivery date of the statement. Payment may be made at the accounting office, accounting drop box, or by mail. Payments made after the seven (7) day period may be subject to a late fee. A staggered billing system may be implemented in the discretion of The Club.
- Monthly Payments Required Until Unit is Sold and New Membership is Acquired:** Each Member must make the Monthly Payments until his/her Unit has been sold, transferred, or otherwise conveyed to a new Member, and the new Member has assumed the ownership rights and obligations of membership in The Club with respect to the Unit and the Monthly Payment.

- **Company Only Required to Pay Condominium Fee:** The Company is only obligated to pay the condominium fee portion of the Monthly Payment for any Unit it owns because it will not receive any membership services.
- **Obligations Continue Upon Member’s Death Until Assumed by Successor Member:** The transfer of a Unit under the last will and testament of a deceased Member, other than to his/her estate, is a conveyance upon which a new 10% Membership Fee must be paid if the devisee or beneficiary elects to become a Member of The Club. In the event of death, the estate of the Member will remain liable for all Membership obligations provided under the Cypress Membership Agreement until the deceased Member's Unit is transferred, sold, or otherwise occupied by a successor Member, and the successor Member has assumed the obligations of membership. If the Member is not also the owner of the Unit, the owner of the Unit and the deceased Member's estate shall be jointly and severally responsible for obligations under the Cypress Membership Agreement until such obligations are assumed by a new Member.
- **Absence Credit:** If a Member provides prior written notice to The Club that the Member’s Unit will be unoccupied for a period of not less than fourteen (14) consecutive days, the Member may be entitled to an “absence credit” in an amount determined by The Club to be applied against the Monthly Payment.

Table 21.3.1: Monthly Payment Amounts for 2026 (including Member Service Fee and Condominium Fee)

Home Type	1 Person Occupying Unit	2 People Occupying Unit
The Arbor – Building B Villa	\$3,828	\$5,853
The Ascot – Building B Villa	\$4,274	\$6,299
The Bayberry I – Building B Villa	\$4,510	\$6,535
The Bayberry II – Building B Villa	\$4,510	\$6,535
The Camden – Building B Villa	\$4,919	\$6, 944
The Covington – Building B Villa	\$4,919	\$6,944
The Dogwood – Building B Villa	\$4,857	\$6,882
The Rosewalk – Building B Villa	\$5,197	\$7,222
The Indigo I – Building A & C Villas	\$3,957	\$5,982
The Indigo II – Building A & C Villas	\$3,957	\$5,982
The Park – Building A & C Villas	\$4,884	\$6,909
The Azalea I – Building A & C Villas	\$5,197	\$7,222

Home Type	1 Person Occupying Unit	2 People Occupying Unit
The Azalea II – Building A & C Villas	\$5,197	\$7,222
The Gallery I – Building A & C Villas	\$5,565	\$7,590
The Gallery II – Building A & C Villas	\$5,565	\$7,590
The Osprey I – Building A & C Villas	\$5,954	\$7,979
The Osprey III – Building A & C Villas	\$5,954	\$7,979
The Ashcroft – Buildings D & E Villas	\$4,510	\$6,535
The Bradford I – Buildings D & E Villas	\$4,510	\$6,535
The Bradford II – Buildings D & E Villas	\$4,510	\$6,535
The Caldwell – Buildings D & E Villas	\$4,919	\$6,944
The Danbury – Buildings D & E Villas	\$5,059	\$7,084
The Newport – Buildings D & E Villas	\$5,197	\$7,222
The Prescott – Buildings D & E Villas	\$5,382	\$7,407
The Holly – Cottage	\$6,072	\$8,097
The Laurel – Cottage	\$6,240	\$8,265
The Poplar – Cottage	\$6,240	\$8,265
The Magnolia – Cottage	\$6,560	\$8,585

Table 21.3.2: Historical Increases in Monthly Payments

Fiscal Year-End	Average \$ Increase First Person	Average \$ Increase Second Person	Frequency
12/31/2025	\$227	\$91	Annual
12/31/2024	\$258	\$103	Annual
12/31/2023	\$392	\$158	Annual
12/31/2022	\$214	\$86	Annual
12/31/2021	\$91	\$37	Annual

21.3.3 Tax Deduction

Members of The Cypress may be allowed a tax benefit. A percentage of the Monthly Payment may be taken as a medical expense deduction each year. In February of each year, The Club will provide Members with the percentage of the prior year's monthly payment that has been determined to be attributable to the operations of the Health Center. This medical deduction

is, of course, subject to limitations imposed by the Internal Revenue Code. It is advisable that the Members seek the advice of tax counsel before taking this deduction. The percentage of the monthly payment that was permitted to be taken as a medical expense deduction for 2025 was 37.11%.

22. Refundable Entrance Fee Obligations

The Cypress is an equity model continuing care retirement community, and its Members do not pay entrance fees.

23. Financial Hardship Policies

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

24. Contract Cancellation and Refund Policies

24.1 Cancellation of Cypress Purchase Agreement

- **Cancellation by Seller:** Seller may cancel the Cypress Purchase Agreement prior to closing if purchaser fails to pay any of the sums due and owing under the Cypress Purchase Agreement and/or Cypress Membership Agreement. In this event, the purchaser forfeits the earnest money deposit.
- **Cancellation by Purchaser during Cancellation Period:** A purchaser has the absolute right to cancel the Cypress Purchase Agreement without penalty at any time by delivering written notice to the seller during the thirty (30) calendar day period immediately following the later of (i) the full execution of the Cypress Purchase Agreement, or (ii) the date the Disclosure Statement is delivered to purchaser (the "Cancellation Period"). All payments made by the purchaser before such cancellation shall be refunded by the seller within ten (10) days after the expiration of the Cancellation Period. The Cypress Purchase Agreement also shall be automatically terminated in the event of a purchaser's death or incapacity prior

to closing. If the Cypress Purchase Agreement is terminated in such manner, all payments made by the purchaser will be refunded to purchaser within ten (10) days after the seller receives notice.

- **Cancellation Upon Prospective Member's Death:** If, prior to closing on the purchase, a prospective Member dies or becomes incapable of living in a Unit independently (with or without reasonable accommodation or modification), the prospective Member or his/her estate, as applicable, may terminate the Cypress Purchase Agreement and receive a refund of all earnest money.

24.2 Cancellation of Cypress Membership Agreement

24.2.1 Provider Cancellation Right

- **Termination for Just Cause:** The Company and/or The Club may terminate a Cypress Membership Agreement for just cause on the following bases: (a) the Member fails to pay any charges due under the Cypress Membership Agreement, (b) the Member creates a disturbance within The Cypress which is detrimental to the health, safety, comfort, or peaceful lodging of the Members, (c) The Rosewood cannot, within the limits of its license, provide the health care services the Member requires, or (d) the Member refuses medical treatment which is medically required.
- **Written Notice and 30-day Cure Period:** Before terminating the Cypress Membership Agreement, written notice will be delivered to the Member including the reasons for termination, and the Member will have thirty (30) days after the notice to correct the problem. If the problem is corrected within the thirty (30) day period, the Cypress Membership Agreement shall remain in effect. If the problem is not corrected within the thirty (30) day period, the Cypress Membership Agreement will be terminated, and the Member must leave The Cypress. However, if it is determined that the thirty (30) day waiting period is detrimental to the Member, other Members, or the staff of The Cypress, this waiting period will be waived.

24.2.2 Member Cancellation Right Prior to Unit Purchase

- **30-day Rescission Right:** The prospective Member may rescind the Cypress Membership Agreement within thirty (30) days following the later of the execution of the Cypress Membership Agreement or the receipt of a Disclosure Statement prepared in accordance with North Carolina law. In such event, the Member will not be required to close on the purchase of his/her Unit prior to the expiration of the thirty (30) day period. The Member or his/her legal representative will receive a refund of all money or property transferred to The Company, less (i) non-standard costs specifically incurred by The Company at the request of the Member, as described in any contract amendment signed by the Member or the Owner; (ii) any non-refundable fees or costs specified and described in the Cypress Membership Agreement; and (iii) a reasonable service charge not to exceed the greater of one thousand dollars (\$1,000.00) or two percent (2%) of the Membership Fee.

- **Member's Death Prior to Purchase of Unit:** If before the Unit is purchased the prospective Member dies or is unable to occupy a Unit due to illness, injury, or incapacity that renders him/her ineligible for Membership, then the Cypress Membership Agreement will automatically terminate and all deposits will be returned to the Member or his/her estate. If there is more than one purchaser of the Unit, the Cypress Membership Agreement will continue to be binding on the surviving or eligible purchaser.

24.2.3 Member Cancellation After Unit Purchase

- **Member May Terminate for Any Reason after Unit is Purchased:** After a Unit is purchased, a Member may terminate the Cypress Membership Agreement at any time for any reason by giving The Company thirty (30) days prior written notice. The Member will not be entitled to a refund of the Membership Fee or any Monthly Payments made under the Cypress Membership Agreement.
- **Automatic Termination if Member Ceases to Reside at The Cypress:** The Cypress Membership Agreement will terminate automatically if a Member ceases to reside in a Unit or in The Rosewood. The Member will not be entitled to a refund of the Membership Fee or any Monthly Payments made under the Cypress Membership Agreement.
- **Monthly Payment Obligations Continue After Termination Until Assumed by New Member:** If the Cypress Membership Agreement terminates for any reason after a Unit is purchased or a Member otherwise resides at The Cypress (e.g., through direct admission to The Rosewood), the Member's Monthly Payment obligations continue until the Member's Unit is transferred, sold, or otherwise occupied by a successor Member, and the successor Member has paid the 10% Membership Fee and has assumed the Monthly Payment obligation. In the event of termination on a Member's death, the estate of the Member will remain liable for all Membership obligations until the deceased Member's Unit is transferred, sold, or otherwise occupied by a successor Member, and the successor Member has paid the 10% Membership Fee and has assumed the obligations of membership. If the Member is not also the owner of the Unit, the owner of the Unit and the deceased Member's estate shall be jointly and severally responsible for obligations under the Cypress Membership Agreement.

25. Re-occupancy of Units

As an equity model continuing care retirement community, there is no “re-occupancy” or “re-assignment” of Units at The Cypress.

26. Resident Relocation

A Member may occupy his/her Unit for as long as he/she (or both) is capable of independent living, and so long as independent living is practical and safe. If, in the opinion of either the Member's attending physician, the Medical Director or The Club, the Member's physical or mental health requires that the Member receive nursing care, the Member agrees to receive the necessary in home assistance through the provision of additional health services described herein, or to relocate to The Rosewood or to some other health facility of the Member's choice.

26.1 Level of Care Transitional Policy

In furtherance of its efforts to meet the ongoing needs of its Members as they change over time, The Cypress has established a Level of Care Transitional Policy in accordance with the terms of the Cypress Membership Agreement. The Policy's goals include the following: (i) to uniformly enforce the terms of the Cypress Membership Agreement regarding a Member's ability to live independently in his or her Cottage or Villa in a safe and practical manner; (ii) to maximize the Members' independent functioning, allowing them to remain in their Units as long as possible; (iii) to provide options for Members who prefer to live independently in their Units but need additional assistance with everyday tasks and/or require additional services to ensure their safety; and (iv) to determine the appropriate time to transition a Member to a higher level of care utilizing a standardized Level of Care Assessment, coupled with collaboration between the Member, his or her family and attending physician, and The Cypress Medical Director and health care team.

For those Members who do not require care in The Rosewood, but who need additional personal services to continue living in their Cottages or Villas, The Cypress of Raleigh Home Care is available to provide assistance-in-living and other home care services as described in Section 15 and Table 15.1 above. Members are not obligated to use The Cypress of Raleigh Home Care for their in-home health services and are free to contract with outside providers for such services, subject to appropriate vetting by The Club prior to being admitted to the campus.

27. Admission and Continuation Standards

An individual's admission as a Member of The Club is subject to both health and financial screening. In addition, Cypress Purchase Agreements and Cypress Membership Agreements are subject to acceptance by The Company. At the time of signing a Cypress Purchase Agreement and/or a Cypress Membership Agreement, the prospective Member

(or the prospective Member's spouse) must be sixty-two (62) years of age or older. Each prospective Member also must be capable of independent living (with or without reasonable accommodation or modification), free of communicable diseases, and able to pay the Unit purchase price, Membership Fee, Monthly Payment, two (2) months of common expenses, twelve (12) months of hazard and flood insurance premiums, and an Operating Reserve Deposit. After these payments, the Member must have sufficient financial resources to enable the Member to make the Monthly Payments, cover personal expenses which may be reasonably expected, and meet anticipated increases in the cost of living, including any increases in the Monthly Payment.

If all sums due and owing under a Cypress Purchase Agreement and Cypress Membership Agreement are paid prior to purchase, but after the purchase closes the Member (or the Member's spouse, as applicable) is unable to live in the Unit independently (with or without reasonable accommodation or modification), the Member (or the Member's spouse, as applicable) will be admitted to The Rosewood, so long as The Rosewood can provide the level of care required by the Member.

28. Age and Insurance Requirements

28.1 Age Requirements

- The minimum age for admission to The Cypress is 62 years.
- A younger spouse or partner may also be admitted if the primary applicant meets the minimum age requirement.
- There is no maximum age limit for admission, provided the applicant meets The Cypress health and financial eligibility standards.

28.2 Insurance Requirements

Applicants for membership at The Cypress are not required to be enrolled in Medicare Parts A and B and are not required to maintain a Medicare supplement (Medigap) policy or equivalent health insurance to cover services not provided by Medicare. Long-term care insurance also is not required but may be considered in satisfaction of certain financial eligibility criteria on a case-by-case basis.

29. Reserve Funding and Refund Security

29.1 Asset Reserve Account

The Cypress maintains a Replacement Reserve Account that is funded in part by non-refundable payments made by each Member at closing on his/her Unit. This replacement reserve payment will be equal to two (2) months of the Member's pro rata share of The Association's common expenses. The Replacement Reserve Account is a self-restricted working capital account, and any interest earned on funds held in the Replacement Reserve Account shall be included in The Cypress working capital fund.

As of March 31, 2026, the balance of the Replacement Reserve Account was \$8,606,023.

29.2 CCRC Statutory Operating Reserve

As of December 31, 2025, The Cypress of Raleigh’s 12-month rolling average independent living unit occupancy was 100%. Based on this level of occupancy, the required statutory operating reserve was 12.5% of the Community’s projected operating costs for the next 12 months (the “Operating Reserve”).

In compliance with the CCRC Statute, The Cypress maintains an Operating Reserve Account that is funded through deposits made by purchasers at closing on their Units (each an “Operating Reserve Deposit”). Each purchaser who signed a Cypress Purchase Agreement prior to January 1, 2012 has deposited a \$9,000 Operating Reserve deposit which, if unused, may be refunded, with interest, upon the resale of the Unit. Each purchaser who signed a Cypress Purchase Agreement on or after January 1, 2012 has deposited a \$14,000 Operating Reserve deposit, which, if unused, may be refunded, without interest, upon the resale of the Unit.

As of March 31, 2026, the balance of The Cypress’ Operating Reserve account was \$6,399,542.

Table 29.2.1: Statutory Operating Reserve Calculation (as of December 31, 2025)

Component	Amount
Total projected operating expenses	\$29,370,146
Add: Debt service (principal and interest)	\$1,281
Less: Principal and interest (covered by Debt Service Reserve Fund)	\$0
Less: Depreciation and amortization	\$1,499,885
Net projected operating costs	\$27,659,150
Applicable reserve percentage based on occupancy	12.5%
Required operating reserve	\$3,457,394
Unrestricted cash & investments on hand	\$6,702,868
Excess above required reserve	\$3,245,474

*The Cypress of Raleigh Home Care expenses in the amount of \$3,279,493 have been excluded from total projected operating costs. On May 5, 2023, the N.C. Department of Insurance Deputy Commissioner approved such expenses as “extraordinary items” capable of being excluded from the operating reserve calculation pursuant to §58-64A-250(b).

29.3 Investment Management and Oversight

All reserve funds will be invested in accordance with the requirements of the CCRC Act, with investment decisions made by Michael G. Sandman, Craig C. Huggins, and/or Mark T.

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

Table 29.4: Unrestricted Cash and Investment Summary (as of December 31, 2025)

Category	Amount	Notes
Total unrestricted cash & investments	\$15,236,252	All liquid balances (cash and investments)
Less: Required operating reserve	(\$3,457,394)	Must be maintained; release requires regulatory approval
Excess unrestricted cash and investments above operating reserve	\$11,778,858	Available for operations (outside of designated reserves)

30. Expansion and Renovation Plans

The Company has sold all the Villas and Cottages in Phases I, II, and III at The Cypress. Accordingly, all sales of Units going forward will be resales pursuant to the terms of a Cypress Purchase Agreement. The Company does not currently have plans to construct additional Villas or Cottages, but it reserves the right (but not the obligation) to develop an additional phase of The Cypress consisting of up to one hundred eleven (111) units.

31. Audit Opinion and Timeliness

The financial statements of The Club, The Association, and The Company for the fiscal year ended December 31, 2025, were audited by Dreher Martin CPAs, P.A. (Raleigh, NC).

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

32. Audited Financial Statements

The audited financial statements of The Club, The Association, and The Company, for the fiscal year ended December 31, 2025, are attached hereto as Appendix A and form an integral part of this Disclosure Statement. These statements include the balance sheet, statement of operations, statement of cash flows, and accompanying notes, and have been prepared in accordance with generally accepted accounting principles (GAAP).

33. Five-Year Prospective Financial Statements

The five-year prospective financial statements of The Club, The Association, and The Company, for the period 2026 through 2030 are attached hereto as Appendix B. These statements were prepared and compiled by Dreher Martin CPAs, P.A. (Raleigh, NC), and include a summary of significant assumptions and accounting policies.

34. Variances from Prospective Financial Statements

For the fiscal year ended December 31, 2025, Dreher Martin reviewed the results of operations for The Club, The Association, and The Company against the prospective financial statements filed in the prior year. Variances included both financial line items and key assumptions, such as occupancy, used in preparing the projections. For purposes of the Variance analysis, the Provider entities consider a variance of \$100,000 to be significant.

34.1 Variance Analysis – Combined for The Club and The Association (Fiscal Year Ended 12/31/25)

Table 34.1 – Combined Balance Sheet & Cash Flows for The Club and The Association (Fiscal Year Ended 12/31/25)

Category	Projected Amount	Actual Amount	Variance	Explanation
Cash & Cash Equivalents	\$1,100,000	\$905,060	(\$194,940)	Expenses higher than expected
Accumulated depreciation & depreciation & amortization	(\$9,480,705)	(\$8,985,108)	\$495,597	Timing of capital projects and asset disposals; property and equipment purchases higher than expected due to Community's needs
Fair value of operating reserve investments	\$5,641,674	\$6,188,107	\$546,433	Better than expected market performance
Fair value of replacement account investments	\$7,073,240	\$8,425,523	\$1,352,283	Better than expected market performance
Accounts payable	\$731,854	\$928,966	\$197,112	Timing of disbursements

Category	Projected Amount	Actual Amount	Variance	Explanation
Accrued expenses	\$1,216,439	\$1,334,516	\$118,077	Timing of disbursements
Finance lease liability	\$187,711	\$355,179	\$167,468	Management evaluation of lease vs. purchase decisions

Table 34.1A: Combined Statement of Operations & Cash Flows for The Club and The Association (Fiscal Year Ended 12/31/25)

Category	Projected Amount	Actual Amount	Variance	Explanation
The Cypress of Raleigh Home Care revenue	\$2,866,315	\$3,311,189	\$444,874	Revenue higher than expected due to increased use by Members
Housekeeping expenses	\$3,050,609	\$2,764,498	(\$286,111)	Decrease in staff
The Rosewood expenses	\$5,705,564	\$5,813,299	\$107,735	Increased occupancy
The Cypress of Raleigh Home Care expenses	\$2,725,524	\$3,349,769	\$624,245	New services added; additional support staff hired
Miscellaneous expenses	(\$556,200)	(\$453,225)	\$102,975	Timing of common property repair and replacement
General & administrative support services	\$4,654,217	\$4,367,959	(\$286,258)	Timing of capital projects and asset disposals; property and equipment purchases higher than expected due to Community's needs
Cash flow from purchase of investments	(\$238,983)	(\$11,061,481)	(\$10,822,498)	Purchase of investments is netted with proceeds from sales of investments for the forecasted financial statements but shown gross for the audited financial statements. Forecast is limited to increase in available cash for investments; actual investment purchases are based on investment decisions.

Category	Projected Amount	Actual Amount	Variance	Explanation
Proceeds from sale of investments	\$0	\$10,254,571	\$10,254,571	Management investment decisions
Net investment income	\$405,835	\$1,734,705	\$1,328,870	Better than expected market performance
Change in net assets	\$554,768	\$2,200,507	\$1,645,739	See explanations in Table 34.1 above
Depreciation	\$1,550,569	\$1,264,272	(\$286,297)	Timing of capital projects and asset disposals
Realized and unrealized gains/losses	\$0	(\$1,331,289)	(\$1,331,289)	Realized gain/loss activity is not forecasted
Amortization of right-of-use financing lease asset	\$93,940	\$196,633	\$102,693	Timing of capital projects and asset disposals
Purchase of property and equipment	(\$3,218,490)	(\$3,335,944)	(\$117,454)	Property and equipment purchases higher than expected due to Community needs

Table 34.2: Variance Analysis for The Company – Balance Sheet and Statement of Operations & Cash Flows (Fiscal Year Ended 12/31/25)

Category	Projected Amount	Actual Amount	Variance	Explanation
Cash & Cash Equivalents	\$543,832	\$374,762	(\$169,070)	Distributions of excess cash
The Company's owners' equity	\$2,006,227	\$1,882,442	(\$123,785)	Lower than expected net income; capital distributions higher than expected
Membership Fee	\$2,015,000	\$1,872,760	(\$142,240)	Lower than expected Unit resales

35. Key Financial Metrics

This section presents the eight statutory financial ratios required under N.C. Gen. Stat. § 58-64A-150(a)(39). Historical values are based on audited financial statements; prospective values are derived from the provider's five-year prospective financial

statements. Comparative statewide medians will be published by the North Carolina Department of Insurance beginning in late 2026.

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

Full statutory text of definitions is provided in Appendix F.

35.1 Liquidity Ratios

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

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

Table 35.1: Liquidity Ratios – Combined Ratios for The Club and The Association

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3
DCOH	129.82	165.44	182.08	179.74	180.88	186.94
CUSH	347.16	865.72	975.43	11,894.03	N/A*	N/A*

* The Cypress of Raleigh Club Inc. and The Cypress of Raleigh Owner’s Association, Inc. do not have any long-term property debt. The only long-term debt relates to vehicle leases.

Table 35.1A: Liquidity Ratios – The Company

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3
DCOH	62.9	164.87	87.84	114.18	107.06	109.49
CUSH	0.84	0.74	1.10	1.98	N/A*	N/A*

*The Cypress of Raleigh, LLC’s long-term debt consists solely of internal debt to its investors, which will be paid off in full by the end of the third quarter of 2027.

35.2 Profitability Ratios

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

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

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

Table 35.2: Profitability Ratios – Combined Ratios for The Club and The Association

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3
OR	0.96	0.91	0.92	0.93	0.92	0.92
NOM	0.26	0.29	0.28	0.28	0.29	0.29
NOM-A	0.26	0.29	0.28	0.28	0.29	0.29

Table 35.2A: Profitability Ratios – The Company

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3
OR	0.24	0.27	0.29	0.29	0.28	0.27
NOM	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*
NOM-A	N/A*	N/A**	N/A*	N/A*	N/A*	N/A*

*All Member Monthly Payments, operating receipts, and other disbursements flow through The Cypress of Raleigh Club, Inc.

35.3 Capital Structure Ratios

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

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

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

Table 35.3: Capital Structure Ratios – Combined Ratios for The Club and The Cypress of Raleigh Owners’ Association, Inc

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3
DSCR	186.25	188.28	187.08	1,953.46	N/A*	N/A*
CD	310.60	772.10	11,572.71	N/A*	N/A*	N/A*
CED	0.78	1.03	2.28	0.99	1.05	0.92

* The Cypress of Raleigh Club Inc. and The Cypress of Raleigh Owner’s Association, Inc. do not have any long-term property debt. The only long-term debt relates to vehicle leases.

Table 35.3A: Capital Structure Ratios – The Company

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3
DSCR	15.26	4.41	11.41	15.90	N/A*	N/A*
CD	0.28	1.13	1.42	N/A*	N/A*	N/A*
CED	N/A**	N/A**	N/A**	N/A**	N/A**	N/A**

*The Cypress of Raleigh, LLC’s long-term debt consists solely of internal debt to its investors, which will be paid off in full by the end of the third quarter of 2027.

**All purchases of property, plant, and equipment are made by The Cypress of Raleigh Club, Inc. and The Cypress of Raleigh Owners’ Association, Inc.

35.4 Overall Summary

The Cypress operates as an equity community in which Members own their residences. As a result, the Community does not have the entrance fee refund obligations or vacancy risks commonly associated with traditional continuing care retirement communities. Marketing and sales expenses are the responsibility of The Company and are not obligations of The Club or The Association.

The Club and The Association operate on a nonprofit basis solely for the benefit of the Members. In addition, the Community is entirely debt free, with no outstanding bond or bank indebtedness. The absence of debt service obligations, combined with the lack of vacancy exposure and a nonprofit operating structure, provides financial stability and allows operating resources and residual cash flow to be directed toward maintaining and improving the Community and services for the benefit of Members, rather than toward lender obligations or investor returns.

36. Actuarial Opinion and Balance

The Cypress currently is exempt from the obligation to provide an actuarial opinion. As a licensed provider as of December 31, 2025, The Cypress is required to submit an updated actuarial study no later than December 31, 2028.

37. Most Recent Department Examination Report

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

38. Other Material Information

Management has reviewed whether there are any additional facts, circumstances, risks, or events that could reasonably be expected to influence a prospective or current Member’s decision to enter into a Cypress Membership Agreement. Other than the disclosures provided in prior sections of this Disclosure Statement, management has determined that no additional material information requires disclosure at this time.

39. Contract Forms and Attachments

Representative forms of the Purchase and Sale Agreement and Cypress Membership Agreement are attached hereto as Appendix D.

Appendix Index

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

- Appendix A — Audited Financial Statements 49
- Appendix B — Five-Year Prospective Financial Statements 50
- Appendix C — Statement of Actuarial Opinion 51
- Appendix D — Representative Contract(s) 52
- Appendix E — Examination Report..... 53
- Appendix F — Statutory Ratio and Supporting Definitions 54

Appendix A — Audited Financial Statements

See the following attached Audited Financial Statements:

- The Cypress of Raleigh Club, Inc. – Financial Report (December 31, 2025 and 2024)
- The Cypress of Raleigh Owners’ Association, Inc. – Financial Report (December 31, 2025 and 2024)
- The Cypress of Raleigh Club, Inc. and The Cypress of Raleigh Owners’ Association, Inc. – Combined Financial Report (December 31, 2025 and 2024)
- The Cypress of Raleigh, LLC – Financial Report (December 31, 2025 and 2024)

THE CYPRESS OF RALEIGH CLUB, INC.
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS:	
Statements of financial position	3
Statements of activities	4
Statements of changes in net assets	5
Statement of functional expenses – December 31, 2025	6
Statement of functional expenses – December 31, 2024	7
Statements of cash flows	8
Notes to financial statements	9-23



INDEPENDENT AUDITORS' REPORT

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

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Cypress of Raleigh Club, Inc. as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Dreher Martin CPAs, P.A.

Raleigh, North Carolina
February 23, 2026

THE CYPRESS OF RALEIGH CLUB, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024

ASSETS	2025	2024
Current Assets		
Cash and Cash Equivalents	\$ 804,833	\$ 1,277,039
Cash and Cash Equivalents - limited as to use	181,044	1,340,333
Accounts Receivable	982,650	972,169
Inventory	116,529	126,542
Prepaid Expenses	162,665	159,827
Total Current Assets	2,247,721	3,875,910
Assets Limited as to Use		
Restricted Reserves Required by State Statute, cash equivalents	211,017	218,139
Restricted Reserves Required by State Statute, investments	6,188,107	5,427,353
Asset Replacement Reserve, investments	8,425,523	7,048,578
Total Assets Limited as to Use	14,824,647	12,694,069
Property and Equipment, Net	2,486,725	1,645,009
Other Assets		
Due (to) from Affiliates	(9,765,796)	(7,940,232)
Refundable Deposits	62,327	62,327
Right-of-use Assets - Operating Leases	33,446	11,778
Total Other Assets	(9,670,023)	(7,866,128)
Total Assets	\$ 9,889,070	\$ 10,348,860

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts Payable	\$ 928,966	\$ 735,165
Accrued Expenses	1,334,516	1,221,942
Due to Members	47,023	27,265
Current Portion of Notes Payable	15,198	14,663
Current Portion of Operating Lease Liability	14,555	11,778
Current Portion of Finance Lease Liability	208,500	152,653
Total Current Liabilities	2,548,758	2,163,466
Long-term Debt		
Notes Payable, Net of Current Portion	1,281	16,441
Operating Lease Liability Net of Current Portion	19,427	-
Finance Lease Liability Net of Current Portion	355,179	329,290
Total Long-term Liabilities	375,887	345,731
Total Liabilities	2,924,645	2,509,197
Net Assets, Without donor restrictions	(5,868,142)	(4,730,248)
Net Assets, Without donor restrictions - Designated for asset replacement	8,606,567	8,388,911
Net Assets, With donor restrictions	4,226,000	4,181,000
Total Liabilities and Net Assets	\$ 9,889,070	\$ 10,348,860

See Accompanying Notes and Independent Auditors' Report

THE CYPRESS OF RALEIGH CLUB, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2025 AND 2024

Net Assets Without Donor Restrictions:	2025	2024
OPERATING REVENUES, GAINS AND OTHER SUPPORT		
Member fees and Assessments	\$ 13,282,793	\$ 13,228,810
Health Center	6,591,472	6,809,530
Home Health	3,311,189	2,611,767
Miscellaneous	3,480	2,689
Total Operating Revenues, Gains and Other Support	<u>23,188,934</u>	<u>22,652,796</u>
 OPERATING EXPENSES		
Program Services		
Housekeeping	2,087,007	2,081,884
Food and Beverage	5,694,556	5,290,597
Health Center	5,813,299	5,679,771
Community Home Health	3,349,769	2,715,582
Resident Services	848,199	831,146
Plant	453,669	485,203
	<u>18,246,499</u>	<u>17,084,183</u>
Supporting Services		
General and Administrative	4,130,615	3,808,769
Management Fees	773,457	741,926
	<u>4,904,072</u>	<u>4,550,695</u>
Total Operating Expenses	<u>23,150,571</u>	<u>21,634,878</u>
Excess of Operating Revenues Over Expenses	38,363	1,017,918
 OTHER CHANGES		
Net Investment Income (Loss)	1,734,655	1,071,889
Other Expenses	(453,225)	(575,303)
Interest Expense	(27,976)	(42,499)
Gain/Loss on Sale of Assets	(31,100)	(30,192)
Change in net assets without donor restrictions	<u>1,260,717</u>	<u>1,441,813</u>
 Net Assets With Donor Restrictions:		
Reserves Required by State Statute Deposited	45,000	79,000
Change in net assets with donor restrictions	<u>45,000</u>	<u>79,000</u>
 Change in Net Assets	<u><u>\$ 1,305,717</u></u>	<u><u>\$ 1,520,813</u></u>

See Accompanying Notes and Independent Auditors' Report

THE CYPRESS OF RALEIGH CLUB, INC.
STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	Total Net Assets
Net Assets Without Donor Restrictions	
Net Assets Without Donor Restrictions, January 1, 2024	\$ (4,316,248)
Asset purchases transferred to Owners' Association	(1,261,766)
Change in net assets	847,766
Net Assets Without Donor Restrictions, December 31, 2024	\$ (4,730,248)
Asset purchases transferred to Owners' Association	(2,264,660)
Change in net assets	1,126,766
Net Assets Without Donor Restrictions, December 31, 2025	\$ (5,868,142)
 Net Assets Without Donor Restrictions -Designated	
Net Assets Without Donor Restrictions - Designated -January 1, 2024	\$ 7,677,707
Developer contribution transferred to Association	-
Amounts transferred to Association for reserves	117,157
Change in net assets without donor restriction - designated	594,047
Net Assets Without Donor Restrictions - Designated -December 31, 2024	\$ 8,388,911
Amounts transferred to Association for reserves	83,705
Change in net assets without donor restriction - designated	133,951
Net Assets Without Donor Restrictions - Designated -December 31, 2025	\$ 8,606,567
 Net Assets With Donor Restrictions	
Net Assets With Donor Restrictions -January 1, 2024	\$ 4,102,000
Change in net assets with donor restrictions	79,000
Net Assets With Donor Restrictions -December 31, 2024	\$ 4,181,000
Change in net assets with donor restrictions	45,000
Net Assets With Donor Restrictions -December 31, 2025	\$ 4,226,000
Net Assets	\$ 6,964,425

See Accompanying Notes and Independent Auditors' Report

**THE CYPRESS OF RALEIGH CLUB, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2025**

	Housekeeping	Food & Beverage	Health Center	Community Home Health	Resident Services	Plant	Total Program Service	General and Administrative	Total
Salaries and Wages	\$ 1,429,788	\$ 2,795,711	\$ 3,928,971	\$ 2,731,957	\$ 467,275	\$ 222,015	\$11,575,717	\$ 595,543	\$ 12,171,260
Pension Expense	14,782	17,556	44,381	26,443	8,104	2,105	113,371	14,398	127,769
Other Employee Benefits	314,217	483,681	521,669	305,002	62,376	31,117	1,718,062	149,122	1,867,184
Payroll Taxes	114,518	225,298	308,035	206,377	35,218	17,836	907,282	48,248	955,530
Accounting and Legal	-	-	-	-	-	-	-	42,739	42,739
Travel	301	3,359	4,827	3,061	4,086	19	15,653	6,902	22,555
Worker's Comp Insurance	13,517	26,068	40,622	26,735	2,557	2,003	111,502	903	112,405
Food Expense	-	1,846,724	-	-	-	-	1,846,724	-	1,846,724
Rent	-	20,229	8,065	-	1,951	11,006	41,251	994	42,245
Supplies	101,873	236,265	47,454	2,941	2,808	7,262	398,603	44,142	442,745
Licenses and Fees	4,597	13,356	32,092	15,412	9,791	2,354	77,602	7,502	85,104
Repairs and Maintenance	81,350	392	1,862	-	2,209	55,468	141,281	18,103	159,384
Vehicle Expense	-	-	3,560	-	-	41,625	45,185	-	45,185
Utilities	-	-	-	-	-	59,098	59,098	-	59,098
Activity Expenses	-	-	18,864	-	81,808	-	100,672	-	100,672
Other Employee Expense	10,692	13,759	7,380	12,638	15,474	1,163	61,106	49,439	110,545
Medical Supplies	-	-	165,073	1,370	-	-	166,443	-	166,443
Other Medical Expenses	-	-	542,327	-	-	-	542,327	-	542,327
Training	1,273	4,573	5,320	3,837	4,356	398	19,757	9,470	29,227
Professional Dues	-	3,457	1,981	3,793	-	-	9,231	14,610	23,841
IT Expense	-	-	6,718	-	-	-	6,718	251,433	258,151
Telephone	-	-	-	9,350	-	-	9,350	65,453	74,803
Other Expense	-	-	-	-	-	-	-	21,730	21,730
Printing and Postage	-	-	-	-	-	-	-	1,871	1,871
Management Fee	-	-	-	-	-	-	-	773,457	773,457
Insurance	-	-	-	-	-	-	-	127,924	127,924
Other Fees	99	4,128	124,098	853	150,186	200	279,564	375,519	655,083
Depreciation and Amortization	-	-	-	-	-	-	-	476,156	476,156
Overhead Fee	-	-	-	-	-	-	-	1,808,414	1,808,414
TOTAL	\$ 2,087,007	\$ 5,694,556	\$ 5,813,299	\$ 3,349,769	\$ 848,199	\$ 453,669	\$18,246,499	\$ 4,904,072	\$ 23,150,571

See Accompanying Notes and Independent Auditors' Report

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

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

See Accompanying Notes and Independent Auditors' Report

THE CYPRESS OF RALEIGH CLUB, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net change in net assets	\$ 1,305,717	\$ 1,520,813
Adjustments to Reconcile Change in Net Assets		
To Cash Provided by Operating Activities		
Depreciation	279,523	252,920
Gain/Loss on sale of assets	31,100	30,192
Realized and Unrealized Gains/Losses	(1,331,289)	(704,990)
Amortization of right-of-use financing lease asset	196,633	93,940
Changes in working capital components:		
(Increase)decrease in:		
Accounts and Other Receivables	(10,481)	(85,574)
Inventory	10,013	(9,185)
Prepaid Expenses	(2,838)	(709)
Due from affiliate	1,825,564	1,153,165
Increase (decrease)		
Accounts payable	193,801	101,237
Accrued Expenses	112,574	130,948
Due to Members	19,758	(4,233)
	<u>2,630,075</u>	<u>2,478,525</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
INVESTING ACTIVITIES		
Purchase of Investments	(11,061,481)	(4,159,476)
Proceeds from Sales of Investments	10,254,571	1,817,154
Purchase of Property and Equipment	(3,335,944)	(1,433,856)
	<u>(4,142,854)</u>	<u>(3,776,178)</u>
NET CASH USED BY INVESTING ACTIVITIES		
FINANCING ACTIVITIES		
Transfers (to) from Owners' Association	83,705	117,157
Payments on notes payable	(14,625)	(27,736)
Payments on Finance Lease Payable	(194,917)	(93,726)
	<u>(125,837)</u>	<u>(4,305)</u>
NET CASH USED BY FINANCING ACTIVITIES		
DECREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(1,638,616)	(1,301,958)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	<u>2,835,511</u>	<u>4,137,469</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 1,196,894</u>	<u>\$ 2,835,511</u>
CASH CONSISTS OF:		
Cash and cash equivalents	\$ 804,833	\$ 1,277,039
Cash and cash equivalents - without donor restrictions, designated	181,044	1,340,333
Restricted cash included in assets limited to use	211,017	218,139
	<u>\$ 1,196,894</u>	<u>\$ 2,835,511</u>
SUPPLEMENTAL DISCLOSURE		
Schedule of Noncash Investing and Financing Transactions		
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 44,093	\$ -
Finance lease obligations for the use of equipment	\$ 277,687	\$ 406,034
Transfer of property and equipment to Association	\$ 2,264,660	\$ 1,261,766
	<u>\$ 2,586,440</u>	<u>\$ 1,667,800</u>
Cash paid for interest	\$ 27,976	\$ 42,499

See Accompanying Notes and Independent Auditors' Report

**THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

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

Affiliates

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

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

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

Basis of Accounting

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

Contributions and Net Assets

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

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

THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

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

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

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

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

Cash and Cash Equivalents and Restricted Cash

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

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

Investments

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

Accounts Receivable

The Club records accounts receivable at total unpaid balance, which approximates fair value as of December 31, 2025 and 2024. The Club determines past-due status of individual accounts receivable based on terms of the original contract (or based on how recently payments have been made, for example). The Club estimates an allowance for doubtful accounts based on a combination of factors, including the Club’s historical loss experience and any anticipated effects related to current economic conditions, as well as management knowledge of the current accounts receivable. Delinquent accounts are written off when deemed uncollectible. The Club’s management considers all accounts currently collectible and does not establish an allowance for uncollectible accounts at this time.

THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

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

Assets Limited as to Use

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

North Carolina General Statute Chapter 58 requires continuing care retirement communities to maintain an operating reserve equal to a statutorily required percentage of total forecasted operating costs (less certain expenses) for a specific period. This operating reserve is not Board-controlled and cannot be used without the prior approval of the commissioner of the North Carolina Department of Insurance pursuant to GS § 58-64A-265. At December 31, 2025 and 2024, this reserve totaled \$6,399,124 and \$5,645,492, respectively.

Inventory

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

Prepaid Expenses

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

Property and Equipment

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

Leases

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

THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

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

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

Revenue Recognition

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

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

Revenues under third-party payer agreements are subject to audit and retroactive adjustment. Provisions for estimated third-party payer settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

Functional Allocation of Expenses

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

THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

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

Income Taxes

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

Obligation to Provide Future Services

The Club annually calculates the present value of the net cost of providing certain future services to current members. If the present value of the cost of providing these services exceeds the present value of the anticipated revenues, a liability is recorded (obligation to provide future services) with a corresponding charge to income. The obligation is discounted at 3.324%, based on the expected long-term rate of return on government obligations. For December 31, 2025 and 2024, this net present value computation is expected to yield a surplus and, accordingly, no liability has been recorded.

Estimates

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

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

The Club maintains its cash balances in a financial institution located in Raleigh, North Carolina in 2025 and 2024.

The account balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2025 and 2024, the Club had uninsured cash balances of \$690,266 and \$1,170,590, respectively. The Club also maintained investments in three brokerage accounts that are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 per customer. At December 31, 2025, the Club had total investments amounting to \$14,997,850, resulting in deposits of \$14,497,850 in excess of the SIPC insured amount. At December 31, 2024, the Club had total investments amounting to \$14,026,635, resulting in deposits of \$13,526,635 in excess of the SIPC insured amount.

**THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 2 - CONCENTRATIONS OF CREDIT RISK (concluded)

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

	<u>2025</u>	<u>2024</u>
Self-pay	84%	84%
Medicare	16%	13%
Other third-party payers	<u>0%</u>	<u>3%</u>
	<u>100%</u>	<u>100%</u>

NOTE 3 - LIQUIDITY AND AVAILABILITY

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

Financial assets at year-end:	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 804,833	\$ 1,277,039
Accounts receivable	<u>982,650</u>	<u>972,169</u>
Financial assets available to meet general and program expenditures within one year	<u>\$ 1,787,483</u>	<u>\$ 2,249,208</u>

The Club has certain board-designated and donor-restricted assets limited to use which are designated for future capital expenditures and an operating reserve. These assets limited to use are more fully described in Notes 8 and 13 and are not available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.

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

NOTE 4 - FINANCIAL RESULTS AND MANAGEMENT'S OPERATIONAL PLAN

The Club's operating revenues over expenses include all operating revenues and expenses that are an integral part of its programs and supporting activities. The measure of operations excludes expenses related to the refurbishment of member's residences which is included in other expenses.

THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 5 - INVESTMENTS

The Club's investments as of December 31, 2025, consist of mutual funds and ETFs recorded at market value and are summarized as follows:

	<u>Cost</u>	<u>Fair Market Value</u>
Mutual Funds	\$ 9,495,189	\$ 9,877,776
ETFs	<u>3,159,249</u>	<u>4,735,854</u>
	<u>\$12,654,438</u>	<u>\$14,613,630</u>

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

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

FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1- measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3- measurements). The three levels of the fair value hierarchy are as follows:

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

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

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

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

THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 5 - INVESTMENTS (concluded)

The following table represents investments that are measured at fair value on a recurring basis at December 31, 2025:

Fair Value Measurements at December 31, 2025

	Level 1	Level 2	Total
Mutual Funds	\$ 9,877,776	\$ -	\$ 9,877,776
ETFs	4,735,854	-	4,735,854
	\$ 14,613,630	\$ -	\$ 14,613,630

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

Fair Value Measurements at December 31, 2024

	Level 1	Level 2	Total
Mutual Funds	\$ 1,261,936	\$ -	\$ 1,261,936
ETFs	11,213,995	-	11,213,995
	\$ 12,475,931	\$ -	\$ 12,475,931

NOTE 6 - INVENTORY

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

	<u>2025</u>	<u>2024</u>
Food and Beverage	\$ 39,190	\$ 46,898
Housekeeping supplies	24,373	28,787
Plant supplies	52,966	50,857
	<u>\$116,529</u>	<u>\$126,542</u>

THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2025</u>	<u>2024</u>
Building and Improvements	\$ 85,401	\$ 87,084
Furniture & Fixtures	45,339	45,339
Housekeeping Equipment	54,910	57,861
Healthcare Equipment	234,868	216,309
Clinic Equipment	20,516	20,516
Office Equipment	212,362	174,963
IT Equipment	570,579	465,582
Communications Equipment	541,892	541,892
Kitchen Equipment	745,583	615,114
Maintenance Equipment	818,473	169,381
Laundry Equipment	105,260	84,694
Vehicle	971,593	788,020
Construction in Process - Rosewood	<u>29,118</u>	<u>6,797</u>
	4,435,894	3,273,552
Less accumulated depreciation	<u>1,949,169</u>	<u>1,628,543</u>
	<u>\$2,486,725</u>	<u>\$1,645,009</u>

Depreciation and amortization related to property and equipment totaled \$476,156 and \$346,860 for the years ended December 31, 2025 and 2024, respectively.

NOTE 8 - NET ASSETS

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

	<u>2025</u>	<u>2024</u>
Resident deposits	<u>\$ 4,226,000</u>	<u>\$ 4,181,000</u>

NOTE 9 - TRANSACTIONS WITH AFFILIATE AND RELATED PARTY

The Company receives an overhead fee of 10% of the operating costs from the Club and Association. During 2025 and 2024, a total of \$1,808,414 and \$1,694,254 was paid as management fees to the LLC, respectively. The amount due to the Company was \$0 at December 31, 2025 and 2024.

THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 9 - TRANSACTIONS WITH AFFILIATE AND RELATED PARTY (concluded)

During 2025 and 2024, the Club paid Michael G. Sandman, Attorney at Law \$9,516 and \$5,623, respectively, for legal services. At December 31, 2025 and 2024, the amount due was \$0 and \$515, respectively.

NOTE 10 - LEASES

The Club rents various equipment and vehicles under operating leases, which expire through October 2028. The Club's financing leases expire through July 2029.

The right-of-use asset and corresponding liability associated with future lease payments at December 31, 2025 are shown below:

	<u>Operating</u>	<u>Financing</u>	<u>Total</u>
Right-of-use assets	\$ 33,446	\$ -	\$ 33,446
Property and equipment	\$ -	\$ 562,911	\$ 562,911
Lease liability	\$ 33,982	\$ 563,679	\$ 597,661
Weighted average:			
Discount rate	3.8%	3.8%	
Remaining lease term (years)	2 years	3 years	

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

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

THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 10 - LEASES (concluded)

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

	<u>2025</u>	<u>2024</u>
Operating lease cost	\$ 23,673	\$ 62,961
Finance:		
Amortization of right-of-use assets	196,633	93,940
Interest on lease liability	22,173	12,620
Short-term lease cost	-	-
Total lease cost	<u>\$ 242,479</u>	<u>\$ 169,924</u>

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

	<u>Operating</u>	<u>Financing</u>	<u>Total</u>
2026	\$ 15,586	\$ 226,296	\$ 241,882
2027	13,472	196,896	210,368
2028	6,536	146,093	152,629
2029	-	25,955	25,955
	<u>35,594</u>	<u>595,240</u>	<u>630,834</u>
Less amount representing interest	<u>(1,612)</u>	<u>(31,561)</u>	<u>(33,173)</u>
Present value of lease liabilities	<u>\$ 33,982</u>	<u>\$ 563,679</u>	<u>\$ 597,661</u>

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

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 23,137	\$ 54,575
Operating cash flows from finance leases	\$ 22,173	\$ 12,620
Financing cash flows from finance leases	\$ 194,917	\$ 93,726

THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 11 - LINE OF CREDIT

The Club has two lines of credit at one financial institution with a total credit limit of \$1,500,000 to fund upgrades and enhancements to the Club. The interest rate on both lines was SOFR + 1.75%, with all principal and accrued interest due February 22, 2027. The lines are secured by the asset replacement investment account. At December 31, 2025 and 2024, the balance due was \$0 and \$0, respectively.

NOTE 12 - NOTES PAYABLE

Notes payable at December 31, 2025 and 2024 consisted of the following:

	2025	2024
<p>Note payable to BB&T Commercial Equipment Capital, with 60 monthly payments of principal and interest of \$326 beginning January 21, 2020 and one final payment due on January 21, 2025. The note was secured by golf carts and carries an interest rate of 6.35%.</p>	\$ -	\$ 324
<p>Note payable to Ally Bank, with 60 monthly payments of principal and interest of \$1,312 beginning February 26, 2022 and one final payment due on January 26, 2027. The note is secured by a vehicle and carries an interest rate of 5.84%.</p>	<u>16,479</u> 16,479	<u>30,780</u> 31,104
<p>Less current portion</p>	<u>(15,198)</u>	<u>(14,663)</u>
	<u>\$ 1,281</u>	<u>\$ 16,441</u>

Future maturities of long-term debt are as follows:

2026	\$ 15,198
2027	<u>1,281</u>
	<u>\$ 16,479</u>

THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 13 - REGULATORY MATTERS

Continuing care retirement communities located in North Carolina are licensed and monitored by the State Department of Insurance under Chapter 58 of the North Carolina General Statutes. The Commissioner of Insurance has the authority to revoke or restrict the license of, or impose additional requirements on any continuing care facility under certain circumstances specified in General Statute 58-64A-280.

North Carolina General Statute 58-64A-245 requires after the opening of a facility an operating reserve equal to 50% of the total operating costs of the facility forecasted for the 12 month period following the period covered by the most recent disclosure statement filed with the Department of Insurance. The forecast statements, as required by GS 58-64A-150(a) (37), shall serve as a basis for the reserve. Continuing care retirement communities with occupancy levels in excess of 90% are required to maintain an operating reserve equal to 25% of total operating costs projected for the twelve month period following the most recent annual statement filed with the Department of Insurance, upon approval of the Commissioner. Continuing care retirement communities with less than 90% occupancy are required to maintain an operating reserve between 31.25% to 50% of projected total operating costs based on occupancy rate. A provider who has a 12-month daily average independent living unit occupancy rate equal to or in excess of 93% and has no long-term debt or debt service coverage ratio in excess of 2.00 as of the most recent fiscal year-end shall only be required to maintain an operating reserve of equal to 12.5% of total operating costs, unless otherwise instructed by the Commissioner.

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

To meet this obligation, at closing, each purchaser was responsible for paying a reserve deposit of \$9,000 to the Club through December 31, 2011. So long as it has not been necessary for the Club to use proceeds or assets from the reserve account, interest and/or dividends have been paid to each purchaser on a prorata basis in February of each year. For the year ended December 31, 2025 and 2024, the Club did not use proceeds or assets from the reserve account and the balance of interest and dividends is shown as due to members. Each subsequent purchaser shall be obligated to pay \$14,000 into the reserve account, so that upon resale of the unit, any unused portion of the deposit shall be returned to the original purchaser.

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

THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 13 - REGULATORY MATTERS (concluded)

The balance held by the Club in the related restricted investment account was \$6,188,107 at December 31, 2025, and \$5,427,353 at December 31, 2024. The balance held by the Club in the related restricted cash and cash equivalent accounts was \$211,017 at December 31, 2025, and \$218,139 at December 31, 2024.

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

NOTE 14 - LIFE CARE SERVICES

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

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

At December 31, 2025 and 2024, the Club had paid \$773,457 and \$741,926 in management fees to LCS, respectively.

NOTE 15 – ASSET REPLACEMENT RESERVE

As of December 31, 2025 and 2024, there were funds of \$8,606,567 and \$8,388,911, respectively, designated for this Fund. Management of the Association conducted a study in 2009 to estimate the remaining useful lives of the components of common properties and to estimate the costs of future major repairs and replacements. This study was most recently updated in 2024 for a 20-year budget period beginning in 2024. The current policy is that these expenses will be paid from current amounts on hand or from assets maintained by the Club in designated and undesignated accounts, special assessments may be levied, as required, after utilizing these designated funds or funds may be borrowed. Capital expenditures of \$0 and \$0 were paid from the asset replacement reserve investments account for capital expenditures in 2025 and 2024, respectively.

THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 16 - RETIREMENT PLAN

The Club began a 401(k) retirement plan for all eligible employees on January 1, 2009. Employees are eligible to participate in the plan upon attaining the age of 21 years, completing one year of active service and having worked at least 1,000 hours in a given year. Employees may invest up to 20% of wages, tips and other compensation on form W-2 into the plan. The Club will match up to 50 cents on the dollar up to 3% of an employee's compensation. Employees are 100% vested in the portion they contribute to the plan. The Club matching funds are vested over a six-year period.

Retirement expense for the plan was \$127,769 and \$134,905 for the years ended December 31, 2025 and 2024 respectively.

NOTE 17 – COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

Full-time employees accrue 18 days of paid time off (PTO) per year during their first year of employment and an additional day each year up to 22 days in their fifth year of employment. Employees accrue 24 days in their sixth year of employment and 29 days in their 15th year of employment. Part-time employees earn PTO on a pro-rated basis per hours worked. The maximum carryover from one year to the next is 460 hours. At December 31, 2025 and 2024, the Club's total liability for PTO days was \$752,786 and \$708,289, respectively, and is included as accrued expense.

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

NOTE 18 - MANAGEMENT'S REVIEW AND SUBSEQUENT EVENTS

Subsequent events were evaluated through February 23, 2026, which is the date the financial statements were available to be issued.

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-3
FINANCIAL STATEMENTS:	
Balance sheets	4
Statements of revenue and expense	5
Statements of changes in members' equity	6
Statements of cash flows	7
Notes to financial statements	8-12
REQUIRED SUPPLEMENTARY INFORMATION	
Future major repairs and replacements	13
SUPPLEMENTARY INFORMATION	
Schedule of functional expenses – December 31, 2025	14
Schedule of functional expenses – December 31, 2024	15



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of The Cypress of Raleigh Owners' Association, Inc. which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of revenue and expense, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future repairs and replacements on page 13 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

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

Dreher Martin CPAs, P.A.

Raleigh, North Carolina
February 23, 2026

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
BALANCE SHEETS
DECEMBER 31, 2025 AND 2024

ASSETS		2025	2024
Current assets		<u>100,227</u>	<u>100,177</u>
Cash		\$ 100,227	\$ 100,177
Total current assets		100,227	100,177
Property & Equipment		21,972,005	19,892,543
Less Accumulated Depreciation		<u>7,035,939</u>	<u>6,207,654</u>
Net Property & Equipment		14,936,066	13,684,889
Other Assets			
Due from Affiliate		<u>9,799,990</u>	<u>7,975,472</u>
Total Assets		<u>\$ 24,836,283</u>	<u>\$ 21,760,538</u>

LIABILITIES AND MEMBERS' EQUITY

Members' Equity			
Members' equity-undesignated		<u>\$ 24,836,283</u>	<u>\$ 21,760,538</u>
Total Members' Equity		<u>\$ 24,836,283</u>	<u>\$ 21,760,538</u>

See Accompanying Notes and Independent Auditors' Report

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
STATEMENTS OF REVENUE AND EXPENSE
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
OPERATING REVENUES, GAINS, AND OTHER SUPPORT		
Member fees and assessments	\$ 8,867,155	\$ 7,853,056
Asset replacement	58,557	82,756
Insurance	25,148	34,401
Total operating revenues, gains, and other support	8,950,860	7,970,213
 OPERATING EXPENSES		
Program Services		
Housekeeping	677,491	679,355
Plant	4,032,467	3,816,437
	4,709,958	4,495,792
 Supportive Services		
General and Administrative	2,936,469	2,901,315
Management fees	380,957	365,426
	3,317,426	3,266,741
Total operating expenses	8,027,384	7,762,533
Excess of Operating Revenue Over Expense	923,476	207,680
 OTHER CHANGES		
Interest and Dividend Income	50	50
Gain (Loss) on Sale of Assets	(28,736)	(34,952)
Excess of Revenue Over Expense	\$ 894,790	\$ 172,778

See Accompanying Notes and Independent Auditors' Report

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2025 AND 2024

Members' Equity	<u>Undesignated</u>
Members' Equity, January 1, 2024	\$ 20,443,151
Excess of revenue, gains and other support over expense	172,778
Asset purchases transferred from Club	1,261,766
Amounts allocated to reserves	<u>(117,157)</u>
Members' Equity, December 31, 2024	\$ 21,760,538
Excess of revenue, gains and other support over expense	894,790
Asset purchases transferred from Club	2,264,660
Amounts allocated to reserves	<u>(83,705)</u>
Members' Equity, December 31, 2025	<u><u>\$ 24,836,283</u></u>

See Accompanying Notes and Independent Auditors' Report

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of Revenue Over Expense	\$ 894,790	\$ 172,778
Adjustments to Reconcile Increase in Net Assets To Cash Provided by Operating Activities		
Depreciation	984,749	1,044,443
Gain (Loss) on sale of assets	28,736	34,952
Decrease in due to affiliate	(1,824,520)	(1,134,966)
NET CASH PROVIDED BY OPERATING ACTIVITIES	83,755	117,207
FINANCING ACTIVITIES		
Transfers to Club	(83,705)	(117,157)
NET CASH USED BY FINANCING ACTIVITIES	(83,705)	(117,157)
INCREASE IN CASH AND CASH EQUIVALENTS	50	50
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	100,177	100,127
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 100,227	\$ 100,177
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Schedule of Noncash Investing Transactions		
Transfer of property and equipment from Club	\$ 2,264,660	\$ 1,261,766

See Accompanying Notes and Independent Auditors' Report

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

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

Affiliates

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

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

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

Basis of Accounting

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

Cash and Cash Equivalents

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

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

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

Property and Equipment

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Property and equipment are depreciated over estimated useful lives of seven to thirty-nine years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense as incurred.

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

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

Revenue Recognition

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

Income Taxes

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

The IRS and North Carolina Department of Revenue may examine the returns of the Association for a three year period after they are filed. The Association has open tax years from December 31, 2022 through December 31, 2025 which can be reviewed.

Estimates

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

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

The Association maintained its cash balances in one financial institution located in Raleigh, North Carolina in 2025 and 2024. The balances were insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2025 and 2024, the Association had no uninsured cash balances.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:	<u>2025</u>	<u>2024</u>
Building and Improvements	\$15,950,433	\$14,286,790
Land Improvements	1,468,559	1,137,354
Furniture & Fixtures	3,680,554	3,546,413
Office Equipment	2,675	2,675
IT Equipment	61,995	61,995
Kitchen Equipment	404,209	453,736
Independent Living Furniture	23,718	23,718
Maintenance Equipment	17,691	17,691
Health Center Furniture	<u>362,171</u>	<u>362,171</u>
	21,972,005	19,892,543
Less accumulated depreciation	<u>7,035,939</u>	<u>6,207,654</u>
	<u>\$14,936,066</u>	<u>\$13,684,889</u>

Depreciation related to property and equipment totaled \$984,749 and \$1,044,443 for the years ended December 31, 2025 and 2024, respectively.

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 4 - TRANSACTIONS WITH AFFILIATES

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

The Company receives an overhead fee of 10% of the operating costs from the Club. The Club allocates a portion of these expenses to the Association. During 2025 and 2024, the Association's portion of the allocated costs were \$890,711 and \$834,483, respectively.

NOTE 5 - LIFE CARE SERVICES

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

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

At December 31, 2025 and 2024, the Association's portion of the allocated costs were \$380,957 and \$365,426, respectively.

NOTE 6 – ASSET REPLACEMENT RESERVE

An Asset Replacement Reserve account is funded by payments made by each Member at the closing on his/her Cottage or Villa. The payment will be equal to two months of the Member's prorata share of Association common expenses. The Asset Replacement Reserve Account will only be used for purposes related to The Cypress' property, and any interest earned on funds held in the account shall be included in the asset replacement reserve fund. During 2025 and 2024, funds were transferred by the Club to a cash account for Asset Replacement Reserve totaling \$58,557 and \$82,756, respectively.

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 7 - FUTURE REPAIRS AND REPLACEMENTS

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

NOTE 8 - RESERVE FOR INSURANCE

At closing, the member also pays a share of the condominium insurance premium for the year of closing. The amount of this fee is determined in accordance with each unit's statutory percentage interest in the condominium. During 2025 and 2024, \$25,148 and \$34,401, respectively, was transferred into a cash account by the Club for this purpose.

NOTE 9 – RETIREMENT PLAN

The Club began a 401(k) retirement plan for all eligible employees on January 1, 2009. Employees are eligible to participate in the plan upon attaining the age of 21 years, completing one year of active service and having worked at least 1,000 hours in a given year. Employees may invest up to 20% of wages, tips and other compensation on form W-2 into the plan. The Club will match up to 50 cents on the dollar up to 3% of an employee's compensation. Employees are 100% vested in the portion they contribute to the plan. The Club matching funds are vested over a six-year period.

At December 31, 2025 and 2024, the Association's portion of the allocated costs were \$21,156 and \$8,826, respectively.

NOTE 10 - MANAGEMENT'S REVIEW AND SUBSEQUENT EVENTS

Subsequent events were evaluated through February 23, 2026, which is the date the financial statements were available to be issued.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
(UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2025

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

The following table is based on the 2024 study (unless otherwise noted) and presents significant information about the components of common property.

Component	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Costs	2025 Funding Requirements (2024 Study)
Site Improvements 2.0	1-31	\$ 2,601,055	
Building Structures & Systems 3.0	0-51	10,694,833	
Building Mechanical Equipment (MEP) 4.0	0-41	11,314,293	
Common Area Interior & Finishes 5.0	0-36	3,182,318	
Unit Improvements 6.0	1-24	14,510,002	
Furniture, Fixtures & Equipment (FFE) 7.0	0-18	6,999,684	
Capital Projects 8.0	0-20	<u>4,299,923</u>	
TOTALS		<u>\$ 53,602,108</u>	<u>\$ 1,833,178</u>

See Independent Auditors' Report

**SUPPLEMENTARY
INFORMATION**

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2025

	Housekeeping	Plant	Total Program Service	General and Administrative	Total
Salaries and Wages	\$ 476,596	\$ 1,363,808	\$ 1,840,404	\$ 267,563	\$ 2,107,967
Pension Expense	4,927	11,928	16,855	4,301	21,156
Other Employee Benefits	104,739	176,330	281,069	44,543	325,612
Payroll Taxes	38,173	109,562	147,735	21,676	169,411
Accounting and Legal	-	-	-	42,739	42,739
Travel	-	2	2	-	2
Worker's Comp Insurance	4,506	12,307	16,813	406	17,219
Rent	-	7,337	7,337	995	8,332
Supplies	33,958	137,964	171,922	18,918	190,840
Licenses and Fees	1,532	21,191	22,723	-	22,723
Repairs and Maintenance	9,039	1,053,890	1,062,929	9,748	1,072,677
Vehicle Expense	-	4,625	4,625	-	4,625
Utilities	-	1,122,855	1,122,855	-	1,122,855
Other Employee Expense	3,564	6,589	10,153	14,767	24,920
Training	425	2,253	2,678	2,829	5,507
Professional Dues	-	-	-	4,870	4,870
IT Expense	-	-	-	62,858	62,858
Telephone	-	-	-	65,454	65,454
Other Expense	-	-	-	20,681	20,681
Printing and Postage	-	-	-	1,871	1,871
Management Fee	-	-	-	380,957	380,957
Insurance	-	-	-	298,490	298,490
Other Fees	32	1,826	1,858	178,300	180,158
Depreciation	-	-	-	984,749	984,749
Overhead Fee	-	-	-	890,711	890,711
TOTAL	\$ 677,491	\$ 4,032,467	\$ 4,709,958	\$ 3,317,426	\$ 8,027,384

See Independent Auditors' Report

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

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

See Independent Auditors' Report

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

AUDITED COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-3
FINANCIAL STATEMENTS:	
Combined balance sheets	4
Combined statements of operations	5
Combined statements of changes in net assets and members' equity	6
Combined statement of functional expenses – December 31, 2025	7
Combined statement of functional expenses – December 31, 2024	8
Combined statements of cash flows	9
Notes to combined financial statements	10-28
REQUIRED SUPPLEMENTARY INFORMATION	
Future major repairs and replacements	29
SUPPLEMENTARY INFORMATION	
Combining balance sheet – December 31, 2025	30
Combining schedule of operations – December 31, 2025	31
Combining schedule of cash flows – December 31, 2025	32



INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future repairs and replacements on page 29 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining balance sheet, schedules of operations and cash flows on pages 30-32 are presented for purposes of additional analysis and are not a required part of the combined financial statements. The supplementary information includes certain combining information for purposes of additional analysis of the combined financial statements rather than to present the financial position, results of operations, and cash flows of the individual organizations, and is also not a required part of the combined financial statements. Such information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Dreher Martin CPAs, P.A.

Raleigh, North Carolina
February 23, 2026

THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
COMBINED BALANCE SHEETS
DECEMBER 31, 2025 AND 2024

ASSETS		
	2025	2024
Current Assets		
Cash and Cash equivalents	\$ 905,060	\$ 1,377,216
Cash and Cash equivalents - limited as to use	181,044	1,340,333
Accounts Receivable	982,650	972,169
Inventory	116,529	126,542
Prepaid Expenses	162,665	159,827
Total Current Assets	2,347,948	3,976,087
Assets Limited as to Use		
Restricted Reserves Required by State Statute, cash equivalents	211,017	218,139
Restricted Reserves Required by State Statute, investments	6,188,107	5,427,353
Asset Replacement Reserve, investments	8,425,523	7,048,578
Total Assets Limited to Use	14,824,647	12,694,069
Property and Equipment, Net	17,422,791	15,329,898
Other Assets		
Due from Affiliates	34,194	35,240
Refundable Deposits	62,327	62,327
Right-of-use Assets - Operating Leases	33,446	11,778
Total Other Assets	129,967	109,344
	\$ 34,725,353	\$ 32,109,398
LIABILITIES, NET ASSETS AND MEMBERS' EQUITY		
Current liabilities		
Accounts Payable	\$ 928,966	\$ 735,165
Accrued Expenses	1,334,516	1,221,942
Due to Members	47,023	27,265
Current Portion of Notes Payable	15,198	14,663
Current Portion of Operating Lease Liability	14,555	11,778
Current Portion of Finance Lease Liability	208,500	152,653
Total Current Liabilities	2,548,758	2,163,466
Long-term Liabilities		
Notes Payable, Net of Current Portion	1,281	16,441
Operating Lease Liability, Net of Current Portion	19,427	-
Finance Lease Liability, Net of Current Portion	355,179	329,290
Total Long-term Liabilities	375,887	345,731
Total Liabilities	2,924,645	2,509,197
Net Assets, Without donor restrictions	(5,868,142)	(4,730,248)
Net Assets, Without donor restrictions - Designated for asset replacement	8,606,567	8,388,911
Net Assets, With donor restrictions	4,226,000	4,181,000
Members' Equity		
Members' Equity, undesignated	24,836,283	21,760,538
Total Members' Equity	24,836,283	21,760,538
	\$ 34,725,353	\$ 32,109,398

See Accompanying Notes and Independent Auditors' Report

THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
COMBINED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2025 AND 2024

Net Assets Without Donor Restrictions:	<u>2025</u>	<u>2024</u>
OPERATING REVENUES, GAINS, AND OTHER SUPPORT		
Member fees and assessments	\$ 22,149,948	\$ 21,081,866
Health Center	6,591,472	6,809,530
Home Health	3,311,189	2,611,767
Asset Replacement	58,557	82,756
Insurance	25,148	34,401
Miscellaneous Income	3,480	2,689
Total Operating Revenues, Gains and Other Support	<u>32,139,794</u>	<u>30,623,009</u>
OPERATING EXPENSES		
Program Services		
Housekeeping	2,764,498	2,761,239
Food and beverage	5,694,556	5,290,597
Health Center	5,813,299	5,679,771
Community Home Health	3,349,769	2,715,582
Resident services	848,199	831,146
Plant	4,486,136	4,301,640
	<u>22,956,457</u>	<u>21,579,975</u>
Supporting Services		
General and Administrative	7,067,084	6,710,084
Management fees	1,154,414	1,107,352
	<u>8,221,498</u>	<u>7,817,436</u>
Total Operating Expenses	<u>31,177,955</u>	<u>29,397,411</u>
Excess of Operating Revenues Over Expenses	961,839	1,225,598
OTHER CHANGES		
Net Investment Income (Loss)	1,734,705	1,071,939
Other expenses	(453,225)	(575,303)
Interest expense	(27,976)	(42,499)
Gain/Loss on sale of assets	(59,836)	(65,144)
	<u>1,193,674</u>	<u>388,993</u>
Change in net assets without donor restrictions and members' equity	<u>2,155,507</u>	<u>1,614,591</u>
Net Assets With Donor Restrictions:		
Reserves Required By State Statute Deposited	45,000	79,000
Change net assets with donor restricitons	<u>45,000</u>	<u>79,000</u>
Change in net assets and members' equity	<u>\$ 2,200,507</u>	<u>\$ 1,693,591</u>

See Accompanying Notes and Independent Auditors' Report

THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH HOMEOWNERS' ASSOCIATION, INC.
COMBINED STATEMENTS OF CHANGES IN NET ASSETS AND MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2025 AND 2024

	Total Net Assets 2025	Total Net Assets 2024
Net Assets Without Donor Restrictions		
Net assets Without Donor Restrictions-Beginning	\$ (4,730,248)	\$ (4,316,248)
Asset purchases transferred to Owners' Association	(2,264,660)	(1,261,766)
Change in net assets	<u>1,126,766</u>	<u>847,766</u>
Net Assets Without Donor Restrictons	<u>\$ (5,868,142)</u>	<u>\$ (4,730,248)</u>
Net Assets Without Donor Restrictions - Designated		
Net Assets Without Donor Restrictions - Designated -Beginning	\$ 8,388,911	\$ 7,677,707
Amounts transferred to Association for reserves	83,705	117,157
Change in net assets without donor restrictions - designated	<u>133,951</u>	<u>594,047</u>
Net Assets Without Donor Restrictons - Designated	<u>\$ 8,606,567</u>	<u>\$ 8,388,911</u>
Net Assets With Donor Restrictions		
Net Assets With Donor Restrictions - Beginning	\$ 4,181,000	\$ 4,102,000
Change in net assets with donor restrictions	<u>45,000</u>	<u>79,000</u>
Net Assets With Donor Restrictions	<u>\$ 4,226,000</u>	<u>\$ 4,181,000</u>
Members' Equity	<u>Undesignated</u>	
Members' Equity, January 1, 2024	\$ 20,443,151	
Excess of revenue, gains and other support over expense	172,778	
Asset purchases transferred from Club	1,261,766	
Amounts allocated to reserves	<u>(117,157)</u>	
Members' Equity, December 31, 2024	\$ 21,760,538	
Excess of revenue, gains and other support over expense	894,790	
Asset purchases transferred from Club	2,264,660	
Amounts allocated to reserves	<u>(83,705)</u>	
Members' Equity, December 31, 2025	<u>\$ 24,836,283</u>	

See Accompanying Notes and Independent Auditors' Report

THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2025

	Housekeeping	Food & Beverage	Health Center	Community Home Health	Resident Services	Plant	Total Program Service	General and Administrative	Total
Salaries and Wages	\$ 1,906,384	\$ 2,795,711	\$ 3,928,971	\$ 2,731,957	\$ 467,275	\$ 1,585,823	\$ 13,416,121	\$ 863,106	\$ 14,279,227
Pension Expense	19,709	17,556	44,381	26,443	8,104	14,033	130,226	18,699	148,925
Other Employee Benefits	418,956	483,681	521,669	305,002	62,376	207,447	1,999,131	193,665	2,192,796
Payroll Taxes	152,691	225,298	308,035	206,377	35,218	127,398	1,055,017	69,924	1,124,941
Accounting and Legal	-	-	-	-	-	-	-	85,478	85,478
Travel	301	3,359	4,827	3,061	4,086	21	15,655	6,902	22,557
Worker's Comp Insurance	18,023	26,068	40,622	26,735	2,557	14,310	128,315	1,309	129,624
Food Expense	-	1,846,724	-	-	-	-	1,846,724	-	1,846,724
Rent	-	20,229	8,065	-	1,951	18,343	48,588	1,989	50,577
Supplies	135,831	236,265	47,454	2,941	2,808	145,226	570,525	63,060	633,585
Licenses and Fees	6,129	13,356	32,092	15,412	9,791	23,545	100,325	7,502	107,827
Repairs and Maintenance	90,389	392	1,862	-	2,209	1,109,358	1,204,210	27,851	1,232,061
Vehicle Expense	10,692	-	3,560	-	-	46,250	60,502	-	60,502
Utilities	-	-	-	-	-	1,181,953	1,181,953	-	1,181,953
Activity Expenses	-	-	18,864	-	81,808	-	100,672	-	100,672
Other Employee Expense	3,564	13,759	7,380	12,638	15,474	7,752	60,567	64,206	124,773
Medical Supplies	-	-	165,073	1,370	-	-	166,443	-	166,443
Other Medical Expenses	-	-	542,327	-	-	-	542,327	-	542,327
Training	1,698	4,573	5,320	3,837	4,356	2,651	22,435	12,299	34,734
Professional Dues	-	3,457	1,981	3,793	-	-	9,231	19,480	28,711
IT Expense	-	-	6,718	-	-	-	6,718	314,291	321,009
Telephone	-	-	-	9,350	-	-	9,350	130,907	140,257
Other Expense	-	-	-	-	-	-	-	42,411	42,411
Printing and Postage	-	-	-	-	-	-	-	3,742	3,742
Management Fee	-	-	-	-	-	-	-	1,154,414	1,154,414
Insurance	-	-	-	-	-	-	-	426,414	426,414
Other Fees	131	4,128	124,098	853	150,186	2,026	281,422	553,819	835,241
Depreciation and Amortization	-	-	-	-	-	-	-	1,460,905	1,460,905
Overhead Fee	-	-	-	-	-	-	-	2,699,125	2,699,125
TOTAL	\$ 2,764,498	\$ 5,694,556	\$ 5,813,299	\$ 3,349,769	\$ 848,199	\$ 4,486,136	\$ 22,956,457	\$ 8,221,498	\$ 31,177,955

See Accompanying Notes and Independent Auditors' Report

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

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

See Accompanying Notes and Independent Auditors' Report

THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net change in net assets and members' equity	\$ 2,200,507	\$ 1,693,591
Adjustments to Reconcile Change in Net Assets		
To Cash Provided by Operating Activities		
Depreciation	1,264,272	1,297,363
Gain/Loss on sale of assets	59,836	65,144
Realized and Unrealized Gains/Losses	(1,331,289)	(704,990)
Amortization of right-of-use financing lease asset	196,633	93,940
Changes in working capital components:		
(Increase) decrease in:		
Accounts and Other Receivables	(10,481)	(85,574)
Inventory	10,013	(9,185)
Prepaid Expenses	(2,838)	(709)
Due From Affiliate	1,043	18,199
Increase (decrease)		
Accounts payable	193,801	101,237
Accrued Expenses	112,574	130,948
Due to Members	19,758	(4,233)
	2,713,829	2,595,732
NET CASH PROVIDED BY OPERATING ACTIVITIES		
INVESTING ACTIVITIES		
Purchase of Investments	(11,061,481)	(4,159,476)
Proceeds from Sales of Investments	10,254,571	1,817,154
Purchase of Property and Equipment	(3,335,944)	(1,433,856)
	(4,142,854)	(3,776,178)
NET CASH USED BY INVESTING ACTIVITIES		
FINANCING ACTIVITIES		
Payments on notes payable	(14,625)	(27,736)
Payments on Finance Lease Payable	(194,917)	(93,726)
	(209,542)	(121,462)
NET CASH USED BY FINANCING ACTIVITIES		
DECREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(1,638,567)	(1,301,908)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	2,935,688	4,237,596
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	\$ 1,297,121	\$ 2,935,688
CASH CONSISTS OF:		
Cash and cash equivalents	\$ 905,060	\$ 1,377,216
Cash and cash equivalents - without donor restrictions, designated	181,044	1,340,333
Restricted cash included in assets limited to use	211,017	218,139
	\$ 1,297,121	\$ 2,935,688
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Schedule of Noncash Investing and Financing Transactions		
Right-of-use asset obtained in exchange for lease obligations:		
Operating leases	\$ 44,093	\$ -
Finance lease obligation for the use of equipment	\$ 277,687	\$ 406,034
Transfer of property and equipment from the Company	\$ 2,264,660	\$ 1,261,766
Cash paid for interest	\$ 27,976	\$ 42,499

See Accompanying Notes and Independent Auditors' Report

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Principles of Combination

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

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

Basis of Accounting

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

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

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

Contributions and Net Assets

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

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

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

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

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

Cash and Cash Equivalents and Restricted Cash

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

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

Investments

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

THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

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

Accounts Receivable

The Club records accounts receivable at total unpaid balance, which approximates fair value as of December 31, 2025 and 2024. The Club determines past-due status of individual accounts receivable based on terms of the original contract (or based on how recently payments have been made, for example). The Club estimates an allowance for doubtful accounts based on a combination of factors, including the Club's historical loss experience and any anticipated effects related to current economic conditions, as well as management knowledge of the current accounts receivable. Delinquent accounts are written off when deemed uncollectible. The Club's management considers all accounts currently collectible and does not establish an allowance for uncollectible accounts at this time.

Assets Limited as to Use

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

North Carolina General Statute Chapter 58 requires continuing care retirement communities to maintain an operating reserve equal to a statutorily required percentage of total forecasted operating costs (less certain expenses) for a specific period. This operating reserve is not Board-controlled and cannot be used without the prior approval of the commissioner of the North Carolina Department of Insurance pursuant to GS § 58-64A-265. At December 31, 2025 and 2024, this reserve totaled \$6,399,124 and \$5,645,492, respectively.

Inventory

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

Prepaid Expenses

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

Property and Equipment

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

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

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

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

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

Leases

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

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

Revenue Recognition

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

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

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

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

Revenues under third-party payer agreements are subject to audit and retroactive adjustment. Provisions for estimated third-party payer settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

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

Functional Allocation of Expenses

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

Income Taxes

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

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

The IRS and North Carolina Department of Revenue may examine the returns of the Club and Association for a three year period after they are filed. The Association has open tax years from December 31, 2022 through December 31, 2025 which can be reviewed.

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

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

Obligation to Provide Future Services

The Club annually calculates the present value of the net cost of providing certain future services to current members. If the present value of the cost of providing these services exceeds the present value of the anticipated revenues, a liability is recorded (obligation to provide future services) with a corresponding charge to income. The obligation is discounted at 3.324%, based on the expected long-term rate of return on government obligations. For December 31, 2025 and 2024, this net present value computation is expected to yield a surplus and, accordingly, no liability has been recorded.

Estimates

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

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

The Club and Association maintained their cash balances in financial institutions located in Raleigh, North Carolina in 2025 and 2024.

The account balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2025 and 2024, the Club had uninsured cash balances of \$690,266 and \$1,170,590, respectively. At December 31, 2025 and 2024, the Association had no uninsured cash balances. The Entities also maintain investments in three brokerage accounts that are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 per customer. At December 31, 2025, the Club had total investments amounting to \$14,997,850, resulting in deposits of \$14,497,850 in excess of the SIPC insured amount. At December 31, 2024, the Club had total investments amounting to \$14,026,635, resulting in deposits of \$13,526,635 in excess of the SIPC insured amount.

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 2 - CONCENTRATIONS OF CREDIT RISK (concluded)

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

	<u>2025</u>	<u>2024</u>
Self-pay	84%	84%
Medicare	16%	13%
Other third-party payers	<u>0%</u>	<u>3%</u>
	<u>100%</u>	<u>100%</u>

NOTE 3 - LIQUIDITY AND AVAILABILITY

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

Financial assets at year-end:	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 905,060	\$ 1,377,216
Accounts receivable	<u>982,650</u>	<u>972,169</u>
Financial assets available to meet general and program expenditures within one year	<u>\$ 1,887,710</u>	<u>\$ 2,349,385</u>

The Club has certain board-designated and donor-restricted assets limited to use which are designated for future capital expenditures and an operating reserve. These assets limited to use are more fully described in Notes 8 and 13 and are not available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.

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

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 4 - FINANCIAL RESULTS AND MANAGEMENT'S OPERATIONAL PLAN

The Entities' operating revenues over expenses include all operating revenues and expenses that are an integral part of its programs and supporting activities. The measure of operations excludes expenses related to the refurbishment of member's residences which is included in other expenses.

NOTE 5 - INVESTMENTS

The Club's investments as of December 31, 2025, consist of mutual funds and ETFs recorded at market value and are summarized as follows:

	Cost	Fair Market Value
Mutual Funds	\$ 9,495,189	\$ 9,877,776
ETFs	3,159,249	4,735,854
	\$12,654,438	\$14,613,630

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

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

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 5 – INVESTMENTS (continued)

FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1- measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3- measurements). The three levels of the fair value hierarchy are as follows:

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

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

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

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

The following table represents investments that are measured at fair value on a recurring basis at December 31, 2025:

Fair Value Measurements at December 31, 2025

	Level 1	Level 2	Total
Mutual Funds	\$ 9,877,776	\$ -	\$ 9,877,776
ETFs	4,735,854	-	4,735,854
	\$ 14,613,630	\$ -	\$ 14,613,630

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 5 - INVESTMENTS (concluded)

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

Fair Value Measurements at December 31, 2024

	Level 1	Level 2	Total
Mutual Funds	\$ 1,261,936	\$ -	\$ 1,261,936
ETFs	11,213,995	-	11,213,995
	\$ 12,475,931	\$ -	\$ 12,475,931

NOTE 6 - INVENTORY

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

	<u>2025</u>	<u>2024</u>
Food and Beverage	\$ 39,190	\$ 46,898
Housekeeping supplies	24,373	28,787
Plant supplies	<u>52,966</u>	<u>50,857</u>
	<u>\$116,529</u>	<u>\$126,542</u>

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:	<u>2025</u>	<u>2024</u>
Building and Improvements	\$16,035,834	\$14,373,874
Land Improvements	1,468,558	1,137,354
Furniture & Fixtures	3,725,893	3,591,751
Housekeeping Equipment	54,910	57,861
Healthcare Equipment	234,868	216,309
Clinic Equipment	20,516	20,516
Office Equipment	215,037	177,638
IT Equipment	632,573	527,576
Communications Equipment	541,892	541,892
Independent Living Furniture	23,718	23,718
Kitchen Equipment	1,149,793	1,068,850
Maintenance Equipment	836,164	187,072
Laundry Equipment	105,260	84,694
Health Center Furniture	362,171	362,171
Vehicle	971,593	788,020
Construction in Process - Rosewood	<u>29,118</u>	<u>6,797</u>
	26,407,898	23,166,093
Less accumulated depreciation	<u>8,985,107</u>	<u>7,836,195</u>
	<u>\$17,422,791</u>	<u>\$15,329,898</u>

Depreciation and amortization related to property and equipment totaled \$1,460,905 and \$1,391,303 for the years ended December 31, 2025 and 2024, respectively.

NOTE 8 - NET ASSETS

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

	<u>2025</u>	<u>2024</u>
Resident deposits	<u>\$ 4,226,000</u>	<u>\$ 4,181,000</u>

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 9 - TRANSACTIONS WITH AFFILIATE AND RELATED PARTY

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

The Company receives an overhead fee of 10% of the operating costs from the Club and Association. During 2025 and 2024, a total of \$2,699,125 and \$2,528,737 was paid as management fees to the LLC, respectively. The amount due to the Company was \$0 and \$0 at December 31, 2025 and 2024, respectively.

During 2025 and 2024, the Club paid Michael G. Sandman, Attorney at Law \$9,516 and \$5,623, respectively, for legal services. At December 31, 2025 and 2024, the amount due was \$0 and \$515, respectively.

NOTE 10 - LEASES

The Club rents various equipment and vehicles under operating leases, which expire through October 2028. The Club's financing leases expire through July 2029.

The right-of-use asset and corresponding liability associated with future lease payments at December 31, 2025 are shown below:

	<u>Operating</u>	<u>Financing</u>	<u>Total</u>
Right-of-use assets	\$ 33,446	\$ -	\$ 33,446
Property and equipment	\$ -	\$ 562,911	\$ 562,911
Lease liability	\$ 33,982	\$ 563,679	\$ 597,661
Weighted average:			
Discount rate	3.8%	3.8%	
Remaining lease term (years)	2 years	3 years	

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 10 - LEASES (continued)

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

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

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

	<u>2025</u>	<u>2024</u>
Operating lease cost	\$ 23,673	\$ 62,961
Finance:		
Amortization of right-of-use assets	196,633	93,940
Interest on lease liability	22,173	12,620
Short-term lease cost	-	-
Total lease cost	<u>\$ 242,479</u>	<u>\$ 169,924</u>

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 10 - LEASES (concluded)

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

	<u>Operating</u>	<u>Financing</u>	<u>Total</u>
2026	\$ 15,586	\$ 226,296	\$ 241,882
2027	13,472	196,896	210,368
2028	6,536	146,093	152,629
2029	-	25,955	25,955
	<u>35,594</u>	<u>595,240</u>	<u>630,834</u>
Less amount representing interest	<u>(1,612)</u>	<u>(31,561)</u>	<u>(33,173)</u>
Present value of lease liabilities	<u>\$ 33,982</u>	<u>\$ 563,679</u>	<u>\$ 597,661</u>

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

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 23,137	\$ 54,575
Operating cash flows from finance leases	\$ 22,173	\$ 12,620
Financing cash flows from finance leases	\$ 194,917	\$ 93,726

NOTE 11 - LINE OF CREDIT

The Club has two lines of credit at one financial institution with a total credit limit of \$1,500,000 to fund upgrades and enhancements to the Club. The interest rate on both lines was SOFR + 1.75%, with all principal and accrued interest due February 22, 2027. The lines are secured by the asset replacement investment account. At December 31, 2025 and 2024, the balance due was \$0 and \$0, respectively.

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 12 - NOTES PAYABLE

Notes payable at December 31, 2025 and 2024 consisted of the following:

	<u>2025</u>	<u>2024</u>
<p>Note payable to BB&T Commercial Equipment Capital, with 60 monthly payments of principal and interest of \$326 beginning January 21, 2020 and one final payment due on January 21, 2025. The note was secured by golf carts and carries an interest rate of 6.35%.</p>	\$ -	\$ 324
<p>Note payable to Ally Bank, with 60 monthly payments of principal and interest of \$1,312 beginning February 26, 2022 and one final payment due on January 26, 2027. The note is secured by a vehicle and carries an interest rate of 5.84%.</p>	<u>16,479</u> 16,479	<u>30,780</u> 31,104
Less current portion	<u>(15,198)</u>	<u>(14,663)</u>
	<u>\$ 1,281</u>	<u>\$ 16,441</u>

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 12 - NOTES PAYABLE (concluded)

Future maturities of long-term debt are as follows:

2026	\$ 15,198
2027	<u>1,281</u>
	<u>\$ 16,479</u>

NOTE 13 - REGULATORY MATTERS

Continuing care retirement communities located in North Carolina are licensed and monitored by the State Department of Insurance under Chapter 58 of the North Carolina General Statutes. The Commissioner of Insurance has the authority to revoke or restrict the license of, or impose additional requirements on any continuing care facility under certain circumstances specified in General Statute 58-64A-280.

North Carolina General Statute 58-64A-245 requires after the opening of a facility an operating reserve equal to 50% of the total operating costs of the facility forecasted for the 12 month period following the period covered by the most recent disclosure statement filed with the Department of Insurance. The forecast statements, as required by GS 58-64A-150(a) (37), shall serve as a basis for the reserve. Continuing care retirement communities with occupancy levels in excess of 90% are required to maintain an operating reserve equal to 25% of total operating costs projected for the twelve month period following the most recent annual statement filed with the Department of Insurance, upon approval of the Commissioner. Continuing care retirement communities with less than 90% occupancy are required to maintain an operating reserve between 31.25% to 50% of projected total operating costs based on occupancy rate. A provider who has a 12-month daily average independent living unit occupancy rate equal to or in excess of 93% and has no long-term debt or debt service coverage ratio in excess of 2.00 as of the most recent fiscal year-end shall only be required to maintain an operating reserve of equal to 12.5% of total operating costs, unless otherwise instructed by the Commissioner.

THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 13 - REGULATORY MATTERS (concluded)

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

To meet this obligation, at closing, each purchaser was responsible for paying a reserve deposit of \$9,000 to the Club through December 31, 2011. So long as it has not been necessary for the Club to use proceeds or assets from the reserve account, interest and/or dividends have been paid to each purchaser on a prorata basis in February of each year. For the year ended December 31, 2025 and 2024, the Club did not use proceeds or assets from the reserve account and the balance of interest and dividends is shown as due to members. Each subsequent purchaser shall be obligated to pay \$14,000 into the reserve account, so that upon resale of the unit, any unused portion of the deposit shall be returned to the original purchaser.

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

The balance held by the Club in the related restricted investment account was \$6,188,107 at December 31, 2025, and \$5,427,353 at December 31, 2024. The balance held by the Club in the related restricted cash and cash equivalent accounts was \$211,017 at December 31, 2025, and \$218,139 at December 31, 2024.

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

NOTE 14 - LIFE CARE SERVICES

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

The Club and Association are responsible for all operating expenses related to LCS's activities involving the Club and Association. At December 31, 2025 and 2024 the Club and Association had paid \$1,154,414 and \$1,107,352 in management fees to LCS, respectively.

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 15 – ASSET REPLACEMENT RESERVE

As of December 31, 2025 and 2024, there were funds of \$8,606,567 and \$8,388,911, respectively, designated for this Fund. Management of the Association conducted a study in 2009 to estimate the remaining useful lives of the components of common properties and to estimate the costs of future major repairs and replacements. This study was most recently updated in 2024 for a 20-year budget period beginning in 2024. The current policy is that these expenses will be paid from current amounts on hand or from assets maintained by the Club in designated and undesignated accounts, special assessments may be levied, as required, after utilizing these designated funds or funds may be borrowed. Capital expenditures of \$0 and \$0 were paid from the asset replacement reserve investments account for capital expenditures in 2025 and 2024, respectively.

NOTE 16 - FUTURE REPAIRS AND REPLACEMENTS

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

NOTE 17 - RESERVE FOR INSURANCE

At closing, the member also pays a share of the condominium insurance premium for the year of closing. The amount of this fee is determined in accordance with each unit's statutory percentage interest in the condominium. During 2025 and 2024, \$25,148 and \$34,401, respectively, was transferred into a cash account by the Club for this purpose.

NOTE 18 - RETIREMENT PLAN

The Club began a 401(k) retirement plan for all eligible employees on January 1, 2009. Employees are eligible to participate in the plan upon attaining the age of 21 years, completing one year of active service and having worked at least 1,000 hours in a given year. Employees may invest up to 20% of wages, tips and other compensation on form W-2 into the plan. The Club will match up to 50 cents on the dollar up to 3% of an employee's compensation. Employees are 100% vested in the portion they contribute to the plan. The Club matching funds are vested over a six-year period.

Retirement expense for the plan was \$148,926 and \$143,731 for the years ended December 31, 2025 and 2024, respectively.

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 19 – COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

Full-time employees accrue 18 days of paid time off (PTO) per year during their first year of employment and an additional day each year up to 22 days in their fifth year of employment. Employees accrue 24 days in their sixth year of employment and 29 days in their 15th year of employment. Part-time employees earn PTO on a pro-rated basis per hours worked. The maximum carryover from one year to the next is 460 hours. At December 31, 2025 and 2024, the Club's total liability for PTO days was \$752,786 and \$708,289, respectively, and is included as accrued expense.

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

NOTE 20 – MANAGEMENT'S REVIEW AND SUBSEQUENT EVENTS

Subsequent events were evaluated through February 23, 2026, which is the date the financial statements were available to be issued.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
(UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2025

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

The following table is based on the 2024 study (unless otherwise noted) and presents significant information about the components of common property.

Component	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Costs	2025 Funding Requirements (2024 Study)
Site Improvements 2.0	1-31	\$ 2,601,055	
Building Structures & Systems 3.0	0-51	10,694,833	
Building Mechanical Equipment (MEP) 4.0	0-41	11,314,293	
Common Area Interior & Finishes 5.0	0-36	3,182,318	
Unit Improvements 6.0	1-24	14,510,002	
Furniture, Fixtures & Equipment (FFE) 7.0	0-18	6,999,684	
Capital Projects 8.0	0-20	<u>4,299,923</u>	
TOTALS		<u>\$ 53,602,108</u>	<u>\$ 1,833,178</u>

**SUPPLEMENTARY
INFORMATION**

THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
COMBINING BALANCE SHEET
DECEMBER 31, 2025

ASSETS

	The Cypress of Raleigh Club	The Cypress of Raleigh Owners' Association, Inc.	Eliminations	Total
Current Assets				
Cash and Cash equivalents	\$ 804,833	\$ 100,227	\$ -	\$ 905,060
Cash and Cash equivalents - limited as to use	181,044	-	-	181,044
Accounts Receivable	982,650	-	-	982,650
Inventory	116,529	-	-	116,529
Prepaid Expenses	162,665	-	-	162,665
Total Current Assets	<u>2,247,721</u>	<u>100,227</u>	<u>-</u>	<u>2,347,948</u>
Assets Limited as to Use				
Restricted Reserves Required by State Statute, cash equivalents	211,017	-	-	211,017
Restricted Reserves Required by State Statute, investments	6,188,107	-	-	6,188,107
Asset Replacement Reserve, investments	8,425,523	-	-	8,425,523
Total Assets Limited to Use	<u>14,824,647</u>	<u>-</u>	<u>-</u>	<u>14,824,647</u>
Property and Equipment, Net	<u>2,486,725</u>	<u>14,936,066</u>	<u>-</u>	<u>17,422,791</u>
Other Assets				
Due (to) from Affiliates	(9,765,796)	9,799,990	-	34,194
Refundable Deposits	62,327	-	-	62,327
Right-of-use Assets - Operating Leases	33,446	-	-	33,446
Total Other Assets	<u>(9,670,023)</u>	<u>9,799,990</u>	<u>-</u>	<u>129,967</u>
	<u>\$ 9,889,070</u>	<u>\$ 24,836,283</u>	<u>\$ -</u>	<u>\$ 34,725,353</u>

LIABILITIES, NET ASSETS AND MEMBERS' EQUITY

Current liabilities				
Accounts Payable	\$ 928,966	\$ -	\$ -	\$ 928,966
Accrued Expenses	1,334,516	-	-	1,334,516
Due to Members	47,023	-	-	47,023
Current Portion of Notes Payable	15,198	-	-	15,198
Current Portion of Operating Lease Liability	14,555	-	-	14,555
Current Portion of Finance Lease Liability	208,500	-	-	208,500
Total Current Liabilities	<u>2,548,758</u>	<u>-</u>	<u>-</u>	<u>2,548,758</u>
Long-term Liabilities				
Notes Payable, Net of Current Portion	1,281	-	-	1,281
Operating Lease Liability, Net of Current Portion	19,427	-	-	19,427
Finance Lease Liability, Net of Current Portion	355,179	-	-	355,179
Total Long-term Liabilities	<u>375,887</u>	<u>-</u>	<u>-</u>	<u>375,887</u>
Total Liabilities	<u>2,924,645</u>	<u>-</u>	<u>-</u>	<u>2,924,645</u>
Net Assets, Without donor restrictions	<u>(5,868,142)</u>	<u>-</u>	<u>-</u>	<u>(5,868,142)</u>
Net Assets, Without donor restrictions - Designated for asset replacement	<u>8,606,567</u>	<u>-</u>	<u>-</u>	<u>8,606,567</u>
Net Assets, With donor restrictions	<u>4,226,000</u>	<u>-</u>	<u>-</u>	<u>4,226,000</u>
Members' Equity				
Members' Equity, undesignated	-	24,836,283	-	24,836,283
Total Members' Equity	<u>-</u>	<u>24,836,283</u>	<u>-</u>	<u>24,836,283</u>
	<u>\$ 9,889,070</u>	<u>\$ 24,836,283</u>	<u>\$ -</u>	<u>\$ 34,725,353</u>

See Independent Auditors' Report

THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
COMBINING SCHEDULE OF OPERATIONS
YEAR ENDED DECEMBER 31, 2025

Net Assets Without Donor Restrictions:	The Cypress of Raleigh Club	The Cypress of Raleigh Owners' Association, Inc.	Eliminations	Total
OPERATING REVENUES, GAINS, AND OTHER SUPPORT				
Member fees and assessments	\$ 13,282,793	\$ 8,867,155	\$ -	\$ 22,149,948
Health Center	6,591,472	-	-	6,591,472
Home Health	3,311,189	-	-	3,311,189
Asset Replacement	-	58,557	-	58,557
Insurance	-	25,148	-	25,148
Miscellaneous Income	3,480	-	-	3,480
Total Operating Revenues, Gains and Other Support	<u>23,188,934</u>	<u>8,950,860</u>	<u>-</u>	<u>32,139,794</u>
OPERATING EXPENSES				
Program Services				
Housekeeping	2,087,007	677,491	-	2,764,498
Food and beverage	5,694,556	-	-	5,694,556
Health Center	5,813,299	-	-	5,813,299
Community Home Health	3,349,769	-	-	3,349,769
Resident services	848,199	-	-	848,199
Plant	453,669	4,032,467	-	4,486,136
	<u>18,246,499</u>	<u>4,709,958</u>	<u>-</u>	<u>22,956,457</u>
Supporting Services				
General and Administrative	4,130,615	2,936,469	-	7,067,084
Management fees	773,457	380,957	-	1,154,414
	<u>4,904,072</u>	<u>3,317,426</u>	<u>-</u>	<u>8,221,498</u>
Total Operating Expenses	<u>23,150,571</u>	<u>8,027,384</u>	<u>-</u>	<u>31,177,955</u>
Excess of Operating Revenues Over Expenses	38,363	923,476	-	961,839
OTHER CHANGES				
Net Investment Income (Loss)	1,734,655	50	-	1,734,705
Other expenses	(453,225)	-	-	(453,225)
Interest expense	(27,976)	-	-	(27,976)
Gain/Loss on sale of assets	(31,100)	(28,736)	-	(59,836)
Change in net assets without donor restrictions and members' equity	<u>1,260,717</u>	<u>894,790</u>	<u>-</u>	<u>2,155,507</u>
Net Assets With Donor Restrictions:				
Reserves Required By State Statute Deposited	45,000	-	-	45,000
Change net assets with donor restrictions	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>45,000</u>
Change in net assets and members' equity	<u>\$ 1,305,717</u>	<u>\$ 894,790</u>	<u>\$ -</u>	<u>\$ 2,200,507</u>

See Independent Auditors' Report

THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
COMBINING SCHEDULE OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2025

	The Cypress of Raleigh Club	The Cypress of Raleigh Owners' Association, Inc.	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Net change in net assets and members' equity	\$ 1,305,717	\$ 894,790	\$ -	\$ 2,200,507
Adjustments to Reconcile Change in Net Assets				
To Cash Provided by Operating Activities				
Depreciation	279,523	984,749	-	1,264,272
Gain/Loss on sale of assets	31,100	28,736	-	59,836
Realized and Unrealized Gains/Losses	(1,331,289)	-	-	(1,331,289)
Amortization of right-of-use financing lease asset	196,633	-	-	196,633
(Increase) decrease in:				
Accounts and Other Receivables	(10,481)	-	-	(10,481)
Inventory	10,013	-	-	10,013
Prepaid Expenses	(2,838)	-	-	(2,838)
Due From Affiliate	1,825,564	(1,824,520)	-	1,043
Increase (decrease)				
Accounts payable	193,801	-	-	193,801
Accrued Expenses	112,574	-	-	112,574
Due to Members	19,758	-	-	19,758
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,630,075	83,755	-	2,713,829
INVESTING ACTIVITIES				
Purchase of Investments	(11,061,481)	-	-	(11,061,481)
Proceeds from Sales of Investments	10,254,571	-	-	10,254,571
Purchase of Property and Equipment	(3,335,944)	-	-	(3,335,944)
NET CASH USED BY INVESTING ACTIVITIES	(4,142,854)	-	-	(4,142,854)
FINANCING ACTIVITIES				
Transfers (to) from Owners' Association	83,705	(83,705)	-	-
Payments on notes payable	(14,625)	-	-	(14,625)
Payments on Finance Lease Payable	(194,917)	-	-	(194,917)
NET CASH USED BY FINANCING ACTIVITIES	(125,837)	(83,705)	-	(209,542)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(1,638,616)	50	-	(1,638,567)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	2,835,511	100,177	-	2,935,688
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	\$ 1,196,894	\$ 100,227	\$ -	\$ 1,297,121
CASH CONSISTS OF:				
Cash and cash equivalents	\$ 804,833	\$ 100,227	\$ -	\$ 905,060
Cash and cash equivalents - without donor restrictions, designated	181,044	-	-	181,044
Restricted cash included in assets limited to use	211,017	-	-	211,017
	\$ 1,196,894	\$ 100,227	\$ -	\$ 1,297,121
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION				
Schedule of Noncash Investing and Financing Transactions				
Right-of-use asset obtained in exchange for lease obligations:				
Operating leases	\$ 44,093	\$ -	\$ -	\$ 44,093
Finance lease obligation for the use of equipment	\$ 277,687	\$ -	\$ -	\$ 277,687
Transfer of property and equipment from the Company	\$ 2,264,660	\$ -	\$ -	\$ 2,264,660
Cash paid for interest	\$ 27,976	\$ -	\$ -	\$ 27,976

See Independent Auditors' Report

THE CYPRESS OF RALEIGH, LLC
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS:	
Balance Sheets	3
Statements of Operations	4
Statements of Members' Equity	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 15



INDEPENDENT AUDITORS' REPORT

To the Members of
The Cypress of Raleigh, LLC

Opinion

We have audited the accompanying financial statements of The Cypress of Raleigh, LLC (a North Carolina Limited Liability Company), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of operations and members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Dreher Martin CPAs, P.A.

Raleigh, North Carolina
March 13, 2026

THE CYPRESS OF RALEIGH, LLC
BALANCE SHEETS
DECEMBER 31, 2025 AND 2024

Assets

	2025	2024
Current Assets		
Cash & cash equivalents	\$ 374,762	\$ 682,529
Accounts receivable	252,595	240,279
Notes receivable, current portion	-	946,980
Total Current Assets	<u>627,357</u>	<u>1,869,788</u>
Property & Equipment		
Furniture, fixtures & equipment	17,939	29,705
Rental units	666,731	666,731
Less accumulated depreciation	<u>(126,018)</u>	<u>(111,280)</u>
	558,652	585,156
Naming Rights	900,000	900,000
Restricted Assets		
Cash and cash equivalents for deposit escrow in money market fund	<u>322,238</u>	<u>264,056</u>
	322,238	264,056
Other Assets		
Notes receivable, net of current portion	265,980	-
Deposits	23,000	23,000
Assets held for investment	54,000	54,000
Accrued interest receivable	<u>118,472</u>	<u>105,346</u>
Total Other Assets	<u>461,452</u>	<u>182,346</u>
Total Assets	<u>\$ 2,869,699</u>	<u>\$ 3,801,346</u>

Liabilities & Members' Equity

Current Liabilities		
Accounts payable	\$ 24,821	\$ 39,167
Accounts payable-related parties	27,680	32,697
Accrued trust liabilities	238	56
Accrued payroll liabilities	6,979	3,910
Notes payable - current portion, related party	340,782	927,484
Lease payable - current portion	-	806
Reservation deposits	<u>322,000</u>	<u>264,000</u>
Total Current Liabilities	722,500	1,268,120
Long-term Liabilities		
Long-term debt, related party	<u>264,757</u>	<u>605,196</u>
Total Long-term Liabilities	<u>264,757</u>	<u>605,196</u>
Total Liabilities	987,257	1,873,316
<u>Members' Equity</u>		
Members' Equity	<u>1,882,442</u>	<u>1,928,030</u>
Total Liabilities & Members' Equity	<u>\$ 2,869,699</u>	<u>\$ 3,801,346</u>

See Accompanying Notes and Auditors' Report.

THE CYPRESS OF RALEIGH, LLC
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Revenue		
Resale Membership Fees	\$ 1,872,760	\$ 1,936,600
Resale Commissions	823,663	1,067,058
Management Fees	2,700,128	2,548,953
Total Revenue	<u>5,396,551</u>	<u>5,552,611</u>
Operating Expenses		
Bank Service Charges	5,839	2,921
Computer Expense	7,555	5,561
Contributions	16,500	33,021
Consulting	149,290	129,633
Depreciation and Amortization Expense	26,504	28,818
Dues & Subscriptions	20,099	13,974
Insurance-Health & Dental	25,434	18,167
Insurance-Liability	(559)	1,124
Licenses & Fees	184	247
Maintenance and Repairs	17,190	10,304
Management Fee	360,000	360,000
Marketing Expense	261,132	284,044
Meals & Entertainment	5,418	368
Office Supplies	5,792	5,771
Payroll Expenses	572,942	534,324
Postage & Shipping	2,216	6,399
Professional Fees	67,473	55,526
Property Taxes	3,807	995
Retirement Expense	1,320	-
Telephone Expense	1,832	3,092
Travel	-	3,268
Office Administrative Expenses	33,850	42,283
Total Operating Expenses	<u>1,583,818</u>	<u>1,539,840</u>
Operating Income	3,812,733	4,012,771
Other Income/(Expense)		
Miscellaneous Income	-	22,344
Miscellaneous Expense	(29,435)	(51,456)
Interest Expense	(40,701)	(45,254)
Interest Income	77,285	77,674
Total Other Income/(Expenses)	<u>7,149</u>	<u>3,308</u>
Net Income	<u>\$ 3,819,882</u>	<u>\$ 4,016,079</u>

See Accompanying Notes and Auditors' Report.

THE CYPRESS OF RALEIGH, LLC
STATEMENTS OF MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>Members'</u> <u>Equity</u>
Balance, January 1, 2024	\$ 1,759,431
Distributions	(3,847,480)
Net Income - 2024	<u>4,016,079</u>
Balance, December 31, 2024	<u>\$ 1,928,030</u>
Distributions	(3,865,470)
Net Income - 2025	<u>3,819,882</u>
Balance, December 31, 2025	<u>\$ 1,882,442</u>

See Accompanying Notes and Auditors' Report.

THE CYPRESS OF RALEIGH, LLC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Cash Provided by Operating Activities:		
Net Income	\$ 3,819,882	\$ 4,016,079
Depreciation and amortization expense	26,504	28,818
Adjustments to Reconcile Change in Operating Activities to Net Cash Provided:		
(Increase)/Decrease in:		
Accounts and notes receivable	668,684	(66,153)
Accrued interest receivable	(13,126)	(19,279)
Increase/(Decrease) in:		
Accounts payable	(19,363)	19,088
Reservation deposits due	58,000	52,000
Accrued trust liability	182	(73)
Accrued payroll	3,069	4,418
Net Cash Provided by Operating Activities	4,543,832	4,034,898
Cash Used by Financing Activities:		
Distributions	(3,865,470)	(3,847,480)
Proceeds on notes payable - related parties	-	600,000
Payments on notes payable - related parties	(927,141)	(314,911)
Payments on finance lease payable	(806)	(3,126)
Net Cash Used by Financing Activities	(4,793,417)	(3,565,517)
Net increase (decrease) in cash	(249,585)	469,381
Beginning Cash	946,585	477,204
Ending Cash	\$ 697,000	\$ 946,585
Cash Consists of:		
Cash & Cash Equivalents	\$ 374,762	\$ 682,529
Restricted Cash	322,238	264,056
	\$ 697,000	\$ 946,585
Supplemental disclosures:		
Cash paid for interest	\$ 40,701	\$ 45,254

See Accompanying Notes and Auditors' Report.

**THE CYPRESS OF RALEIGH, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 1 - NATURE OF ORGANIZATION

The Cypress of Raleigh, LLC (the “Company”), a Limited Liability Company, was organized on September 28, 2004 under the laws of the State of North Carolina to engage in the business of developing The Cypress of Raleigh, a condominium continuing care retirement community in Raleigh, North Carolina (“The Cypress” or “community”). The managing member is The Cypress Management Group, LLC with management delegated to three members, Michael G. Sandman, Craig C. Huggins and Mark T. Andrews.

The Company secured the licenses and permits necessary to construct The Cypress. All construction phases are complete. The Company has developed and sold 319 homes. The Cypress of Raleigh Owners’ Association, Inc. (the “Association”), which is comprised of the owners of units in the community, serves as the governing body for all issues related to the real estate aspects of the units and the common areas of the community. The Association has delegated to The Cypress of Raleigh Club, Inc. (the “Club”) the Association’s responsibilities with respect to the maintenance of the community’s common areas.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method

Activities are accounted for using the accrual method of accounting. This method of accounting conforms to accounting principles generally accepted in the United States of America.

Revenue and Cost Recognition

The Company receives revenue from the sale of villas and cottages. Revenue from unit sales are recognized when title passes to the member at the date of closing.

The Company also receives a membership fee from each resident member for services that are provided to them pursuant to their membership in the Club. These services are provided for in each new member’s Membership Agreement. Membership in The Club is a contractual right and is not incidental to the ownership of a real property interest in a villa or cottage. The cost of Membership is a separate, non-refundable Membership Fee paid to the Company, which is calculated as ten percent (10%) of the condominium unit’s gross purchase price. Since the Club, not the Company, is obligated to provide the future services associated with membership, revenue is recognized at the date of closing.

In addition, a real estate commission (typically 5% of the sales price of the unit without regard to the purchaser’s membership fee) may be earned on resales. Commission revenue is recognized at the date of closing.

THE CYPRESS OF RALEIGH, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company acts as management agent for the Club and in return receives a management fee of 10% of the operating costs of the Club. Management fee revenue is recognized monthly as services are performed and billed to the Club.

Use of Estimates

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

Cash, Cash Equivalents and Restricted Cash

For purposes of the balance sheet and statement of cash flows, cash and cash equivalents consist of cash on hand, depository accounts, money market funds with an original maturity of three months or less when purchased and money market mutual funds. Restricted cash consists of reservation and escrow.

Property & Equipment

The Company's policy is to capitalize property and equipment over \$5,000. Lesser amounts are expensed. Furniture, fixtures and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets.

Intangible Assets

In accordance with GAAP, the Company does not amortize indefinite-lived intangible assets. Management evaluates the remaining useful life of an intangible asset that is not being amortized each reporting period to determine whether events and circumstances continue to support an indefinite useful life. If an intangible asset that is not being amortized is subsequently determined to have a finite useful life, it is amortized prospectively over its estimated remaining useful life. Amortizable intangible assets are amortized on a straight-line basis over 3 to 40 years.

Leases

The Company determines if an arrangement is a lease at inception. All leases are recorded on the balance sheet except for leases with an initial term less than 12 months for which the Company made the short-term lease election.

Operating lease right-of-use assets (ROU) and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date.

THE CYPRESS OF RALEIGH, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Finance lease ROU assets are included in Property and equipment, net, and the related liabilities are included in lease payable in the balance sheets. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the Company's incremental borrowing rate. Lease and non-lease components of lease agreements are accounted for separately. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

Advertising Costs and Commissions

The Company expenses advertising costs and commissions as incurred. Advertising costs and commissions for the years ended December 31, 2025 and 2024 was \$261,132 and \$284,044 respectively.

Limited Liability Company/Income Taxes

Since limited liability companies have the tax attributes of a partnership, the entity does not incur federal and state income taxes; instead, its taxable income and losses are included in the tax returns of its members and taxed depending on their tax situations.

NOTE 3 - CONCENTRATIONS

The Company maintains its cash balances in several financial institutions located in Raleigh, North Carolina. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 for interest and non-interest bearing accounts. At December 31, 2025 and 2024, the Company's uninsured cash balances totaled \$455,562 and \$515,511, respectively. The Company also maintained investments in a brokerage account insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 per customer. At December 31, 2025, the Company had total investments of \$296,843 resulting in no deposits in excess of the SIPC insured amount. At December 31, 2024, the Company had total investments of \$574,885 resulting in deposits in excess of \$74,885 of the SIPC insured amount.

Approximately 50% and 46% of the Company's revenues for the years ended December 31, 2025 and 2024, respectively, were derived from the Club.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable are reported at contract value. The Company has not established an allowance for uncollectible accounts as it is management's opinion that they are fully collectible.

**THE CYPRESS OF RALEIGH, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 5 - NOTES RECEIVABLE

Notes receivable consist of the following at December 31:

	<u>2025</u>	<u>2024</u>
Revolving line of credit with current resident at 5% per annum through July 2027.	\$ 265,980	\$ 247,980
Revolving line of credit with current resident at 5% per annum through August 2025.	-	99,000
Promissory note with current resident at 6% per annum payable on the earlier of (a) 5 days after the closing date on the sale of the resident's property or (b) December 2025.	-	600,000
	265,980	946,980
Less current portion	-	(946,980)
Long term portion	\$ 265,980	\$ -

THE CYPRESS OF RALEIGH, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 6 - RELATED PARTY TRANSACTIONS

As the managing member, The Cypress Management Group, LLC, is reimbursed for expenses paid on behalf of the Company. The managing members of The Cypress Management Group, LLC are Michael G. Sandman, Craig C. Huggins and Mark T. Andrews. For the years ended December 31, 2025 and 2024, the management fee was \$360,000 and \$360,000, respectively.

During 2025 and 2024, the Company paid TME Investments \$19,235 and \$18,659, respectively for office administrative services.

During 2025 and 2024, the Company paid Michael G. Sandman, Attorney at Law \$34,848 and \$25,371, respectively, for legal and accounting services. At December 31, 2025 and 2024, the amount due was \$0 and \$5,313, respectively.

The Company receives a 10% management fee from the Club and the Association. During 2025 and 2024 the Company collected \$2,700,128 and \$2,548,953, respectively. At December 31, 2025 and 2024, \$252,595 and \$240,279 respectively, was due to the Company.

During 2025 and 2024 the Company paid the Club a total of \$51,733 and \$75,099, respectively. As of December 31, 2025 and 2024 the Company owed \$27,680 and \$25,885, respectively, to the Club.

The Company entered into a Membership Agreement with the spouse of a related party for occupancy (and related benefits) of a condominium unit (the "Unit") owned by the Company. Fee ownership of the Unit remains in the name of the Company. Per the Membership Agreement, annual ad valorem taxes assessed against the Unit will be paid by the Member. A nominal Membership fee was paid to the Company. All other terms of the Company's standard Membership Agreement are substantially similar.

During 2024, Michael G. Sandman, Craig C. Huggins and Mark T. Andrews loaned the Company \$60,000 each for operating expenses. As of December 31, 2024, there were no amounts due to Michael G. Sandman, Craig C. Huggins and Mark T. Andrews.

See Note 11 for related party debt.

THE CYPRESS OF RALEIGH, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 7 - RESERVATION DEPOSITS

The Company receives deposits from the potential residents for the purchase of units, which are held in a First Citizens escrow account, until the closing of the property. Each deposit is applied to the subsequent purchase of the unit, or is refundable less an administrative fee, at the request of the depositor.

NOTE 8 - PROPERTY & EQUIPMENT

These assets are recorded at cost when constructed or purchased by the Company and will be depreciated using the straight-line method over 5 to 27.5 years estimated useful lives once they are placed in service. Depreciation expense was \$26,504 and \$28,818 for 2025 and 2024, respectively.

NOTE 9 – NAMING RIGHTS

In December 2020, the Company paid The Cypress Group, LLC a fee of \$900,000 for the right to use the name “The Cypress of Raleigh”. Per agreement with The Cypress Group, LLC, the Company has earned the right to the name. In accordance with FASB ASC 350-30-35, the rights are evaluated for impairment annually.

NOTE 10 – ASSETS HELD FOR INVESTMENT

In 2023, the Company purchased parking spaces from members. The Company plans to hold the investments and sell to members at a future date.

THE CYPRESS OF RALEIGH, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 11 - NOTES PAYABLE

	<u>2025</u>	<u>2024</u>
Notes payable to related parties, with 40 quarterly payments of interest and principal beginning December 31, 2017. The notes mature September 30, 2027, are unsecured and carry interest rates of 4%.	\$ 605,539	\$ 932,680
Note payable to related party, with 4 quarterly payments of interest and principal beginning April 1, 2025. The note matures on the earlier of (a) 5 days after Lender has received payment in full on the loan or (b) December 16, 2025, is secured and carries an interest rate of 6%.	-	<u>600,000</u>
Total	<u>605,539</u>	<u>1,532,680</u>
Less current portion	<u>340,782</u>	<u>927,484</u>
	<u>\$ 264,757</u>	<u>\$ 605,196</u>

Future maturities of long-term debt are as follows:

2026	\$ 340,782
2027	<u>264,757</u>
	<u>\$ 605,539</u>

THE CYPRESS OF RALEIGH, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 12 - LEASES

The Company leased equipment under a financing lease that expired in March 2025. A new lease agreement for a copier was entered into in March 2025 with monthly base payments of approximately \$270. Lease expense included in the office supplies line in the Statements of Operations for the year ended December 31, 2025 was \$2,782.

The right-of-use asset associated with future lease payments at December 31 are shown below:

	<u>2025</u>	<u>2024</u>
Furniture, fixtures & equipment	\$ -	\$735
Lease liability	\$ -	\$806
Weighted average:		
Discount rate	0%	5%
Remaining lease term (years)	-	-

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

	<u>2025</u>	<u>2024</u>
Finance Lease Costs (included in depreciation and amortization expense and interest expense):		
Amortization of right-of-use assets	\$ 813	\$ 2,942
Interest on lease liability	<u>7</u>	<u>126</u>
Total lease cost	<u>\$ 820</u>	<u>\$ 3,068</u>

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

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 7	\$ 126
Financing cash flows from finance leases	\$ 806	\$ 3,126

THE CYPRESS OF RALEIGH, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 13 - INCOME TAXES

The IRS and North Carolina Department of Revenue may examine the returns of the Company for a three-year period after they are filed. The Company has open tax years from December 31, 2022 through December 31, 2025 which can be reviewed.

The members are liable for individual income taxes on their share of the Company's taxable income for both federal and state tax purposes. Distributions of \$3,831,361 and \$3,847,480 were made in 2025 and 2024, respectively.

The Company pays the North Carolina Pass-Through Entity ("PTE") tax ("PTE Tax") on behalf of its partners. This tax is assessed as 4.25% of the Company's business income and is applied to reduce the partners' federal taxable income reportable on their personal income tax returns. Accordingly, the partners recognize a federal income tax benefit as if the partners' state income tax were fully deductible on their personal federal income tax returns. Since the income tax benefits associated with the PTE Tax exclusively benefit the partners, the tax is recognized as a distribution. Distributions include \$34,109 and \$39,120, respectively, representing the PTE Tax paid on their behalf for the year ended December 31, 2025 and 2024.

NOTE 14 - SUBSEQUENT EVENTS

Subsequent events were evaluated through March 13, 2026, which is the date the financial statements were available to be issued.

Appendix B — Five-Year Prospective Financial Statements

See the following attached Prospective Financial Statements for Fiscal Years 2026–2030:

- The Cypress of Raleigh Club, Inc. – Forecasted Financial Statements for the Years Ended December 31, 2026 through 2030
- The Cypress of Raleigh Owners’ Association, Inc. – Forecasted Financial Statements for the Years Ended December 31, 2026 through 2030
- The Cypress of Raleigh Club, Inc. and The Cypress of Raleigh Owners’ Association, Inc. – Combined Forecasted Financial Statements for the Years Ended December 31, 2026 through 2030
- The Cypress of Raleigh, LLC – Forecasted Financial Statements for the Years Ended December 31, 2026 through 2030

THE CYPRESS OF RALEIGH CLUB, INC.

FORECASTED FINANCIAL STATEMENTS

FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030

CONTENTS

	<u>Page</u>
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT	1
FORECASTED FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Changes in Net Assets	4
Statements of Cash Flows	5
Summary of Significant Accounting Policies and Forecasted Assumptions	6 -13



INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors
The Cypress of Raleigh Club, Inc.

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

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

The accompanying forecast and this report were prepared pursuant to the North Carolina Statute 58-64A-150(a) (37) and should not be used for any other purpose.

Dreher Martin CPAs, P.A.

Raleigh, North Carolina
February 24, 2026

THE CYPRESS OF RALEIGH CLUB, INC.
Forecasted Statements of Financial Position for the Years Ending December 31, 2026 Through 2030

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

	2026	2027	2028	2029	2030
<u>Assets</u>					
Current Assets:					
Cash and Cash Equivalents	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Cash and Cash Equivalents - limited as to use	184,665	188,358	192,125	195,968	199,887
Accounts Receivable	934,132	978,711	1,025,429	1,074,389	1,125,699
Inventory	116,529	116,529	116,529	116,529	116,529
Prepaid Expenses	168,358	174,251	180,350	186,662	193,195
Total Current Assets	2,403,685	2,457,849	2,514,433	2,573,548	2,635,311
Property, Plant & Equipment:					
Furniture, Fixtures, & Equipment	4,690,394	4,978,326	5,244,118	5,546,148	5,871,008
	4,690,394	4,978,326	5,244,118	5,546,148	5,871,008
Less Accumulated Depreciation	(2,489,856)	(3,009,891)	(3,499,038)	(3,879,518)	(4,197,576)
Net Property, Plant & Equipment	2,200,538	1,968,435	1,745,080	1,666,631	1,673,432
Assets Limited as to Use					
Assets Limited as to Use					
Restricted Reserves Required by State Statute, Cash Equivalents	215,237	219,542	223,933	228,412	232,980
Restricted Reserves Required by State Statute, Investments	6,487,631	6,799,137	7,123,102	7,460,026	7,810,427
Asset Replacement Reserve, Investments	8,533,383	8,921,243	9,782,618	10,826,224	12,067,809
Total Assets Limited as to Use	15,236,252	15,939,921	17,129,653	18,514,662	20,111,216
Other Assets					
Due (to) from Association	(1,361,175)	(1,547,613)	(1,419,154)	(1,621,511)	(1,750,868)
Refundable Deposits	62,327	62,327	62,327	62,327	62,327
Right-of-use Assets - Operating Leases	19,427	6,422	-	-	-
Total Other Assets	(1,279,421)	(1,478,864)	(1,356,827)	(1,559,184)	(1,688,541)
Total Assets	\$ 18,561,054	\$ 18,887,340	\$ 20,032,338	\$ 21,195,657	\$ 22,731,418
<u>Liabilities & Net Assets</u>					
Current Liabilities:					
Accounts Payable	\$ 920,570	\$ 955,653	\$ 992,210	\$ 1,030,425	\$ 1,070,119
Accrued Expenses	1,322,455	1,372,853	1,425,371	1,480,268	1,537,291
Due to Members	19,158	19,924	20,721	21,550	22,412
Current Portion of Notes Payable	1,281	-	-	-	-
Current Portion of Operating Lease Liability	13,005	6,422	-	-	-
Current Portion of Finance Lease Liability	186,835	142,639	25,705	-	-
Deferred Revenue - Refundable	-	-	-	-	-
Deferred Revenue - Non-Refundable	-	-	-	-	-
Total Current Liabilities	2,463,304	2,497,491	2,464,007	2,532,243	2,629,821
Operating Lease Liability, Net of Current Portion	6,422	-	-	-	-
Finance Lease Liability, Net of Current Portion	168,344	25,705	-	-	-
Total Long-term Liabilities	174,766	25,705	-	-	-
Total Liabilities	2,638,070	2,523,196	2,464,007	2,532,243	2,629,821
Net Assets:					
Without donor restrictions					
Undesignated	2,928,936	2,928,543	3,217,588	3,215,222	3,357,901
Designated	8,718,048	9,109,601	9,974,743	11,022,192	12,267,696
With donor restrictions	4,276,000	4,326,000	4,376,000	4,426,000	4,476,000
Total Net Assets	15,922,984	16,364,144	17,568,331	18,663,414	20,101,597
Total Liabilities & Net Assets	\$ 18,561,054	\$ 18,887,340	\$ 20,032,338	\$ 21,195,657	\$ 22,731,418

THE CYPRESS OF RALEIGH CLUB, INC.
Forecasted Statements of Activities for the Years Ending December 31, 2026 Through 2030

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

	2026	2027	2028	2029	2030
Net Assets Without Donor Restrictions					
Operating Revenue:					
Service Fees	\$ 12,221,042	\$ 12,739,616	\$ 13,280,209	\$ 13,843,757	\$ 14,431,233
Health Center	6,747,612	7,118,420	7,509,119	7,920,747	8,354,394
Home Health Revenue	3,346,740	3,480,610	3,619,834	3,764,627	3,915,212
Other Income	52,696	54,277	55,905	57,582	59,310
Total Operating Revenue	<u>22,368,090</u>	<u>23,392,923</u>	<u>24,465,067</u>	<u>25,586,713</u>	<u>26,760,149</u>
 Operating Expenses:					
Program Services					
Housekeeping	2,172,149	2,248,174	2,326,860	2,408,300	2,492,591
Food and beverage	6,105,438	6,349,656	6,603,642	6,867,787	7,142,499
Health Center	5,757,681	5,987,988	6,227,508	6,476,608	6,735,672
Community Home Health	3,279,493	3,410,673	3,547,100	3,688,984	3,836,543
Resident Services	926,111	958,525	992,073	1,026,796	1,062,734
Plant	694,913	722,710	751,618	781,683	812,950
	<u>18,935,785</u>	<u>19,677,726</u>	<u>20,448,801</u>	<u>21,250,158</u>	<u>22,082,989</u>
 Supportive Services					
General & Administrative	2,611,454	2,675,934	2,736,632	2,729,057	2,772,276
Management Fee - Life Care Services	801,866	837,717	875,182	914,333	955,248
Management Fee - Cypress of Raleigh, LLC	1,882,225	1,956,794	2,034,625	2,116,123	2,200,902
	<u>5,295,543</u>	<u>5,470,444</u>	<u>5,646,437</u>	<u>5,759,514</u>	<u>5,928,426</u>
Total Operating Expenses	<u>24,231,329</u>	<u>25,148,170</u>	<u>26,095,239</u>	<u>27,009,671</u>	<u>28,011,416</u>
Excess of Operating Revenues Over (Under) Expenses	(1,863,239)	(1,755,247)	(1,630,172)	(1,422,958)	(1,251,267)
 Other Changes:					
Net Investment Income (Loss)	601,629	630,600	661,611	710,079	761,500
Other expenses	(572,886)	(590,073)	(607,775)	(626,008)	(644,788)
Increase (Decrease) in Net Assets without Donor Restrictions	<u>(1,834,497)</u>	<u>(1,714,720)</u>	<u>(1,576,336)</u>	<u>(1,338,887)</u>	<u>(1,134,555)</u>
 Net Assets With Donor Restrictions					
Reserves Required by State Statute Deposited	50,000	50,000	50,000	50,000	50,000
Increase (Decrease) in Net Assets with Donor Restrictions	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
 Increase (Decrease) in Net Assets	<u>\$ (1,784,497)</u>	<u>\$ (1,664,720)</u>	<u>\$ (1,526,336)</u>	<u>\$ (1,288,887)</u>	<u>\$ (1,084,555)</u>

THE CYPRESS OF RALEIGH CLUB, INC.
Forecasted Statements of Changes in Net Assets for the Years Ending December 31, 2026 Through 2030

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

	2026	2027	2028	2029	2030
Net Assets without Donor Restrictions:					
Undesignated Net Assets without Donor Restrictions:					
Undesignated Net Assets without Donor Restrictions-beginning of year	\$ (5,868,142)	\$ 2,928,936	\$ 2,928,543	\$ 3,217,588	\$ 3,215,222
Increase (Decrease) in Undesignated Net Assets without Donor Restrictions	(2,178,760)	(2,075,817)	(1,955,824)	(1,753,721)	(1,587,166)
Transfer from (to) net assets designated for asset replacement	313,782	53,544	(398,654)	(542,615)	(702,893)
Transfer from (to) Association	12,104,232	3,653,493	4,149,676	4,005,482	4,273,605
Asset purchases transferred to Owners' Association	(1,442,175)	(1,631,613)	(1,506,154)	(1,711,511)	(1,840,868)
Increase (Decrease) in Undesignated Net Assets without Donor Restrictions-end of year	2,928,936	2,928,543	3,217,588	3,215,222	3,357,901
Designated Net Assets without Donor Restrictions:					
Designated Net Assets without Donor Restrictions-beginning of year	8,606,567	8,718,048	9,109,601	9,974,743	11,022,192
Transfer (to) from Undesignated Net Assets without Donor Restrictions	(313,782)	(53,544)	398,654	542,615	702,893
Increase (Decrease) in Designated Net Assets without Donor Restrictions	344,263	361,097	379,488	414,834	452,611
Amounts transferred from Owners' Association for reserves	81,000	84,000	87,000	90,000	90,000
Increase (Decrease) in Designated Net Assets without Donor Restrictions -end of year	8,718,048	9,109,601	9,974,743	11,022,192	12,267,696
Net Assets with Donor Restrictions:					
Net assets with Donor Restrictions -beginning of year	4,226,000	4,276,000	4,326,000	4,376,000	4,426,000
Additions from new units	50,000	50,000	50,000	50,000	50,000
Net assets with Donor Restrictions -end of year	4,276,000	4,326,000	4,376,000	4,426,000	4,476,000
Net Assets-end of year	\$ 15,922,984	\$ 16,364,144	\$ 17,568,331	\$ 18,663,414	\$ 20,101,597

THE CYPRESS OF RALEIGH CLUB, INC.
Forecasted Statements of Cash Flows From Operations for the Years Ending December 31, 2026 Through 2030

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

	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
<u>Cash Flows from Operating Activities</u>					
Change in Net Assets	\$ (1,784,497)	\$ (1,664,720)	\$ (1,526,336)	\$ (1,288,887)	\$ (1,084,555)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:					
Depreciation	330,857	335,030	350,976	350,575	318,059
Amortization of right-of-use financing lease asset	209,830	185,005	138,171	29,905	-
(Increase) Decrease in:					
Accounts Receivable	48,518	(44,578)	(46,718)	(48,960)	(51,310)
Due from Association	(8,404,621)	186,439	(128,459)	202,357	129,357
Prepaid Expenses	(5,693)	(5,893)	(6,099)	(6,312)	(6,533)
Increase (Decrease) in:					
Accounts Payable	(8,396)	35,083	36,558	38,215	39,694
Due to Members	(27,865)	766	797	829	862
Accrued Expense	(12,061)	50,398	52,517	54,898	57,022
Operating lease assets and liabilities	(536)	-	-	-	-
Net Cash Used by Operating Activities	<u>(9,654,466)</u>	<u>(922,469)</u>	<u>(1,128,593)</u>	<u>(667,382)</u>	<u>(597,404)</u>
<u>Cash Flow from Investing Activities</u>					
Sale (Purchase) of Investments	(407,384)	(699,365)	(1,185,340)	(1,380,531)	(1,591,986)
Purchase of Property & Equipment	(1,696,676)	(1,919,545)	(1,771,946)	(2,013,542)	(2,165,727)
Net Cash Used by Investing Activities	<u>(2,104,060)</u>	<u>(2,618,910)</u>	<u>(2,957,286)</u>	<u>(3,394,073)</u>	<u>(3,757,713)</u>
<u>Cash Flow from Financing Activities</u>					
Transfers from (to) Association	12,185,232	3,737,493	4,236,676	4,095,482	4,363,605
Payments on notes payable	(15,198)	(1,281)	-	-	-
Payments on Finance Lease Liability	(208,500)	(186,835)	(142,639)	(25,705)	-
Net Cash Provided by Financing Activities	<u>11,961,534</u>	<u>3,549,377</u>	<u>4,094,037</u>	<u>4,069,777</u>	<u>4,363,605</u>
Net Increase in Cash and Cash Equivalents and Restricted Cash	203,008	7,998	8,158	8,322	8,487
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	<u>1,196,894</u>	<u>1,399,902</u>	<u>1,407,900</u>	<u>1,416,058</u>	<u>1,424,380</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 1,399,902</u>	<u>\$ 1,407,900</u>	<u>\$ 1,416,058</u>	<u>\$ 1,424,380</u>	<u>\$ 1,432,867</u>
<u>CASH AND CASH EQUIVALENTS RECONCILIATION</u>					
Cash and Cash Equivalents	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Cash and Cash Equivalents-Without Donor Restrictions, Designated	184,665	188,358	192,125	195,968	199,887
Restricted Cash Included in Assets Limited to Use	215,237	219,542	223,933	228,412	232,980
	<u>\$ 1,399,902</u>	<u>\$ 1,407,900</u>	<u>\$ 1,416,058</u>	<u>\$ 1,424,380</u>	<u>\$ 1,432,867</u>

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

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

Years Ending December 31, 2026 through 2030

See Independent Accountants' Compilation Report

These financial forecasts present, to the best of management's knowledge and belief, the expected financial position, results of operations and cash flows for the forecast periods. Accordingly, the forecasts reflect management's judgment as of February 24, 2026, the date of these forecasts, of the expected conditions and management's expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecasts. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

1. Summary of Significant Accounting Policies

Nature of Organization and Activities

The accompanying forecasted financial statements include the accounts of The Cypress of Raleigh Club, Inc. ("Club"). The Club was organized as a not-for-profit corporation under the laws of the State of North Carolina to manage operations of The Cypress of Raleigh, a condominium continuing care retirement community located in Raleigh ("The Cypress" or "community"). The Cypress of Raleigh Owners' Association, Inc. ("Association") was created in accordance with the North Carolina Condominium Act to manage The Cypress.

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

Basis of Accounting

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

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

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

Years Ending December 31, 2026 through 2030

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies (continued)

Contributions and Net Assets

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

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

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

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

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

Cash and Cash Equivalents and Restricted Cash

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

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

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

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

Years Ending December 31, 2026 through 2030

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies (continued)

Investments

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

Accounts Receivable

The Club records accounts receivable at total unpaid balance, which approximates fair value. The Club determines past-due status of individual accounts receivable based on terms of the original contract (or based on how recently payments have been made, for example). The Club estimates an allowance for doubtful accounts based on a combination of factors, including the Club's historical loss experience and any anticipated effects related to current economic conditions, as well as management knowledge of the current accounts receivable. Delinquent accounts are written off when deemed uncollectible. The Club's management considers all accounts currently collectible and does not establish an allowance for uncollectible accounts at this time.

Inventory

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

Prepaid Expenses

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

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

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

Years Ending December 31, 2026 through 2030

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies (continued)

Property and Equipment

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

Assets Limited as to Use

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

North Carolina General Statute Chapter 58 requires continuing care retirement communities to maintain an operating reserve equal to a statutorily required percentage of total forecasted operating costs (less certain expenses) for a specific period. This operating reserve is not Board-controlled and cannot be used without the prior approval of the commissioner of the North Carolina Department of Insurance pursuant to GS § 58-64A-265.

Due to Association and Affiliate

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

Leases

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

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

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

Years Ending December 31, 2026 through 2030

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies (concluded)

Leases (concluded)

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

Revenue Recognition

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

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

Revenues under third-party payer agreements are subject to audit and retroactive adjustment. Provisions for estimated third-party payer settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

Income Taxes

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

Estimates

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

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

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

Years Ending December 31, 2026 through 2030

See Independent Accountants' Compilation Report

2. Summary of Significant Forecasted Assumptions

Cash and Cash Equivalents

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

Investments

Investments have been calculated based on historical data adjusted for estimated growth of between 2 – 4 % depending on investment type.

Accounts Receivable

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

Property, Plant and Equipment

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

Assets Whose Use is Limited

Operating reserves are forecast to meet the minimum operating reserve requirements which will be required by the North Carolina Department of Insurance. The Cypress is required to maintain reserve funds between 31.25% to 50% of the total annual operating expenses if the occupancy is below 90%. Since the occupancy exceeds 90%, the reserve requirement is required to be 12.5%. The Company reserves the right, if necessary or appropriate, to loan funds for the reserve account and to be reimbursed as funding occurs through future sales. The Association has also adopted a resolution to designate funds from the asset replacement reserve account to meet the statutory reserve requirement, if necessary. This fund was transferred from the Association to the Club in 2015.

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

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

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

Years Ending December 31, 2026 through 2030

See Independent Accountants' Compilation Report

2. Summary of Significant Forecasted Assumptions (continued)

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses have been calculated based on historical data adjusted for estimated inflation of 3% over the term of the forecast.

Revenue

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

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

Health Center revenues are based on historic occupancy rates; prices for services are adjusted for an average inflation rate of 4.25%.

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

Operating Expenses

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

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

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

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

Years Ending December 31, 2026 through 2030

See Independent Accountants' Compilation Report

2. Summary of Significant Forecasted Assumptions (concluded)

Depreciation and Amortization

Depreciation expense in the forecast period reflects straight-line depreciation of asset balances at December 31 of each year, computed over the estimated useful lives of the assets. Amortization expense reflects the straight-line reduction of finance lease assets over the shorter of the lease term or the asset's estimated useful life.

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

Other Expenses

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

Income Taxes

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

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.

FORECASTED FINANCIAL STATEMENTS

FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030

CONTENTS

	<u>Page</u>
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT	1
FORECASTED FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Changes in Members' Equity	4
Statements of Cash Flows	5
Summary of Significant Accounting Policies and Forecasted Assumptions	6 - 9



DREHER MARTIN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

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

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

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

The accompanying forecast and this report were prepared pursuant to the North Carolina Statute 58-64A-150(a) (37) and should not be used for any other purpose.

Dreher Martin CPAs, P.A.

Raleigh, North Carolina
February 24, 2026

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THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
Forecasted Statements of Financial Position for the Years Ending December 31, 2026 Through 2030

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

	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
Current Assets					
Cash	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Total current assets	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Property, Plant & Equipment:					
Furniture & Fixtures	23,414,180	25,045,794	26,551,948	28,263,458	30,104,326
	<u>23,414,180</u>	<u>25,045,794</u>	<u>26,551,948</u>	<u>28,263,458</u>	<u>30,104,326</u>
Less Accumulated Depreciation	(8,204,966)	(9,514,989)	(10,957,746)	(12,531,472)	(14,193,730)
Net Property, Plant & Equipment	<u>15,209,213</u>	<u>15,530,805</u>	<u>15,594,202</u>	<u>15,731,986</u>	<u>15,910,597</u>
Due from Club	<u>1,361,175</u>	<u>1,547,613</u>	<u>1,419,154</u>	<u>1,621,511</u>	<u>1,750,868</u>
Total Assets	<u>\$ 16,670,388</u>	<u>\$ 17,178,418</u>	<u>\$ 17,113,356</u>	<u>\$ 17,453,496</u>	<u>\$ 17,761,465</u>
Members' Equity					
Undesignated	\$ 16,670,388	\$ 17,178,418	\$ 17,113,356	\$ 17,453,496	\$ 17,761,465
Total Members' Equity	<u>16,670,388</u>	<u>17,178,418</u>	<u>17,113,356</u>	<u>17,453,496</u>	<u>17,761,465</u>
Total Liabilities & Members' Equity	<u>\$ 16,670,388</u>	<u>\$ 17,178,418</u>	<u>\$ 17,113,356</u>	<u>\$ 17,453,496</u>	<u>\$ 17,761,465</u>

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
Forecasted Statements of Activities for the Years Ending December 31, 2026 Through 2030

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

	2026	2027	2028	2029	2030
Operating Revenue:					
Service Fees	\$ 10,876,750	\$ 11,338,282	\$ 11,819,411	\$ 12,320,969	\$ 12,843,825
Asset Replacement	81,000	84,000	87,000	90,000	90,000
Insurance	37,722	39,119	40,516	41,913	41,913
Total Operating Revenue	<u>10,995,472</u>	<u>11,461,401</u>	<u>11,946,927</u>	<u>12,452,882</u>	<u>12,975,738</u>
Operating Expenses:					
Program Services					
Housekeeping	863,491	893,713	924,993	957,368	990,876
Plant	4,001,431	4,161,488	4,327,948	4,501,065	4,681,108
	<u>4,864,922</u>	<u>5,055,201</u>	<u>5,252,941</u>	<u>5,458,433</u>	<u>5,671,984</u>
Supportive Services					
General & Administrative	2,231,373	2,415,889	2,595,338	2,777,724	2,918,528
Management Fee - Life Care Services	394,949	412,607	431,060	450,343	470,495
Management Fee - Cypress of Raleigh, LLC	927,066	963,794	1,002,129	1,042,270	1,084,027
	<u>3,553,388</u>	<u>3,792,290</u>	<u>4,028,526</u>	<u>4,270,337</u>	<u>4,473,049</u>
Total Operating Expenses	<u>8,418,310</u>	<u>8,847,491</u>	<u>9,281,468</u>	<u>9,728,770</u>	<u>10,145,033</u>
Excess of Operating Revenue Over Expense	2,577,162	2,613,910	2,665,459	2,724,112	2,830,705
Other Changes:					
Amortization of Entrance Fees	-	-	-	-	-
Increase (Decrease) in Members' Equity	<u>\$ 2,577,162</u>	<u>\$ 2,613,910</u>	<u>\$ 2,665,459</u>	<u>\$ 2,724,112</u>	<u>\$ 2,830,705</u>

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
Forecasted Statements of Changes in Members' Equity for the Years Ending December 31, 2026 Through 2030

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

	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
Members' Equity - undesignated					
Beginning balance	\$ 24,836,283	\$ 16,670,388	\$ 17,178,418	\$ 17,113,356	\$ 17,453,496
Excess of revenue, gains and other support over expense	2,577,162	2,613,910	2,665,459	2,724,112	2,830,705
Assets purchases transferred from Club	1,442,175	1,631,613	1,506,154	1,711,511	1,840,868
Transfers (to) from Club	(12,104,232)	(3,653,493)	(4,149,676)	(4,005,482)	(4,273,605)
Amounts transferred to Club for reserves	(81,000)	(84,000)	(87,000)	(90,000)	(90,000)
Members' Equity - undesignated - end of year	<u>\$ 16,670,388</u>	<u>\$ 17,178,418</u>	<u>\$ 17,113,356</u>	<u>\$ 17,453,496</u>	<u>\$ 17,761,465</u>

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
Forecasted Statements of Cash Flows From Operations for the Years Ending December 31, 2026 Through 2030

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

	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
<u>Cash Flows from Operating Activities</u>					
Change in Members' Equity	\$ 2,577,162	\$ 2,613,910	\$ 2,665,459	\$ 2,724,112	\$ 2,830,705
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:					
Depreciation	1,169,027	1,310,023	1,442,757	1,573,725	1,662,258
(Increase)Decrease in:					
Due (to) from Club	8,438,815	(186,439)	128,459	(202,357)	(129,357)
Net Cash Provided by Operating Activities	12,185,005	3,737,493	4,236,676	4,095,482	4,363,605
Cash Flow from Financing Activities					
Transfers to Club	(12,185,232)	(3,737,493)	(4,236,676)	(4,095,482)	(4,363,605)
Cash Used by Financing Activities	(12,185,232)	(3,737,493)	(4,236,676)	(4,095,482)	(4,363,605)
Net Increase (Decrease) in Cash and Cash Equivalents	(227)	0	(0)	(0)	(0)
Cash and Cash Equivalents at Beginning of Year	\$ 100,227	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Cash and Cash Equivalents at End of Year	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000

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

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

Years Ending December 31, 2026 through 2030

See Independent Accountants' Compilation Report

These financial forecasts present, to the best of management's knowledge and belief, the expected financial position, results of operations and cash flows for the forecast periods. Accordingly, the forecasts reflect management's judgment as of February 24, 2026, the date of these forecasts, of the expected conditions and management's expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecasts. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

1. Summary of Significant Accounting Policies

Nature of Organization and Activities

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

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

Basis of Accounting

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

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

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

Years Ending December 31, 2026 through 2030

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

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

Property and Equipment

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

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

Due from Club

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

Revenue Recognition

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

Income Taxes

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

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

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

Years Ending December 31, 2026 through 2030

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies (concluded)

Estimates

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

2. Summary of Significant Forecasted Assumptions

Cash and Cash Equivalents

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

Property, Plant and Equipment

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

Revenue

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

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

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

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

Years Ending December 31, 2026 through 2030

See Independent Accountants' Compilation Report

2. Summary of Significant Forecasted Assumptions (concluded)

Operating Expenses

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

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

Depreciation

Depreciation expense in the forecast period reflects straight-line depreciation of asset balances at December 31 of each year, computed over the estimated useful lives of the assets.

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

THE CYPRESS OF RALEIGH CLUB, INC.

AND

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.

COMBINED FORECASTED FINANCIAL STATEMENTS

FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030

CONTENTS

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT	<u>Page</u> 1
FORECASTED FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Changes in Net Assets	4
Statements of Cash Flows	5
Summary of Significant Accounting Policies and Forecasted Assumptions	6 - 14



INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

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

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

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

The accompanying forecast and this report were prepared pursuant to the North Carolina Statute 58-64A-150(a) (37) and should not be used for any other purpose.

Dreher Martin CPAs, P.A.

Raleigh, North Carolina
February 24, 2026

THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
Combined Forecasted Statements of Financial Position for the Years Ending December 31, 2026 Through 2030

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

	2026	2027	2028	2029	2030
<u>Assets</u>					
Current Assets:					
Cash and Cash Equivalents	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000
Cash and Cash Equivalents-limited as to use	184,665	188,358	192,125	195,968	199,887
Accounts Receivable	934,132	978,711	1,025,429	1,074,389	1,125,699
Inventory	116,529	116,529	116,529	116,529	116,529
Prepaid Expenses	168,358	174,251	180,350	186,662	193,195
Total Current Assets	<u>2,503,684</u>	<u>2,557,848</u>	<u>2,614,434</u>	<u>2,673,547</u>	<u>2,735,310</u>
Property, Plant & Equipment:					
Furniture, Fixtures, & Equipment	28,104,574	30,024,120	31,796,066	33,809,606	35,975,334
	<u>28,104,574</u>	<u>30,024,120</u>	<u>31,796,066</u>	<u>33,809,606</u>	<u>35,975,334</u>
Less Accumulated Depreciation	(10,694,823)	(12,524,881)	(14,456,784)	(16,410,989)	(18,391,306)
Net Property, Plant & Equipment	<u>17,409,751</u>	<u>17,499,240</u>	<u>17,339,282</u>	<u>17,398,617</u>	<u>17,584,029</u>
Assets Limited as to Use					
Restricted Reserves Required by State Statute, Cash Equivalents	215,237	219,542	223,933	228,412	232,980
Restricted Reserves Required by State Statute, Investments	6,487,631	6,799,137	7,123,102	7,460,026	7,810,427
Asset Replacement Reserve, Investments	8,533,383	8,921,243	9,782,618	10,826,224	12,067,809
Total Assets Limited as to Use	<u>15,236,252</u>	<u>15,939,921</u>	<u>17,129,653</u>	<u>18,514,662</u>	<u>20,111,216</u>
Other Assets					
Refundable Deposits	62,327	62,327	62,327	62,327	62,327
Right-of-use Assets - Operating Leases	19,427	6,422	-	-	-
Total Other Assets	<u>81,754</u>	<u>68,749</u>	<u>62,327</u>	<u>62,327</u>	<u>62,327</u>
Total Assets	<u>\$ 35,231,442</u>	<u>\$ 36,065,758</u>	<u>\$ 37,145,694</u>	<u>\$ 38,649,153</u>	<u>\$ 40,492,882</u>
<u>Liabilities & Net Assets</u>					
Current Liabilities:					
Accounts Payable	\$ 920,570	\$ 955,653	\$ 992,210	\$ 1,030,425	\$ 1,070,119
Accrued Expenses	1,322,455	1,372,853	1,425,371	1,480,268	1,537,291
Due to Members	19,158	19,924	20,721	21,550	22,412
Current Portion of Notes Payable	1,281	-	-	-	-
Current Portion of Operating Lease Liability	13,005	6,422	-	-	-
Current Portion of Finance Lease Liability	186,835	142,639	25,705	-	-
Deferred Revenue - Refundable	-	-	-	-	-
Deferred Revenue - Non-Refundable	-	-	-	-	-
Total Current Liabilities	<u>2,463,304</u>	<u>2,497,491</u>	<u>2,464,007</u>	<u>2,532,243</u>	<u>2,629,821</u>
Long-term Liabilities:					
Operating Lease Liability, Net of Current Portion	6,422	-	-	-	-
Finance Lease Liability, Net of Current Portion	168,344	25,705	-	-	-
Total Long-term Liabilities	<u>174,766</u>	<u>25,705</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>2,638,070</u>	<u>2,523,196</u>	<u>2,464,007</u>	<u>2,532,243</u>	<u>2,629,821</u>
Net Assets:					
Net Assets without Donor Restriction, Undesignated	2,928,936	2,928,543	3,217,588	3,215,222	3,357,901
Net Assets without Donor Restriction, Designated	8,718,048	9,109,601	9,974,743	11,022,192	12,267,696
Net Assets with Donor Restrictions	4,276,000	4,326,000	4,376,000	4,426,000	4,476,000
Member's Equity, Undesignated	16,670,388	17,178,418	17,113,356	17,453,496	17,761,465
Total Net Assets	<u>32,593,372</u>	<u>33,542,562</u>	<u>34,681,686</u>	<u>36,116,910</u>	<u>37,863,062</u>
Total Liabilities & Net Assets	<u>\$ 35,231,442</u>	<u>\$ 36,065,758</u>	<u>\$ 37,145,694</u>	<u>\$ 38,649,153</u>	<u>\$ 40,492,882</u>

THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
Combined Forecasted Statements of Activities for the Years Ending December 31, 2026 Through 2030

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

	2026	2027	2028	2029	2030
Net Assets Without Donor Restrictions					
<u>Operating Revenue:</u>					
Service Fees	\$ 23,097,792	\$ 24,077,898	\$ 25,099,620	\$ 26,164,726	\$ 27,275,058
Health Center	6,747,612	7,118,420	7,509,119	7,920,747	8,354,394
Asset Replacement	81,000	84,000	87,000	90,000	90,000
Insurance	37,722	39,119	40,516	41,913	41,913
Home Health Revenue	3,346,740	3,480,610	3,619,834	3,764,627	3,915,212
Other income	52,696	54,277	55,905	57,582	59,310
Total Operating Revenue	<u>33,363,562</u>	<u>34,854,324</u>	<u>36,411,994</u>	<u>38,039,595</u>	<u>39,735,887</u>
Expenses:					
Program Services					
Housekeeping	3,035,640	3,141,887	3,251,853	3,365,668	3,483,467
Food and Beverage	6,105,438	6,349,656	6,603,642	6,867,787	7,142,499
Health Center	5,757,681	5,987,988	6,227,508	6,476,608	6,735,672
Community Home Health	3,279,493	3,410,673	3,547,100	3,688,984	3,836,543
Resident Services	926,111	958,525	992,073	1,026,796	1,062,734
Plant	4,696,344	4,884,198	5,079,566	5,282,748	5,494,058
	<u>23,800,707</u>	<u>24,732,927</u>	<u>25,701,742</u>	<u>26,708,591</u>	<u>27,754,973</u>
Supportive Services					
General & Administrative	4,842,827	5,091,823	5,331,970	5,506,781	5,690,804
Management Fee - Life Care Services	1,196,814	1,250,323	1,306,241	1,364,677	1,425,743
Management Fee - The Cypress of Raleigh, LLC	2,809,291	2,920,589	3,036,753	3,158,393	3,284,929
	<u>8,848,932</u>	<u>9,262,735</u>	<u>9,674,964</u>	<u>10,029,851</u>	<u>10,401,476</u>
Total Operating Expenses	<u>32,649,639</u>	<u>33,995,662</u>	<u>35,376,706</u>	<u>36,738,442</u>	<u>38,156,449</u>
Excess of Operating Revenue Over Expenses	713,923	858,662	1,035,288	1,301,153	1,579,437
Other Changes:					
Net Investment Income (Loss)	601,629	630,600	661,611	710,079	761,500
Other expenses	(572,886)	(590,073)	(607,775)	(626,008)	(644,788)
Amortization of Entrance Fees	-	-	-	-	-
Increase (Decrease) in Net Assets without Donor Restrictions	<u>742,666</u>	<u>899,189</u>	<u>1,089,124</u>	<u>1,385,225</u>	<u>1,696,149</u>
Net Assets With Donor Restrictions					
Reserves Required by State Statute Deposited	50,000	50,000	50,000	50,000	50,000
Increase (Decrease) in Net Assets with Donor Restrictions	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
Increase (Decrease) in Net Assets	<u>\$ 792,666</u>	<u>\$ 949,189</u>	<u>\$ 1,139,124</u>	<u>\$ 1,435,225</u>	<u>\$ 1,746,149</u>

THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
Combined Forecasted Statements of Changes in Net Assets for the Years Ending December 31, 2026 Through 2030

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

	2026	2027	2028	2029	2030
Net Assets without Donor Restriction:					
Undesignated Net Assets without Donor Restriction:					
Undesignated Net Assets without Donor Restriction-beginning of year	\$ (5,868,142)	\$ 2,928,936	\$ 2,928,543	\$ 3,217,588	\$ 3,215,222
Increase (Decrease) in Undesignated Net Assets without Donor Restriction	(2,178,760)	(2,075,817)	(1,955,824)	(1,753,721)	(1,587,166)
Transfer from (to) net assets designated for asset replacement	313,782	53,544	(398,654)	(542,615)	(702,893)
Transfer from (to) Association	12,104,232	3,653,493	4,149,676	4,005,482	4,273,605
Asset purchases transferred to Owners' Association	(1,442,175)	(1,631,613)	(1,506,154)	(1,711,511)	(1,840,868)
Increase (Decrease) in Undesignated Net Assets without donor restriction-end of year	2,928,936	2,928,543	3,217,588	3,215,222	3,357,901
Designated Net Assets without Donor Restriction:					
Designated Net Assets without Donor Restriction-beginning of year	8,606,567	8,718,048	9,109,601	9,974,743	11,022,192
Increase (Decrease) in Designated Net Assets	344,263	361,097	379,488	414,834	452,611
Transfer (to) from Undesignated Net Assets without Donor Restriction	(313,782)	(53,544)	398,654	542,615	702,893
Amounts transferred from Owners' Association for reserves	81,000	84,000	87,000	90,000	90,000
Increase (Decrease) in Designated Net Assets without Donor Restriction-end of year	8,718,048	9,109,601	9,974,743	11,022,192	12,267,696
Total Net Assets without Donor Restriction - end of year	11,646,984	12,038,144	13,192,331	14,237,414	15,625,597
Net Assets with Donor Restrictions:					
Net assets with Donor Restrictions-beginning of year	4,226,000	4,276,000	4,326,000	4,376,000	4,426,000
Additions from new units	50,000	50,000	50,000	50,000	50,000
Increase (Decrease) in Net Assets with Donor Restrictions - end of year	4,276,000	4,326,000	4,376,000	4,426,000	4,476,000
Net Assets - end of year	\$ 15,922,984	\$ 16,364,144	\$ 17,568,331	\$ 18,663,414	\$ 20,101,597
Members' Equity - Undesignated:					
Beginning Balance	\$ 24,836,283	\$ 16,670,388	\$ 17,178,418	\$ 17,113,356	\$ 17,453,496
Excess of Revenue, Gains, and Other					
Support Over Expense	2,577,162	2,613,910	2,665,459	2,724,112	2,830,705
Asset purchases transferred from Club	1,442,175	1,631,613	1,506,154	1,711,511	1,840,868
Transfer (to) from Club	(12,104,232)	(3,653,493)	(4,149,676)	(4,005,482)	(4,273,605)
Amounts transferred to Club for reserves	(81,000)	(84,000)	(87,000)	(90,000)	(90,000)
Total Member's Equity-Undesignated - end of year	\$ 16,670,388	\$ 17,178,418	\$ 17,113,356	\$ 17,453,496	\$ 17,761,465

THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
Combined Forecasted Statements of Cash Flows From Operations for the Years Ending December 31, 2026 Through 2030

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

	2026	2027	2028	2029	2030
<u>Cash Flows from Operating Activities</u>					
Change in Net Assets	\$ 792,666	\$ 949,189	\$ 1,139,124	\$ 1,435,225	\$ 1,746,149
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:					
Depreciation	1,499,885	1,645,053	1,793,733	1,924,300	1,980,317
Amortization of right-of-use financing lease asset	209,830	185,005	138,171	29,905	-
(Increase) Decrease in:					
Accounts Receivable	48,518	(44,578)	(46,718)	(48,960)	(51,310)
Due from Affiliate	34,194	-	-	-	-
Prepaid Expenses	(5,693)	(5,893)	(6,099)	(6,312)	(6,532)
Increase (Decrease) in:					
Accounts Payable	(8,396)	35,083	36,558	38,215	39,694
Due to Members	(27,865)	766	797	829	862
Accrued Expense	(12,061)	50,398	52,517	54,898	57,022
Operating lease assets and liabilities	(536)	-	-	-	-
Net Cash Provided by Operating Activities	<u>2,530,540</u>	<u>2,815,024</u>	<u>3,108,083</u>	<u>3,428,098</u>	<u>3,766,201</u>
<u>Cash Flow from Investing Activities</u>					
Developer Contribution					
Proceeds (Purchases) of Investments	(407,384)	(699,365)	(1,185,340)	(1,380,531)	(1,591,986)
Purchase of Property & Equipment	(1,696,676)	(1,919,545)	(1,771,946)	(2,013,542)	(2,165,727)
Net Cash Used by Investing Activities	<u>(2,104,060)</u>	<u>(2,618,910)</u>	<u>(2,957,286)</u>	<u>(3,394,073)</u>	<u>(3,757,713)</u>
<u>Cash Flow from Financing Activities</u>					
Payments on Notes Payable	(15,198)	(1,281)	-	-	-
Payments on Finance Lease Liability	(208,500)	(186,835)	(142,639)	(25,705)	-
Net Cash Used by Financing Activities	<u>(223,698)</u>	<u>(188,116)</u>	<u>(142,639)</u>	<u>(25,705)</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents and Restricted Cash	202,781	7,998	8,158	8,322	8,487
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	<u>1,297,121</u>	<u>1,499,902</u>	<u>1,507,900</u>	<u>1,516,058</u>	<u>1,524,380</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 1,499,902</u>	<u>\$ 1,507,900</u>	<u>\$ 1,516,058</u>	<u>\$ 1,524,380</u>	<u>\$ 1,532,867</u>
<u>CASH AND CASH EQUIVALENTS RECONCILIATION</u>					
Cash and Cash Equivalents	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000
Cash and Cash Equivalents-With Donor Restrictions, Designated	184,665	188,358	192,125	195,968	199,887
Restricted Cash Included in Assets Limited to Use	215,237	219,542	223,933	228,412	232,980
	<u>\$ 1,499,902</u>	<u>\$ 1,507,900</u>	<u>\$ 1,516,058</u>	<u>\$ 1,524,380</u>	<u>\$ 1,532,867</u>

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

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

Years Ending December 31, 2026 through 2030

See Independent Accountants' Compilation Report

These financial forecasts present, to the best of management's knowledge and belief, the expected financial position, results of operations and cash flows for the forecast periods. Accordingly, the forecasts reflect management's judgment as of February 24, 2026, the date of these forecasts, of the expected conditions and management's expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecasts. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

1. Summary of Significant Accounting Policies

Nature Organization and Activities

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

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

Principles of Combination

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

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

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

Years Ending December 31, 2026 through 2030

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies (continued)

Basis of Accounting

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

Contributions and Net Assets

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

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

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

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

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

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

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

Years Ending December 31, 2026 through 2030

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents and Restricted Cash

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

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

Investments

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

Accounts Receivable

The Club records accounts receivable at total unpaid balance, which approximates fair value. The Club determines past-due status of individual accounts receivable based on terms of the original contract (or based on how recently payments have been made, for example). The Club estimates an allowance for doubtful accounts based on a combination of factors, including the Club's historical loss experience and any anticipated effects related to current economic conditions, as well as management knowledge of the current accounts receivable. Delinquent accounts are written off when deemed uncollectible. The Club's management considers all accounts currently collectible and does not establish an allowance for uncollectible accounts at this time.

Inventory

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

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

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

Years Ending December 31, 2026 through 2030

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies (continued)

Prepaid Expenses

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

Property and Equipment

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

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

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

Assets Limited as to Use

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

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

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

Years Ending December 31, 2026 through 2030

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies (continued)

Assets Limited as to Use (concluded)

North Carolina General Statute Chapter 58 requires continuing care retirement communities to maintain an operating reserve equal to a statutorily required percentage of total forecasted operating costs (less certain expenses) for a specific period. This operating reserve is not Board-controlled and cannot be used without the prior approval of the commissioner of the North Carolina Department of Insurance pursuant to GS § 58-64A-265.

Leases

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

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

Revenue Recognition

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

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

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

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

Years Ending December 31, 2026 through 2030

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies (concluded)

Revenue Recognition (concluded)

Revenues under third-party payer agreements are subject to audit and retroactive adjustment. Provisions for estimated third-party payer settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

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

Income Taxes

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

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

Estimates

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

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

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

Years Ending December 31, 2026 through 2030

See Independent Accountants' Compilation Report

2. Summary of Significant Forecasted Assumptions

Cash and Cash Equivalents

Cash and cash equivalents are based on the forecasted results of operations and the related changes in the combined balance sheets as noted in the combined forecasted statements of cash flows.

Investments

Investments have been calculated based on historical data adjusted for estimated growth of between 2 – 4 % depending on investment type.

Accounts Receivable

Accounts receivable have been calculated based on historical data adjusted for estimated inflation of between 4 – 4.25 % depending on revenue type.

Property, Plant and Equipment

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

Assets Whose Use is Limited

Operating reserves are forecast to meet the minimum operating reserve requirements which will be required by the North Carolina Department of Insurance. The Cypress is required to maintain reserve funds between 31.25% to 50% of the total annual operating expenses if the occupancy is below 90%. Since the occupancy exceeds 90%, the reserve requirement is required to be 12.5%. The Company reserves the right, if necessary or appropriate, to loan funds for the reserve account and to be reimbursed as funding occurs through future sales. The Association has also adopted a resolution to designate funds from the asset replacement reserve account to meet the statutory reserve requirement if necessary. This fund was transferred from the Association to the Club in 2015.

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

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

Years Ending December 31, 2026 through 2030

See Independent Accountants' Compilation Report

2. Summary of Significant Forecasted Assumptions (continued)

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses have been calculated based on historical data adjusted for estimated inflation of 3% over the term of the forecast.

Revenue

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

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

Health Center revenues are based on historic occupancy rates; prices for services adjusted for an average inflation rate of 4.25%.

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

Operating Expenses

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

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

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

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

Years Ending December 31, 2026 through 2030

See Independent Accountants' Compilation Report

2. Summary of Significant Forecasted Assumptions (concluded)

Depreciation and Amortization

Depreciation expense in the forecast period reflects straight-line depreciation of asset balances at December 31 of each year, computed over the estimated useful lives of the assets. Amortization expense reflects the straight-line reduction of finance lease assets over the shorter of the lease term or the asset's estimated useful life.

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

Other Expenses

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

Income Taxes

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

THE CYPRESS OF RALEIGH, LLC

FORECASTED FINANCIAL STATEMENTS

FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030

CONTENTS

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT	<u>Page</u> 1
FORECASTED FINANCIAL STATEMENTS	
Balance Sheets	2
Statements of Operations and Members' Equity	3
Statements of Cash Flows	4
Summary of Significant Accounting Policies and Forecasted Assumptions	5 - 9



DREHER MARTIN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors
The Cypress of Raleigh LLC

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

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

The accompanying forecast and this report were prepared pursuant to the North Carolina Statute 58-64A-150(a) (37) and should not be used for any other purpose.

Dreher Martin CPAs, P.A.

Raleigh, North Carolina
March 13, 2026

THE CYPRESS OF RALEIGH, LLC

Forecasted Balance Sheets for the Years Ending December 31, 2026 Through 2030

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

	2026	2027	2028	2029	2030
<u>Assets</u>					
Current Assets:					
Cash & Cash Equivalents	\$ 525,271	\$ 499,040	\$ 519,896	\$ 541,462	\$ 510,686
Accounts Receivable	259,864	267,660	275,690	283,960	292,479
Total Current Assets	<u>785,135</u>	<u>766,700</u>	<u>795,586</u>	<u>825,422</u>	<u>803,165</u>
Property & Equipment					
Furniture, Fixtures, & Equipment	17,939	17,939	17,939	17,939	17,939
Rental Units	666,731	666,731	666,731	666,731	666,731
Less Accumulated Depreciation	(151,787)	(176,032)	(200,277)	(224,522)	(248,767)
	<u>532,883</u>	<u>508,638</u>	<u>484,393</u>	<u>460,148</u>	<u>435,903</u>
Naming Rights	900,000	900,000	900,000	900,000	900,000
Restricted Assets					
Cash and Cash Equivalents for deposit escrow in money market fund	300,000	325,000	350,000	350,000	350,000
Other Assets					
Notes Receivable	283,980	301,980	319,980	337,980	355,980
Deposits	23,000	23,000	23,000	23,000	23,000
Accrued interest receivable	138,560	160,596	184,680	210,918	239,419
Total Other Assets	<u>445,540</u>	<u>485,576</u>	<u>527,660</u>	<u>571,898</u>	<u>618,399</u>
Total Assets	<u>\$ 2,963,558</u>	<u>\$ 2,985,914</u>	<u>\$ 3,057,639</u>	<u>\$ 3,107,468</u>	<u>\$ 3,107,467</u>
<u>Liabilities & Members' Equity</u>					
Current Liabilities					
Accounts Payable & Other Accrued Expenses	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Current Portion of Long-Term-Debt, related party	264,757	-	-	-	-
Deferred Revenue - Refundable	-	-	-	-	-
Deferred Revenue - Non-refundable	-	-	-	-	-
Reservation Deposits	300,000	325,000	350,000	350,000	350,000
Total Current Liabilities	<u>664,757</u>	<u>425,000</u>	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>
Long-Term Liabilities					
Deferred Revenue - Refundable	-	-	-	-	-
Deferred Revenue - Non-refundable	-	-	-	-	-
Total Long-term Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>664,757</u>	<u>425,000</u>	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>
Members' Equity (Deficit)					
Members' Equity	2,298,801	2,560,914	2,607,639	2,657,468	2,657,467
Total Members' Equity (Deficit)	<u>2,298,801</u>	<u>2,560,914</u>	<u>2,607,639</u>	<u>2,657,468</u>	<u>2,657,467</u>
Total Liabilities & Members' Equity (Deficit)	<u>\$ 2,963,558</u>	<u>\$ 2,985,914</u>	<u>\$ 3,057,639</u>	<u>\$ 3,107,468</u>	<u>\$ 3,107,467</u>

THE CYPRESS OF RALEIGH, LLC

Forecasted Statements of Operations and Members' Equity for the Years Ending December 31, 2026 Through 2030

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

	2026	2027	2028	2029	2030
<u>Revenue:</u>					
Resale Membership Fees	\$ 2,092,500	\$ 2,170,000	\$ 2,320,000	\$ 2,475,000	\$ 2,550,000
Resale Commissions	941,625	976,500	1,044,000	1,113,750	1,147,500
Management Fee	2,809,291	2,920,589	3,036,753	3,158,393	3,284,929
Interest Income	25,088	27,036	29,084	31,238	33,501
Total Revenue	<u>5,868,504</u>	<u>6,094,125</u>	<u>6,429,837</u>	<u>6,778,381</u>	<u>7,015,930</u>
<u>Operating Expenses</u>					
Legal and Accounting	70,000	72,100	74,263	76,491	78,786
Management and Other Expense	360,000	360,000	360,000	360,000	360,000
Miscellaneous Expense	100,000	100,000	100,000	100,000	100,000
Interest Expense, Not Capitalized	19,147	5,309	-	-	-
Contributions	30,000	30,900	31,827	32,782	33,765
Depreciation and Amortization	25,769	24,245	24,245	24,245	24,245
Amortization of Entrance fees	-	-	-	-	-
Marketing Expense and other	1,100,000	1,133,000	1,166,990	1,202,000	1,238,060
Total Operating Expenses	<u>1,704,916</u>	<u>1,725,554</u>	<u>1,757,325</u>	<u>1,795,517</u>	<u>1,834,856</u>
Net Income	\$ 4,163,588	\$ 4,368,571	\$ 4,672,512	\$ 4,982,864	\$ 5,181,074
Beginning Members' Equity	1,882,442	2,298,801	2,560,914	2,607,639	2,657,468
Distributions	(3,747,229)	(4,106,457)	(4,625,787)	(4,933,035)	(5,181,074)
Ending Members' Equity	<u>\$ 2,298,801</u>	<u>\$ 2,560,914</u>	<u>\$ 2,607,639</u>	<u>\$ 2,657,468</u>	<u>\$ 2,657,467</u>

THE CYPRESS OF RALEIGH, LLC

Forecasted Statements of Cash Flows for the Years Ending December 31, 2026 Through 2030

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

	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
Cash Provided by Operating Activities:					
Net Income	\$ 4,163,588	\$ 4,368,571	\$ 4,672,512	\$ 4,982,864	\$ 5,181,074
Adjustments					
Depreciation and amortization	25,769	24,245	24,245	24,245	24,245
Adjustments to Reconcile Change in Operating Activities to Net Cash Provided:					
(Increase)/Decrease in:					
Accounts receivable	(25,269)	(25,796)	(26,031)	(26,269)	(26,520)
Accrued interest receivable	(20,088)	(22,036)	(24,084)	(26,238)	(28,501)
Increase/(Decrease) in:					
Reservation Deposits Due	(22,000)	25,000	25,000	-	-
Accounts Payable & Other Accrued Expenses	40,282	-	-	-	-
Net Cash Provided by Operating Activities	<u>4,162,282</u>	<u>4,369,984</u>	<u>4,671,642</u>	<u>4,954,602</u>	<u>5,150,299</u>
Cash Provided by Investing Activities					
Sale of Assets Held for Investment	54,000	-	-	-	-
Net Cash Provided by Investing Activities	<u>54,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Used by Investing Activities					
Activities:					
Payments on Notes Payable, Related Party Members' Capital Distribution	(340,782)	(264,757)	-	-	-
Net Cash Used by Investing Activities	<u>(4,088,011)</u>	<u>(4,371,214)</u>	<u>(4,625,787)</u>	<u>(4,933,035)</u>	<u>(5,181,074)</u>
Net Increase (Decrease) in Cash	128,271	(1,231)	45,856	21,566	(30,776)
Beginning Cash	<u>697,000</u>	<u>825,271</u>	<u>824,040</u>	<u>869,896</u>	<u>891,462</u>
Ending Cash	<u>\$ 825,271</u>	<u>\$ 824,040</u>	<u>\$ 869,896</u>	<u>\$ 891,462</u>	<u>\$ 860,686</u>
Cash Consists of:					
Cash & Cash Equivalents	\$ 525,271	\$ 499,040	\$ 519,896	\$ 541,462	\$ 510,686
Restricted Cash	300,000	325,000	350,000	350,000	350,000
	<u>\$ 825,271</u>	<u>\$ 824,040</u>	<u>\$ 869,896</u>	<u>\$ 891,462</u>	<u>\$ 860,686</u>

**THE CYPRESS OF RALEIGH, LLC
FINANCIAL FORECAST**

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

Years Ending December 31, 2026 through 2030

See Independent Accountants' Compilation Report

These financial forecasts present, to the best of management's knowledge and belief, the expected financial position, results of operations and cash flows for the forecast periods. Accordingly, the forecasts reflect management's judgment as of March 13, 2026, the date of these forecasts, of the expected conditions and management's expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecasts. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

1. Summary of Significant Accounting Policies and Assumptions

Nature of Organization

The accompanying forecasted financial statements include the accounts of The Cypress of Raleigh, LLC (the Company), a Limited Liability Company, organized under the laws of the State of North Carolina, to engage in the business of purchasing and developing real property and related facilities, more specifically a condominium continuing care retirement community in Raleigh, North Carolina. The Company's managing member is The Cypress Management Group, LLC, a North Carolina Limited Liability Company, which is managed by three members, Michael G. Sandman, Craig C. Huggins and Mark T. Andrews.

Nature of Operations

Partners (Members of the LLC) contributed the aggregate amount of \$5,543,000 in original capital contributions. Members also contributed the aggregate amount of \$8,457,000 to satisfy the cash flow needs of the development. In addition, a related party contributed a note in the amount of \$7,220,000 in exchange for an equity interest in the LLC. The total expected costs for the entire facility are \$200,000,000 including an amount of \$2,500,000 to be used to cover the start-up costs for The Cypress of Raleigh Club, Inc. (the "Club") and The Cypress of Raleigh Owners' Association, Inc. (the "Association").

The major sources of revenue include sales of villas or cottage units and garage spaces. These sales commenced in Fall 2008 and continued through late 2020. A total of 319 units have been completed and sold as of December 31, 2020. By agreement with the parties, the Company will receive 10% of the annual operating costs from the Club and the Association as an overhead and management fee. The Company will also receive, from new members, a membership fee for services that are provided to them on account of their membership in the Club. These services are provided in each new member's Membership Agreement. Membership in the Club is a contractual right and is not incidental to the ownership of a real property interest in a villa or cottage. The cost of Membership is a separate, non-refundable Membership Fee paid to the Company, which is calculated as ten percent (10%) of the condominium unit's gross purchase price.

**THE CYPRESS OF RALEIGH, LLC
FINANCIAL FORECAST**

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

Years Ending December 31, 2026 through 2030

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies and Assumptions (continued)

Nature of Operations (continued)

In addition, a market real estate commission (typically 5% of the price of the condominium, net of the new purchasers' membership fee) may be earned by the Company on resales.

As an integral component of the application to and approval by the State of North Carolina Department of Insurance for The Cypress to operate as a life care community, on September 10, 2008, the Association entered into a Management Agreement with the Club pursuant to which the Club agreed to undertake the management and operation of the affairs of the condominium. Further, and effective the same date, the Club entered into a Management Agreement with the Company to provide management services as outlined therein, the failure or termination of which would deprive the Condominium Unit Owners and the Members of the Club of a material benefit intended by their purchase of a Unit and a membership interest in the Club.

Operating expenses consist of administrative salaries and expenses and ongoing marketing costs. Estimated operating and future development costs are in part based on actual costs incurred from previous development projects.

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

Accounting Method

Activities are accounted for using the accrual method of accounting. This method of accounting conforms to accounting principles generally accepted in the United States of America.

**THE CYPRESS OF RALEIGH, LLC
FINANCIAL FORECAST**

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

Years Ending December 31, 2026 through 2030

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies and Assumptions (continued)

Use of Estimates

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

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of cash on hand, depository accounts and money market funds with an original maturity of three months or less when purchased. Restricted cash consists of reservation and escrow.

Accounts Receivable

Accounts receivable are reported at contract value. The Company has not established an allowance for uncollectible accounts as it is management's opinion that they are fully collectible.

Property & Equipment

Property and equipment are stated at their original purchase cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets.

Naming Rights

In December 2020, the Company paid The Cypress Group, LLC a fee of \$900,000 for the right to use the name "The Cypress of Raleigh". Per agreement with The Cypress Group, LLC, the Company has earned the right to the name. In accordance with FASB ASC 350-30-35, the rights are evaluated for impairment annually.

Assets Held for Investment

The Company purchased parking spaces from members in 2023 and plans to sell to members in 2026.

**THE CYPRESS OF RALEIGH, LLC
FINANCIAL FORECAST**

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

Years Ending December 31, 2026 through 2030

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies and Assumptions (continued)

Deposits

The Company receives deposits from potential residents for the purchase of units which are held in a separate trust account until closing at which time the deposits are released and credited to the buyer. In addition, the Company collects waitlist deposits from interested residents.

Notes Receivable

Notes receivable consist of a loan made to a current resident as revolving line of credit.

Notes Payable

The Company has unsecured notes payable with related parties requiring 40 quarterly payments of principal and interest beginning December 31, 2017. The notes mature September 30, 2027 and carry interest rates of 4%.

The Company has a \$1,000,000 line of credit secured by accounts receivable, intangibles, inventory and property and equipment. The line matures January 21, 2027. No amounts are expected to be drawn down.

Distributions

Distributions will be paid based upon the availability of cash of the Company.

Advertising Costs/Commissions

The Company expenses advertising costs/commissions as incurred. These costs are included in the forecasted statements of operations under marketing expense and other.

Income Taxes

Since limited liability companies have the tax attributes of a partnership, the entity does not incur federal and state income taxes; instead, its taxable income and losses are included in the tax returns of its members and taxed depending on their individual tax situations.

**THE CYPRESS OF RALEIGH, LLC
FINANCIAL FORECAST**

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

Years Ending December 31, 2026 through 2030

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies and Assumptions (continued)

Transactions with Affiliates

The Company engages in various transactions with its affiliates, the Club and the Association. The Association, which is comprised of the owners of units in The Cypress, serves as the governing body for all issues related to the real estate aspects of the units and the common areas of the community. The Association has delegated to the Club the Association's responsibilities with respect to the maintenance of the community's common elements.

Pursuant to a Management Agreement entered into between the Club and the Company, the Company will perform services for which it earns a management fee (overhead payment) based on 10% the total operating costs of the Cypress.

Appendix C — Statement of Actuarial Opinion

Not applicable.

Appendix D — Representative Contract(s)

See the attached form Cypress Purchase Agreement and form Cypress Membership Agreement.



THE CYPRESS OF RALEIGH RESALE PURCHASE AND SALE AGREEMENT

PURCHASER:

_____ whose address is _____, _____ (the "Purchaser").

SELLER:

_____ whose address is _____, _____ (the "Seller").

These parties shall hereinafter sometimes be referred to collectively as the "Parties", and individually as a "Party".

THIS RESALE PURCHASE AND SALE AGREEMENT (the "Agreement") is entered into by the Parties this _____ day of _____, 20__.

WITNESSETH:

THE CYPRESS INCLUDES PRIVATE RESIDENCES, CLUB HOUSE AND HEALTH CARE FACILITY

The adult residential continuing care retirement community known as THE CYPRESS OF RALEIGH ("The Cypress"), consisting of a 42,709 square foot "Clubhouse", sixty-one (61) bed "Health Care Facility" (the Clubhouse and the Health Care Facility shall hereinafter sometimes be referred to collectively as the "Club Facilities"), and two (2) types of living units (attached or detached cottages and villa units) has been developed by The Cypress of Raleigh, LLC, a North Carolina limited liability company (the "Company"), upon its real property located in Raleigh, North Carolina (the "Land"); and

RESIDENTIAL UNITS ARE CONDOMINIUMS

All of the living units have been or are to be developed as condominium units (collectively, the "Units"; and each a "Unit") known as THE CYPRESS OF RALEIGH CONDOMINIUM (the "Condominium"), and the Units are or will be sold subject to the Declaration of Condominium recorded in Book 13240, Page 738, Wake County Registry (as amended) (the "Declaration"), a copy of which is enclosed in the Project Documentation – Book of Exhibits provided to Purchaser prior to execution of this Agreement; and

MEMBERSHIP INTEREST IN THE CLUB IS REQUIRED FOR RESIDENCY AND

The Club Facilities are operated by The Cypress of Raleigh Club, Inc., a non-profit and non-proprietary corporation ("The Club"). The purchase of a Unit requires that it be coupled with the rights, privileges and responsibilities



MUST BE ACQUIRED AT CLOSING ON THE UNIT

of membership in The Club to be utilized by the Purchaser or by his designee approved by The Club who meets the various requirements set forth in The Cypress Membership Agreement. Each owner of a Unit (individually, a “Unit Owner”; and collectively, the “Unit Owners”) or his approved designee must acquire membership simultaneously with the purchase of a Unit and each member shall execute The Cypress Membership Agreement and become eligible for residency and all rights of access to the Club Facilities; and

Seller wishes to sell and Purchaser wishes to acquire the Property hereinafter described and defined, upon the terms and conditions set forth hereinbelow.

NOW, THEREFORE, in consideration of the mutual promises contained in this Agreement, the receipt and legal sufficiency of which are hereby acknowledged, the Parties hereby covenant and agree as follows:

PURCHASE OF RESIDENCE

1. **PURCHASE.** Purchaser hereby agrees to purchase the Property hereinafter described for the purchase price hereinafter set forth, all in accordance with the terms and conditions set forth herein.
2. **PROPERTY.** The property which is the subject of this Agreement is designated as Unit _____ of the Condominium more fully described in the Declaration, together with an undivided fractional interest in and to the common areas and facilities included in the Condominium (the “Property”), and together with a membership in The Club.

SPECIFIC RESIDENCE AND PARKING SPACE TO BE ACQUIRED

Check the one that applies:

Rights to Parking Space(s) Included: The “Property” also includes all of Seller’s rights to Garage or Covered Parking Space(s): _____, pursuant to a Garage/Covered Space Parking Agreement, which shall be assigned to Purchaser at Closing.

Rights to Parking Space(s) Not Included: The “Property” does not include any of Seller’s rights to any Garage or Covered Parking Space, and Purchaser does not desire to purchase any rights to a Garage or Covered Parking Space.

New Rights to Parking Space: The “Property” does not include any of Seller’s rights to any Garage or Covered Parking Space, but Purchaser desires to purchase rights to a Garage or Covered Parking Space from the Company in accordance with the terms and conditions set forth in a Garage/Covered Space Parking Agreement, which shall be executed by Purchaser at Closing. The rights will be to use Garage or Covered Parking Space(s): _____.

MEMBERSHIP IN THE CLUB INTEGRAL PART OF PURCHASE

3. **CYPRESS MEMBERSHIP AGREEMENT.** Purchaser hereby expressly acknowledges receipt of The Cypress Membership Agreement, which is being executed simultaneously with this



Agreement, a copy of which is included in the Project Documentation – Book of Exhibits provided to Purchaser prior to execution of this Agreement. This Membership Agreement is subject to the Company’s approval. Purchaser further acknowledges that in the event he chooses a designee and this designee is approved by The Club, then the designee will also be required to enter into The Cypress Membership Agreement. The services to which Purchaser will have access as a Member of The Club are described in Paragraph 35 hereof.

PURCHASE PRICE

4. **PURCHASE PRICE.** The “Purchase Price” of the Property is \$_____. The Purchase Price is payable as follows:

DEPOSIT

- a. \$_____, upon the execution hereof by Purchaser, representing fifteen percent (15%) of the Purchase Price as an earnest money deposit (the “Earnest Money”), to be held by the Company as Escrow Agent.
- b. \$_____, the balance of the Purchase Price due at Closing (as defined in Paragraph 12 hereof).

MEMBERSHIP FEE INCLUDED IN PURCHASE PRICE

The non-refundable and non-transferable Membership Fee which is equal to ten percent (10%) of the Purchase Price is included in the Purchase Price of the Property.

ALLOCATION OF THE PURCHASE PRICE

The Purchase Price of the Property shall be allocated as follows:

- a. \$_____ (90% of the Purchase Price allocated to the purchase and sale of the Unit) shall be payable to the Seller.
- b. \$_____ (10% of the Purchase Price allocated for the non-refundable and non-transferable Membership Fee) shall be payable to the Company.

PARKING SPACE PAYMENT

Check the one that applies:

- For assignment by Seller:** In addition to the Purchase Price, Purchaser shall pay the sum of \$_____ to the Seller to acquire the Seller’s rights to use the Parking Space.
- No Parking Space purchase:** Purchaser has opted not to purchase a Parking Space.
- For new purchase:** In addition to the Purchase Price, Purchaser shall pay the sum of \$_____ to the Company for the rights to use the Parking Space.

NO FINANCING CONTINGENCY

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



PHASED DEVELOPMENT

6. **PHASED DEVELOPMENT.** All of Phases I, II and III of The Cypress have been constructed on the Land. Phase I and Phase II consist of 168 villa Units in 3 mid-rise buildings (Buildings A, B and C) and 34 cottage Units. Phase III, which was completed in the fall of 2020, includes three (3) additional Cottages and two mid-rise buildings (Buildings D and E), which each contain fifty-seven (57) villa homes. The Cypress condominium includes a Clubhouse of approximately 42,709 square feet and a sixty-one (61) bed Health Center.

DEVELOPER MAY DEVELOP ADDITIONAL UNITS

The Company does not currently have plans to construct additional villas or cottages at The Cypress of Raleigh, but it reserves the right (but not the obligation) to develop an additional phase of the Condominium consisting of up to one hundred eleven (111) units (the "Additional Phase Property"). The total number of Units for all phases shall be as specified in the Declaration for the Condominium. If the Additional Phase Property is added, the number and architectural design of the units shall be solely in the discretion of Company. The Company has reserved the assignable right to provide other improvements in The Cypress that may be used by purchasers of units in additional phases and to grant to such purchasers the right to use the common elements of The Cypress. Reference is made to the Declaration for specific discussion of the Additional Phase Property.

CLOSING

7. **CLOSING DATE.** Closing on the purchase of the Property (the "Closing") shall be held at a mutually agreed upon location on or before _____, 20__, time being of the essence (the "Closing Date").

SELLER AND PURCHASER RESPONSIBLE FOR CERTAIN CLOSING EXPENSES

8. **CLOSING EXPENSES.** Each Party shall be responsible for those Closing costs customarily paid by sellers and purchasers in Raleigh, North Carolina. For example, Seller shall be responsible for paying the revenue stamps on the deed, as well as for preparation of the deed and lien affidavit. Purchaser shall be responsible for recording fees for the deed and for any costs associated with financing the purchase of the Property, including, without limitation, title examination, loan documentation preparation, deed of trust recording fees, and title insurance, if applicable.

PRORATIONS

9. **PRORATIONS.** Property taxes, the Monthly Payment (as defined in Paragraph 16 hereof), and the applicable assessments on the Property shall be prorated between the Parties on a calendar year basis as of the Closing Date.

SPECIAL WARRANTY DEED

10. **CONVEYANCE OF TITLE.** Fee simple title to the Property shall be



GIVEN

conveyed by Seller via special warranty deed free and clear of all encumbrances save and except:

- a. taxes and assessments not yet due;
- b. the terms, provisions, covenants, easements, restrictions and reservations set forth in the Declaration, the Bylaws (the "Bylaws") of The Cypress of Raleigh Owners' Association, Inc. (the "Association"), the Membership Agreement, and the Rules and Regulations of the Association (the "Rules and Regulations"), and all exhibits and amendments thereto;

TITLE CONDITIONS

- c. general utility easements of record and all other easements and restrictions of record which do not impair Purchaser's use of the Unit for residential purposes;
- d. easements established under the North Carolina Condominium Act;
- e. all facts and conditions which may be shown by survey and physical examination of the Property;
- f. any applicable zoning and/or development laws and ordinances, including those of Wake County and the City of Raleigh.

ACCEPTANCE OF PROPERTY "AS IS"

11. **ACCEPTANCE OF PROPERTY.** Purchaser has inspected and accepts the Property "as is", except as may otherwise be stated in this Agreement. All appliances, heating, plumbing and air conditioning systems will be in good working order on the Closing Date.

PURCHASER AGREES TO BE BOUND BY THE CONDOMINIUM DOCUMENTS

12. **DECLARATION OF CONDOMINIUM.** The Company has formed the Condominium by filing the Declaration pursuant to the provisions of the North Carolina Condominium Act (N.C. Gen. Stat. § 47C et seq., as amended) (the "Act"). Purchaser agrees to be bound by the Declaration, the Association's Articles of Incorporation (the "Articles of Incorporation"), the Bylaws and the Rules and Regulations. The Company has reserved the right to make such changes in the Declaration, Articles of Incorporation, Bylaws and the Exhibits thereto as may be necessary to conform to applicable laws and governmental regulations, to meet requirements of lending institutions, to expedite the sale of the other Units in the Condominium and to establish or reconfigure common areas; **PROVIDED**, such changes shall not substantially diminish the Purchaser's interest in the Unit.



**CYPRESS MEMBER HAS
ACCESS TO CLUB
FACILITIES**

13. **CLUBHOUSE AND HEALTH CARE FACILITY.** The Club Facilities include the Clubhouse and Health Care Facility. The Company has received from the State of North Carolina a Certificate of Need for the Health Care Facility.

The Company, per the Declaration, has made the Club Facilities part of the Condominium. The Company has negotiated and executed a management agreement for the Club Facilities with a qualified operator. Pursuant to the terms of the Membership Agreement, the Purchaser, or his designee approved for Membership by The Club, as a benefit and membership right under his membership, will be entitled to admission to the Health Care Facility so long as his attending physician or the Medical Director of The Club determine that this type of care is needed.

14. **RISK OF LOSS.**

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

- a. Partial loss or damage to the Property by fire, storm or other casualty between the date hereof and Closing shall not void or impair this Agreement, but all such damage will be the responsibility of Seller.
- b. In the event of total or substantial loss as a result of the hazards mentioned above, Seller shall have the option to repair all damage at Seller's own cost or through insurance proceeds from the Association, or to cancel this Agreement and refund to Purchaser all monies paid hereunder.
- c. If Seller is required or elects to repair the loss or damage to the Property caused by the hazards mentioned above, the time for Closing shall be extended for such time as may be reasonably required to repair the damage.

**WARRANTIES ARE
TRANSFERRED TO
PURCHASER**

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

16. **CLOSING AND POST-CLOSING FINANCIAL OBLIGATIONS
OF PURCHASER.**

**MONTHLY PAYMENT
INCLUDES CONDOMINIUM**

- a. Purchaser agrees to accept responsibility for the Monthly Payment which includes the Condominium Fee and the Service Fee, as the same are defined in Paragraph 1(g) of the



FEE AND SERVICE FEE

Membership Agreement. If the Member (as defined in the Membership Agreement) is not the Purchaser of the Unit, the Member and the Purchaser shall be jointly and severally responsible for the Monthly Payment. In such circumstances, the Member and the Purchaser shall execute a guaranty agreement in a form approved by The Club further evidencing this joint and several responsibility (each a “Guaranty Agreement”). In the event that Purchaser fails to execute the Guaranty Agreement, Section 6 of the Membership Agreement, which shall be signed by Purchaser and Member, shall serve as Purchaser’s personal guaranty of payment of the Member’s Monthly Payments to the Company, its successors, and assigns. The services included in the Monthly Payment are described in Paragraph 35 hereof.

CONDOMINIUM OPERATIONS AND EXPENSES

- b. Purchaser acknowledges and agrees to accept responsibility for his continuing obligation pursuant to the Declaration, beginning with the date of Closing, to pay his Condominium Fee consisting of his pro rata share of any common expenses, operating expenses, capital expenses and debt service, if any, assessed against the Property. For purposes of this Agreement, debt service is limited to possible future loans voted on and approved by Unit owners after Closing. It does not include development loans. Such assessments shall be for authorized purposes, including, but not limited to, expenses incurred for landscaping, maintenance, repairs, general area maintenance, administration supplies, professional services, utilities, garbage services, insurance, etc. Each purchaser’s pro rata share will be determined in accordance with statutory percentage values as stated in the Declaration.

SERVICE FEE INCLUDES ELECTRICITY IN THE VILLA UNITS

- c. Electricity and natural gas for the villa Units will be part of the Service Fee, while cottage Unit owners will be directly responsible for the payment of electricity and gas for their Units.

INSURANCE EXPENSES AND TWO MONTHS COMMON EXPENSES DUE AT CLOSING FOR WORKING CAPITAL FUND

- d. At Closing, Purchaser shall pay to the Association a payment in the amount of \$_____, constituting two (2) months common expenses as the Property’s contribution to a working capital fund for the Condominium. Purchaser shall also pay to the Association a payment in the amount of \$_____, constituting twelve (12) months hazard and flood insurance premiums for the Property.

THE SERVICE FEE

- e. Purchaser agrees to accept responsibility on the Closing Date for the Service Fee. Purchaser acknowledges his continuing obligation as a Member to pay his share of the cost of the services provided by The Club (the Service Fee) in



accordance with the Membership Agreement, to contribute toward the expenses of operating the Club Facilities, as well as any capital purchases and debt service, if any, necessary for repair, maintenance and modification of the Club Facilities.

**PERSONAL PROPERTY AND
CUSTOM CHANGES**

- f. Purchaser agrees to pay the additional cost of repairs to appliances which are the personal property of the Purchaser. In addition, if custom changes have been or will be made to a Unit, including, without limitation, non-standard or upgraded appliances or flooring, the Unit owner will reimburse the Association for any amounts expended to maintain, repair, insure and replace the custom changes, to the extent such amounts exceed the amount which would have been expended for standard appliances, fixtures and finishes. This provision also applies to any increased costs for the maintenance of landscape additions to cottage Units.

**GARAGE/COVERED
PARKING**

- g. All Purchasers who have entered into Garage/Covered Parking Space Agreements as referenced in Paragraph 2 above may be responsible for an additional periodic assessment to cover the actual pro rata costs of maintenance and repair of the garage and/or covered parking space area.

**SPECIAL OPERATING
RESERVE ACCOUNT
REQUIRED BY N.C. DEPT.
OF INSURANCE**

- 17. **OPERATING RESERVE DEPOSIT.** The State of North Carolina Department of Insurance, in accordance with Article 64A, Chapter 58 of the North Carolina General Statutes, requires that all continuing care facilities maintain operating reserves equal to 50% of the total operating costs projected for a twelve (12) month period following the period covered by the most recent annual statement filed with the Department. Facilities that maintain an occupancy level in excess of 90% shall only be required to maintain a 25% operating reserve upon approval of the Commissioner. These reserves are to be used for the benefit of The Club as required by the State of North Carolina in the event of emergencies and/or unexpected operating shortfalls.

**PURCHASER TO MAKE A
DEPOSIT INTO THE
OPERATING RESERVE
ACCOUNT**

At Closing, Purchaser shall be responsible for paying to The Club an Operating Reserve Deposit in the amount of \$14,000. This deposit, along with deposits in the same amount from all other purchasers, will be held in a separate account (the "Operating Reserve Account").

Each subsequent Unit purchaser shall be obligated to pay \$14,000 into the Operating Reserve Account so that upon resale of the Unit, any unused portion of the \$14,000 deposit paid by the Purchaser shall be returned to Purchaser.



**PURCHASER MUST INSURE
PERSONAL PROPERTY**

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

**OCCUPANCY BY SOMEONE
OTHER
THAN OWNER**

19. **PROVISIONS APPLICABLE WHERE MEMBER IS NOT THE PURCHASER.** If the Unit purchased by Purchaser will be used by someone other than Purchaser, then Purchaser must designate the person(s) who will use the membership which must be acquired at the time the Unit is purchased (the "Designated Member"). The Designated Member must: (a) meet the basic eligibility requirements for membership in The Cypress; (b) be approved by the Company; (c) execute the Membership Agreement; and (d) comply with the terms of the Membership Agreement, including, without limitation, assurances regarding the Monthly Payments. The Designated Member and Purchaser shall be jointly and severally liable for the Monthly Payment and all other obligations outlined in the Membership Agreement. The Designated Member's membership in The Club will terminate when the Designated Member ceases to reside at The Cypress. Any subsequent residents of the Unit, including the Purchaser, must acquire their own membership in The Club prior to occupying the Unit. The Membership Fee for the membership will be assessed at the then applicable rate for future Members and must be paid to the Company prior to occupancy of the Unit.

DEFAULT PROVISIONS

20. **DEFAULT.** If Purchaser defaults in the performance of any obligation of this Agreement, Seller may, in its sole discretion (i) seek to recover all damages, including interest on the balance due, resulting from Purchaser's default, and in each instance shall be entitled to the legal costs incurred by the Seller in enforcing its rights; or (ii) retain all funds paid by or on behalf of Purchaser as liquidated damages, in which event Seller shall have no further obligation to Purchaser under this Agreement. In the event of a default in the performance of any of the obligations of the Seller pursuant to this Agreement, Purchaser shall be entitled, as Purchaser's sole and exclusive remedy, to (i) terminate this Agreement and receive a refund of the Earnest Money, or (ii) seek specific performance according to law. Either Seller or Purchaser is hereby allowed fifteen (15) days after receipt of written notice of default to cure such default prior to termination hereof by the non-defaulting Party as provided herein.

NOTICE PROVISIONS

21. **NOTICES.** Any notice to a Party shall be in writing and shall be delivered to the Party's address stated above, or such other address as shall subsequently be provided by appropriate notice. Notice may be either hand delivered or deposited in the U.S. Mail or with a courier company such as Federal Express. If mailed or couriered, any written notice shall be deemed received on the second calendar day following



the date of mailing if addressed and mailed by certified or registered mail, postage paid, to the addressee set forth above.

**COMPANY RESERVES A
RIGHT OF FIRST REFUSAL
ON FUTURE SALES**

22. **RIGHT OF FIRST REFUSAL.** The Purchaser hereby acknowledges that the Declaration provides that when the Purchaser wishes to sell the Property and Purchaser has received a bona fide purchase offer from a third party (each a “BFP Offer”), Purchaser shall then offer the Property for sale, in writing, to the Company, its successors or assigns for the same price at which the highest BFP Offer has been made for the Property, and the Company shall have thirty (30) days after receipt of written notice of the price and terms of such BFP Offer within which to exercise its option to purchase the Property at this price. If the Company fails or refuses, within thirty (30) days after receipt of written notice of the BFP Offer, to exercise its option to purchase the Property at the offered price, then Purchaser shall have the right to sell the Property to the third party, subject, however, to all covenants, restrictions, limitations and affirmative obligations and other agreements referenced and contained in this Agreement. This Paragraph shall not be construed to impair the right of foreclosure of a mortgage on the Property and improvements thereon. The right of first refusal shall be set out in the deed to the Unit from the Seller to the Purchaser (“Deed”) and shall obligate the Company to exercise the right of first refusal within thirty (30) days after the date the Company receives the written notice of the BFP Offer and, in any event, no later than twenty one (21) years after the death of the last survivor of two (2) lives in being on the date of the Deed. The Purchaser shall designate the two (2) lives in being in the Deed. The reason for the provisions related to the exercise of the right of first refusal no later than twenty one (21) years after the death of the last survivor of the two (2) lives in being is intended to comply with the North Carolina common law rule against perpetuities.

**RESALE PRICE OF UNIT
WILL INCLUDE NEXT
PURCHASER’S
MEMBERSHIP FEE**

23. **PAYMENT OF MEMBERSHIP FEE ON RESALE.** Purchaser understands that, in accordance with the terms of the Membership Agreement, when he sells the Property, the Membership Fee for the new purchaser is to be paid to the Company at the resale closing as part of the Property’s gross sales price. The Membership Fee to be allocated upon sale by Purchaser shall be ten percent (10%) of the gross sales price. Any real estate commission will be based on the real estate portion of the Property and paid from the proceeds of the sale net of the Membership Fee and not on the gross sales price.

**MEMBERSHIP FEE WILL BE
BASED ON FAIR MARKET
VALUE IF PURCHASER
GIVES PROPERTY TO
THIRD PARTY**

In the event the Purchaser gives or wills his Property to any other person or entity (including an entity solely owned by the Purchaser), the Membership Fee paid to the Company shall be based on the fair market value of the Property when the gift or devise is made and ownership of the Property is transferred. The Purchaser acknowledges that the Company has the unconditional right to approve or disapprove



memberships in The Club.

24. **CERTAIN RESERVED RIGHTS OF COMPANY.**

**COMPANY MAY LEASE
UNSOLD UNITS**

a. The Company shall have the absolute right and privilege of leasing any or all of the Units owned by Company on a short or long term basis for use in the manner contemplated by the Membership Agreement and the Declaration. The Company's lessees shall be entitled and subject to all of the privileges, rights, obligations and requirements as outlined in the Membership Agreement.

**UNITS MAY BE USED AS
SALES MODELS**

b. The Company is entitled to use one or more of the Units as models for purposes of a sales model and/or offices and/or guest rooms. Further, as provided in the Declaration, the Company is entitled to the use of offices in the Clubhouse for administrative and sales purposes, including resales.

c. The Company is entitled to use up to nine (9) rooms in the Club Facilities as office and storage facilities for sales activity and related administrative and management purposes at no charge to Company, as more particularly described in Section 14.4 of the Declaration.

PARKING SPACE LICENSE

25. **PARKING SPACE LICENSE.** When a Unit is purchased at The Cypress, the Member may also purchase the right to use a garage or covered parking space if one is available (a "Parking Space License"). Each Parking Space License is governed by the terms and conditions of a Villa Garage/Covered Parking Space Agreement. It is also subject to the recorded Declaration because the garage and covered parking spaces are common elements of the Condominium. Only a Member may use a Parking Space License. It cannot be transferred to or used by a non-Member, and any transfer of a Parking Space License requires the prior reasonable approval of both the Company and the Association. When a Member who owns a Parking Space License ceases to be a Member at The Cypress, the Parking Space License must be transferred either to the purchaser of that Member's Unit or another existing Member at The Cypress. Under no circumstances may a Parking Space License be retained or used by a former Member or by that Member's estate, heirs, or beneficiaries – other than through the acquisition of the Parking Space License as a Cypress Member. As part of the sales process or otherwise, the Company is available to assist in locating an eligible purchaser for the Parking Space License from among existing and incoming Cypress Members.

SMOKE FREE COMMUNITY

26. **SMOKE FREE COMMUNITY.** The Cypress is committed to providing a safe, healthy, and comfortable living and working environment for its Members, employees, and guests. To support this



commitment, The Cypress maintains a smoke-free environment. Other than the limited exceptions described below, smoking is prohibited in all indoor and outdoor areas, including but not limited to the Cottages and Villas, the Health Care Facility, the Clubhouse, and all other common areas. The Cypress may take reasonable action if smoking, smoke odors, vapor, or related residue creates a health, safety, sanitation, nuisance, or fire-risk concern. If a Member's violation of The Cypress's smoke-free policy results in The Cypress incurring costs for cleaning, repairs, deodorization, or other remedial measures, the Member will be responsible for reimbursing such costs. The Cypress will make reasonable efforts to enforce its smoke-free policy; however, it does not guarantee a smoke-free environment or the absence of smoke, vapor, odors, or related residue.

Prior to implementing its smoke-free policy, The Cypress permitted Members to smoke within their Units provided that they installed an approved air purification system at the Member's sole cost and expense. Currently only a very limited number of existing Members who purchased their Units prior to 2026 are permitted to smoke within their Units. All other Members will be subject to The Cypress's smoke-free policy.

COMMON OPERATING SYSTEMS; ASSOCIATED NOISES AND VIBRATIONS

27. **COMMON OPERATING SYSTEMS AND ASSOCIATED NOISE AND VIBRATIONS.** Cottages and Villas, common areas, and the buildings in which they are located contain a variety of shared operating systems that are essential to The Cypress's day-to-day operations (collectively, the "Operating Systems"). These Operating Systems include but are not limited to:

- Electrical, mechanical, and plumbing systems;
- Heating, ventilating, and air-conditioning equipment;
- Elevators and generators;
- Water pump systems, water heaters, and boilers;
- Fire and life-safety systems, security systems, and building automation/management systems;
- Telephone, internet, and cable equipment; and
- Trash chutes and dumpsters.

The Operating Systems operate continuously or at various intervals as needed, and may emit sounds, vibrations, or other operational noise in the ordinary course of use. Use of the covered parking areas by Members also generates sounds and vibrations in the ordinary course of use, such as those related to vehicle motors, fans, tires, and brakes. The Company, The Club, and the Association make no representation or warranty that the sounds, vibrations, and operational noises emitted by or associated with the Operating Systems and/or the covered parking areas will not be perceptible to, or create sensitivity for, Members.



28. MISCELLANEOUS.

AGREEMENT BINDING ON HEIRS AND SUCCESSORS.

MAY NOT BE ASSIGNED WITHOUT CONSENT OF SELLER OR COMPANY

DEATH OF PURCHASER PRIOR TO CLOSING

TERMS SURVIVE THE CLOSING

IF PART OF AGREEMENT UNENFORCEABLE THAT SHALL NOT AFFECT REMAINDER

WAIVER OF RIGHTS MUST BE IN WRITING

THIS AGREEMENT SUPERSEDES OTHER AGREEMENTS

- a. This Agreement is binding upon and shall inure to the benefit of the heirs, legal representatives, successors and assigns of the Parties. The rights of Purchaser pursuant to this Agreement may not be assigned or transferred without the express written consent of Seller or the Company. Any attempt by Purchaser to assign this Agreement without such consent may be deemed by Seller a breach of this Agreement by Purchaser, and Seller shall not be bound by any such assignment. **Notwithstanding the foregoing, in the event of the death of Purchaser prior to Closing, the Purchaser's obligations shall cease, the Agreement shall be automatically terminated, and all deposits returned to Purchaser's estate. In addition, if on account of illness, injury or incapacity, Purchaser would be precluded from occupying the Unit under the terms of the Membership Agreement prior to Closing, Purchaser's obligations shall cease, the Agreement shall be automatically terminated, and all deposits returned to Purchaser's estate. If there is more than one Purchaser, the Agreement will continue to be binding on the surviving Purchaser.**
- b. The terms of this Agreement shall survive the Closing of the transaction contemplated hereby and shall thereafter continue to bind the Parties and their successors to this Agreement. This Agreement may be executed in duplicate originals.
- c. If any provision of this Agreement is held to be invalid or unenforceable, it shall not affect the validity or enforceability of any other provision hereof. All titles or captions in this Agreement are for convenience in reference and in no way define, limit or extend this Agreement.
- d. No failure of a Party to exercise any power or right granted hereunder or to insist upon strict compliance with any obligation specified herein, and no practice at variance with the terms hereof, shall constitute a waiver of said power or right unless expressly authorized in writing by the affected Party.
- e. This Agreement supersedes any and all understandings and agreements between the Parties regarding the Property and constitutes the sole agreement between the Parties regarding the Property. No oral statements or representations shall be deemed to modify this Agreement or bind either Party.



INDIVIDUAL MAY ACT FOR CORPORATION OR PARTNERSHIP

f. If Purchaser is a trust, corporation or partnership, Purchaser shall provide evidence that the persons executing this Agreement are authorized to act on behalf of the entity.

ALL REPRESENTATIONS MADE BY SELLER ARE STATED IN THIS AGREEMENT

g. By execution of this Agreement, Purchaser agrees that Seller has made no covenants or commitments regarding the Property, except as stated in this Agreement.

AMENDMENTS MUST BE IN WRITING

29. **AMENDMENTS.** NO AMENDMENT SHALL BE MADE TO THIS AGREEMENT EXCEPT AS EXPRESSLY AUTHORIZED IN WRITING BY SELLER AND ACCEPTED BY PURCHASER. ALL AMENDMENTS MUST BE APPROVED BY THE COMPANY IN WRITING. PURCHASER ACKNOWLEDGES THAT HE HAS READ THIS AGREEMENT AND UNDERSTANDS AND AGREES TO ALL OF ITS TERMS.

AMENDMENTS MUST BE APPROVED BY THE COMPANY IN WRITING

PURCHASER ACKNOWLEDGES RECEIPT OF DOCUMENTS

30. **ACKNOWLEDGMENT OF RECEIPT.** By execution of this Agreement, Purchaser acknowledges receipt, review and approval of the form and content of the documents listed below, some of which are packaged in a booklet entitled "The Cypress of Raleigh Project Documentation – Book of Exhibits," and agrees to be bound by the terms and provisions thereof, together with such amendments as are authorized herein:

- a. Working with Real Estate Agents Brochure
- b. Waiver of Repurchase Option and Consent to Sale
- c. The Cypress of Raleigh Third Party Real Estate Transfer: Representation and Indemnification Agreement
- d. Resale Certificate
- e. Addendum to Resale Purchase and Sale Agreement
- f. Assignment of Villa Garage/Covered Parking Space Agreement
- g. The Cypress of Raleigh Membership Agreement
- h. Receipt of Resale Purchase and Sale Agreement and Other Project Documents
- i. Purchase Process Spreadsheet
- j. Disclosure Statement
- k. Project Documentation – Book of Exhibits
 - (i) Declaration of Condominium
 - (ii) Bylaws of and Rules of Conduct – The Cypress of Raleigh Owners' Association, Inc.
 - (iii) Articles of Incorporation – The Cypress of Raleigh Owners' Association, Inc.
 - (iv) Condominium Management Agreement
 - (v) Club Management Agreement



- (vi) Projected Annual Budget for Association
- (vii) Projected Annual Budget for The Club
- (viii) Projected Annual Budget for Association and The Club
- (ix) Permitted Exceptions

BROKERAGE COMMISSION

31. **BROKERAGE.** Seller and the resale marketing division of the Company entered into a listing agreement for the sale of the Property (the "Listing Agreement"). The Company has earned its commission under the Listing Agreement (the "Property Commission"), and the Seller agrees to pay the Property Commission to the Company at Closing, in accordance with the terms of the Listing Agreement. If Purchaser defaults hereunder and the Earnest Money is forfeited to Seller in accordance with Paragraph 20 hereof, the Company will be entitled to one-half (1/2) of the forfeited Earnest Money as its full compensation from Seller.

PURCHASER'S RIGHT TO CANCEL

32. **PURCHASER'S RIGHT TO CANCEL.** (In the event of Purchaser's cancellation in accordance with the terms of this Agreement, all payments made by Purchaser prior to such cancellation shall be refunded to Purchaser in accordance with N.C.G.S. §58-64A-170. Notwithstanding the fact that N.C.G.S. §47C-4-108 provides for a seven (7) day cancellation period for condominium acquisitions, this Agreement provides for a longer cancellation period as set forth in this Paragraph 32.) Purchaser shall have the absolute right to cancel this Agreement at any time by delivering written notice to Seller during the thirty (30) calendar day period immediately following the later of the full execution of this Agreement or the receipt of the Disclosure Statement (the "Cancellation Period"). Purchaser's cancellation of this Agreement during the Cancellation Period is without penalty, and all payments made by the Purchaser before such cancellation shall be refunded by Seller within ten (10) days after the expiration of the Cancellation Period. Purchaser is not required to move into the Unit before the expiration of the Cancellation Period.

NORTH CAROLINA LAW GOVERNS

33. **NORTH CAROLINA LAW GOVERNS.** This Agreement will be interpreted in accordance with the laws of the State of North Carolina.

NORTH CAROLINA INSURANCE LAW REGARDING CONTINUING CARE RETIREMENT COMMUNITIES CONTROLS

34. **NORTH CAROLINA INSURANCE LAW REGARDING CONTINUING CARE RETIREMENT COMMUNITIES CONTROLS.** The purchase, sale and ownership of the Unit and membership in the Club are subject to the provisions of the North Carolina Condominium Act (North Carolina General Statutes Chapter 47C) and the North Carolina Insurance Law regarding Continuing Care Retirement Communities (North Carolina General Statutes Chapter 58, Article 64A). North Carolina also has a law prohibiting transfer fees (North Carolina General Statutes Chapter 39A). In the event of a conflict among these laws, Purchaser, by



execution of this Agreement, evidences Purchaser's acknowledgement and agreement that the North Carolina Insurance Law regarding Continuing Care Retirement Communities shall control, including specifically North Carolina General Statutes 58-64A-375(b) which provides:

(b) Continuing care retirement communities and providers licensed under this Article that are also subject to the provisions of the North Carolina Condominium Act under Chapter 47C of the General Statutes shall not be subject to the provisions of Chapter 39A of the General Statutes, provided that the continuing care retirement community's declaration of condominium does not require the payment of any fee or charge not otherwise provided for in a resident's continuing care contract, or other separate contract for the provisions of membership or services.

SERVICES INCLUDED IN MONTHLY PAYMENT

35. ***SERVICES INCLUDED IN MONTHLY PAYMENT.*** The services and features listed in this section 35 are included in the Monthly Payment. These services encompass meal preparation (personalized for the medical and nutritional needs of the Member), personal safety, socialization, transportation, and monitoring of other activities of daily living, and are part of a coordinated system of care and resources to address both medical and non-medical drivers of health outcomes associated with growing older.

CLUB ACTIVITIES

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

URGENT CALL SYSTEM

- b. Urgent Call System. All Cottages and Villas have a two-way, telephonic urgent call system. The purpose of this system is to summon help in an emergency. The urgent call system is connected to an indicator panel in the Health Care Facility, which identifies the Cottage or Villa from which the signal was initiated. Licensed nursing personnel with emergency training will respond to calls from the urgent call system and will summon any other appropriate emergency personnel that may be required.



FOOD SERVICE ALLOWANCE

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

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

PRIVATE DINING ROOM

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

WEEKLY FLAT LAUNDRY

e. Weekly Flat Laundry. Members receive weekly flat laundry service, which includes sheets, pillow cases, towels, face cloths and dish cloths. The flat laundry will be washed, dried, folded and returned on a weekly basis at the next scheduled housekeeping visit.



WEEKLY HOUSEKEEPING SERVICES

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

SCHEDULED MAINTENANCE OF COTTAGE OR VILLA AND COMMON AREA

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

GROUNDS CARE AND GARDENING

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

CERTAIN UTILITIES

i. Certain Utilities. Electric, gas (if applicable), water, sewer, and basic cable services will be included in the Monthly Payment for owners of villa Units. Owners of cottage Units must pay a separate charge for electric and gas.

SCHEDULED TRANSPORTATION

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

CAMPUS SECURITY

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

MAIL DELIVERY

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

ABSENCE CREDIT

m. Absence Credit. If a Member provides prior written notice to the Club that the Unit will be unoccupied for a period of not less than fourteen (14) consecutive days, the Member may be entitled to



an “absence credit” in an amount determined by the Club to be applied against the Monthly Payment.

HEALTH CARE FACILITY

n. Health Care Facility. The Cypress has secured a license from the North Carolina Department of Health & Human Services, Division of Facility Services to operate fifty-seven (57) skilled nursing beds and four (4) assistance-in-living adult home beds. The skilled nursing care facility and the assistance-in-living facility are collectively referred to as the Health Care Facility. For a period of forty-five (45) lifetime cumulative days, each Member will be entitled to receive nursing care in the nursing care facility in a semi-private room in the Health Care Facility, without extra charge, at the current Monthly Payment. During this forty-five (45) day period, the Member will continue to pay his/her Monthly Payment, plus the cost of two (2) extra meals per day, nursing supply charges, and those costs outlined in Paragraph 9 hereof. A private room will be available for an additional charge. If the Member needs further care after the forty-five (45) cumulative lifetime days of care, the Member will pay, in addition to the Monthly Payment, the applicable Member rate for such care. This rate will include meals and a semi-private room (at the request of a Member, a private room will be provided on an “as available” basis for an additional charge).

If two (2) Members occupy a Unit and one (1) of them becomes a permanent resident of the Health Care Facility, then the Monthly Payment for the Member continuing to occupy the Unit will be reduced to the single occupancy rate. The Member residing in the Health Care Facility will pay the applicable Member rate.

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

It should be noted that, due to the licensing requirements for the Health Care Facility, the facility cannot provide treatment for all conditions (e.g., no psychiatric care will be available). In addition, occupancy at the Health Care Facility may be terminated in accordance with Paragraph 12 hereof.

In no event will a Member be admitted to or treated in the Health Care Facility if such Member requires care that cannot lawfully be provided at the Health Care Facility and/or the Medical Director determines in his or her reasonable opinion that such Member’s mental or physical condition is such that his or her



admittance or treatment at the Health Care Facility would present an unreasonable risk of injury or detriment to that Member or any other Member receiving treatment or residing at the Health Care Facility, including but not limited to, a situation in which the Member seeking admittance or treatment at the Health Care Facility has been or is suspected to have been infected with a communicable disease for which there is no readily available cure and/or vaccine.

The operation of the Health Care Facility shall be subject to the applicable regulations and licensing standards of the State of North Carolina, including the N.C. Department of Insurance (“NCDI”) and the North Carolina Department of Human Resources (“NCDHR”).

HEALTH CENTER ACTIVITIES

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

MEMBER COMMITTEES

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

MONTHLY BILLING SERVICE

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

UNCOVERED SURFACE PARKING FOR MEMBERS AND GUESTS

r. Uncovered Surface Parking for Members and Guests. The Cypress has ample surface parking for both the Members and their invited guests. In addition, all Cottages have a two-car garage. Limited assigned covered parking and garage parking is available to Villa Members at an extra charge. In order to ensure that sufficient parking is available to all of our Members and their invited guests, Members shall be limited to keeping no more than one (1) vehicle on campus for each Member with an active driver's license, except as otherwise agreed to in writing by the Executive Director. Certain Members who joined The Cypress prior to June 1, 2023 are keeping more than one (1) vehicle per licensed driving Member on campus (each an “Excess Vehicle”). In the event an Excess Vehicle is transferred, it may not be replaced with another Excess Vehicle, except as otherwise agreed to in writing by the Executive Director.



INTERRUPTION OR DELAY OF SERVICES

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

OWNER MUST SELL UNIT IF MEMBERSHIP AGREEMENT TERMINATED FOR JUST CAUSE

36. **OWNER MUST SELL UNIT IF MEMBERSHIP AGREEMENT TERMINATED FOR JUST CAUSE.** If a Unit Owner or his approved designee's Membership Agreement is terminated for just cause in accordance with Section 12 of The Cypress Membership Agreement, such Owner will be obligated to promptly sell his/her Unit.

COUNTERPARTS; ELECTRONIC SIGNATURES

37. **COUNTERPARTS; ELECTRONIC SIGNATURES.** This Agreement may be executed in one or more counterparts or counterpart signature pages attached to one copy of this Agreement, each of which shall constitute an original and all of which taken together shall constitute one agreement. Documents executed, scanned (in .PDF or similar reprographic format), and/or executed (and, as appropriate, witnessed and/or notarized) electronically using electronic signature software (e.g., DocuSign or similar software), or similar methods (each a method of "Electronic Execution") and transmitted electronically shall be deemed original signatures for purposes of this Agreement and all matters related thereto, with such Electronic Execution having the same legal and binding effect as original signatures. The parties hereto agree that this Agreement may be accepted, executed and/or agreed to through the use of an electronic signature in accordance with the Electronic Signatures in Global and National Commerce Act (E-Sign Act), Title 15, United States Code, Sections 7001 et seq., the Uniform Electronic Transaction Act (UETA) and any applicable state law. Any document accepted, executed or agreed to in conformity with such laws will be binding on all parties the same as if it were physically executed. The parties (a) consent to the Electronic Execution of the Agreement and the use of electronic signatures, (b) intend to be bound by the signatures on any document delivered via Electronic Execution; (c) are aware that the other party(ies) will rely on such Electronic Execution and electronic signatures; and (d) waive any defenses to the enforcement of the terms of this Agreement based on Electronic Execution or electronic signatures.

FUTURE PURCHASERS

38. **RESALE LISTING PROCESS.** As described in the Disclosure



**MUST MEET CYPRESS
RESIDENCY
REQUIREMENTS; RESALE
LISTING PROCESS; THE
COMPANY OFFERS
SERVICES AS BROKER FOR
RESALES**

Statement, each resale of a Unit at The Cypress of Raleigh involves both the corresponding purchase of a fee interest in real estate and the purchase of a membership in The Club. Membership in The Club is not incidental to the ownership of a home; however, the occupancy of a home and access to and use of the common elements and services provided by The Club are restricted to a qualified Member or Designated Member, as the case may be. And, as elsewhere described in the Disclosure Agreement, membership in The Club is subject to the age, financial and medical qualifications set forth therein and more fully described in the Membership Agreement. Due to the complex and dual nature of each resale, the Company expends ongoing and considerable resources in marketing The Cypress, including hiring consultants, purchasing third party professional reports, collecting and reviewing data analytics specific to senior citizens, and maintaining Priority Reservation Agreements with individuals who have expressed an interest in The Cypress and have delivered refundable deposits so that they may be advised of community resales when they occur. As well, employees of the Company are well-versed in both the sale of real estate and the qualifications of membership in The Club (including a HIPPA certification to protect the confidential information required to be delivered for consideration of admission as a Member). As part and parcel of this effort, the Company offers its services to owners at the time of a resale at a commission rate considered to be at or below a market rate for the sale of real estate and with no additional consideration for assisting with the membership admission process. Owners are not required to engage the Company for resales, nor is admission of membership contingent on the use of the Company for the resale of a home. However, in such cases where an Owner elects to sell a home without engaging the Company, The Cypress may impose reasonable restrictions on access to the home and common elements for purposes of ensuring the safety and well-being of The Cypress residents. the Company also may charge the Owner a \$1,000 administrative fee per prospective member, payable to the Company in advance, to reimburse the Company for the time and expense of assisting with the membership admission process. This administrative fee shall be non-refundable, whether or not such prospective member is admitted for membership at The Cypress and/or closes on the sale of a home. In such instances, an Owner and its agent(s) should engage legal counsel experienced in transactions of this nature, and they shall be responsible for all elements of disclosure required by the CCRC Act and the Condominium Act. The Owner and its agent(s) shall be required to execute an indemnification agreement in favor of the Company, The Club and The Cypress of Raleigh Owners' Association, Inc. covering any liability arising out of the failure to comply with the CCRC Act, the Condominium Act and the requirements set forth in the Disclosure Statement.



SIGNED and SEALED by Purchaser in duplicate originals as of the day and year first above written.

WITNESSES:

PURCHASER: *(If more than one, each should sign)*

SIGNED and SEALED by Seller in duplicate originals this _____ day of _____, 20____.

WITNESSES:

SELLER: *(If more than one, each should sign)*



THE CYPRESS OF RALEIGH MEMBERSHIP AGREEMENT

THIS AGREEMENT is executed as of the ____ day of _____, 20____, by and between **THE CYPRESS OF RALEIGH, LLC**, a North Carolina limited liability company, whose address is 7101 Creedmoor Road, Suite 142, Raleigh, North Carolina 27613 (the "Company"), **THE CYPRESS OF RALEIGH CLUB, INC.**, a North Carolina non-profit corporation, whose address is 7101 Creedmoor Road, Suite 142, Raleigh, North Carolina 27613 ("The Club") and _____, whose address is _____ (the "Member").

WHEREAS, _____ (the "Unit Owner") has entered into a Resale Purchase and Sale Agreement (the "Purchase and Sale Agreement"), for the purchase of Unit No. _____ (the "Unit") of The Cypress of Raleigh, a Continuing Care Retirement Community, located in Raleigh, Wake County, North Carolina ("The Cypress"); and

THIS AGREEMENT OUTLINES MEMBERSHIP RIGHTS AND SERVICES

WHEREAS, to become eligible for residency at The Cypress and to acquire all rights of access to the Club Facilities, the Unit Owner or his approved designee, must acquire membership in The Club simultaneously with the purchase of the Unit and must enter into this Agreement, which outlines the membership rights, obligations and services derived from the membership. The intangible contractual rights and obligations conferred upon the Member pursuant to this Agreement are non-transferable and personal to the Member. Membership in The Club is a contractual interest that is separate and distinct from the fee simple real property interest acquired by the Unit Owner in the Unit. The services provided pursuant to this Agreement encompass meal preparation (personalized for the medical and nutritional needs of the Member), personal safety, socialization, transportation, and monitoring of other activities of daily living, and are part of a coordinated system of care and resources to address both medical and non-medical drivers of health outcomes associated with growing older.

NOW, THEREFORE, in consideration of the mutual promises contained in this Agreement, the receipt and legal sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

DEFINED TERMS

1. Definitions. The following terms used herein are defined as follows:



- a. "The Club" shall mean and refer to a non-profit corporation serving as the entity to carry out the plan of membership as hereinafter set forth.
- b. "Club Facilities" shall mean and refer to (i) the Clubhouse, an approximately 42,709 square foot building, including, but not limited to, a community hall, kitchen, dining areas, living room, game room, craft room, reading rooms, exercise areas, pool, limited offices, and areas available for commercial lease; and (ii) the Health Care Facility located on the site of and comprising an integral part of The Cypress.
- c. "Company" shall mean and refer to The Cypress of Raleigh, LLC, a North Carolina limited liability company.
- d. "Condominium" shall mean and refer to The Cypress of Raleigh as described in the Declaration of Condominium creating same.
- e. "The Cypress" shall mean and refer to The Cypress of Raleigh, a Continuing Care Retirement Community consisting of the Club Facilities and two (2) types of living units which include attached and/or detached cottages and villa units, all being located upon property in Raleigh, Wake County, North Carolina.
- f. "Health Care Facility" shall mean and refer to the approximately 45,836 square foot building consisting of 61 beds (sometimes referred to as "The Rosewood"), and containing licensed nursing care and assistance-in-living facilities located on the site of and comprising an integral part of The Cypress.
- g. "Member" shall mean and refer to the second party to this Agreement as hereinabove identified and shall likewise refer, in its generic context, to a person who has acquired a Membership, as hereinafter defined, and is therefore eligible for all rights of access to the Club Facilities.
- h. "Membership" shall mean and refer to that certain license or collection of rights, coupled with the corresponding responsibilities and obligations, associated with permanent residency within The Cypress, which is available to persons age sixty-two (62) and over who meet the various requirements set forth in this Membership Agreement.
- i. "Membership Fee" shall mean and refer to that certain fee charged for a Membership, as more particularly described in Paragraph 3.
- j. "Monthly Payment" shall mean and refer to the payment which covers the cost of the various services provided to Members by The Club, which services are more particularly described in Section 7 (the "Service Fee"), and the monthly contribution to the Condominium (the "Condominium Fee"). In situations where there is a second occupant



of the Unit, the Monthly Payment will include a "Second Person Fee". The percentages of the Monthly Payment that are attributable to the Service Fee and the Condominium Fee are set forth in the Notes to Schedule A attached hereto.

k. "Owner" shall mean and refer to a person, firm, corporation, partnership, association, trust, or other legal entity which owns a Unit, as hereinafter defined, within the Condominium.

l. "Qualified Appraisal" shall mean and refer to an appraisal conducted by a qualified appraiser agreed upon by the Company and the Unit Owner. In the event the Company and the Unit Owner cannot agree upon the selection of an appraiser, each party shall designate an appraiser and the appraisers so designated shall select a third appraiser; and all three appraisers shall set a value for the Unit in question. In the event there is disagreement as to value among the appraisers, the value shall be set at the greater of (i) the original purchase price of the Unit; or (ii) the average of the three appraisals.

m. "Unit" shall mean and refer to that certain villa or cottage in the Condominium and, when used in its generic sense, denoting any cottage or villa located within The Cypress. Each Unit shall be occupied by no more than two (2) individuals, each of whom must be a Member.

**CYPRESS IS A
CONTINUING CARE
RETIREMENT
COMMUNITY**

2. Statement of Background. The Cypress is a continuing care retirement community located in Raleigh, North Carolina, which offers the opportunity of ownership of real property in a villa or cottage Unit for use by persons age sixty-two (62) and older, accompanied by a Membership which allows the Member access to the Club Facilities. Neither the Company nor the Club has any affiliation with any religious or charitable organizations. The Cypress of Raleigh Owners' Association, Inc. also does not have any affiliation with any religious or charitable organizations.

**ALL CYPRESS
RESIDENTS MUST BE
MEMBERS**

3. Required Membership; Membership Fee. All Unit Owners at The Cypress are required, simultaneously with the purchase of their Unit, to purchase a non-transferable Membership for their use or for use by their approved designee (herein referred to as the "Membership"); and the Unit Owner or his/her designee, as applicable, shall be the holder of the Membership. The Membership entitles the Member to use the Club Facilities and gives the Member the right to live in the Health Care Facility when (s)he is no longer capable of independent living, as hereinafter more fully provided. The cost of Membership (herein referred to as the Membership Fee) is equal to ten percent (10%) of the gross purchase price of the Unit, as stated in the Purchase and Sale Agreement, and is payable to the Company at or prior to closing on the purchase of a Unit. The Membership Fee is solely for the Member's personal participation in The Club and does not provide Membership in The Club for any purchaser of Member's Unit or any subsequent user

**MEMBERSHIP FEE IS
INCLUDED IN
PURCHASE PRICE OF
UNIT**



of the Unit. In the event that a second person who is not the designated Member (including any subsequent spouse of the designated Member) resides in the Unit, he or she will be required to apply for Membership in The Club, and an additional Membership Fee may be charged by the Company at the then current rates, in accordance with Paragraph 13 (c) below.

MEMBERSHIP IS NON-TRANSFERABLE

4. Membership Non-Transferable. The Membership Fee is personal to the Unit Owner or his/her approved designee, and is non-refundable and non-transferable. If a Unit Owner(s) is the occupant of the Unit, such Unit Owner's Membership will expire when the Unit Owner(s) sells or otherwise disposes of the Unit or ceases to occupy the Unit. Provided however, if a Unit Owner ceases to occupy the Unit and lives in the Health Care Facility, then the Membership will continue and the Member shall continue to be responsible for payment of the Monthly Payment at the applicable Member rate. If a Unit is occupied by a person or persons other than the Unit Owner(s), the provisions of Paragraph 6 hereof shall apply.

RESALE PRICE OF RESIDENCE WILL INCLUDE NEXT BUYER'S MEMBERSHIP FEE

5. Resale of Units. If a Unit is resold, the new buyer of the Unit will be assessed a Membership Fee equal to ten percent (10%) of the purchase price of the Unit. The Membership Fee will be separately identified on the settlement statement and shall be paid to the Company at closing, pursuant to the terms of the purchase agreement. Any real estate commission due in connection with the resale of a Unit shall be based upon the purchase price of the real estate only and without regard to the cost of the Membership Fee.

If a Unit Owner transfers ownership or use of his/her Unit by gift, bequest, lease or any other method of conveyance to a family member or any other person(s), the Membership Fee to be paid to the Company shall be based on the gross fair market value of the Unit as determined by a Qualified Appraisal when such transfer occurs. The transferring Member or the proposed new Member shall be solely responsible for the cost of the appraisals.

WHEN MEMBER IS NOT THE UNIT OWNER

6. Provisions Applicable When Member is Not the Unit Owner. If a Unit Owner acquires a Unit to be used by someone other than him/herself, the Unit Owner must designate the person(s) who shall use the Membership, which Membership must be acquired at the time the Unit is purchased. The designated users of the Membership must: (a) meet the basic eligibility requirements for Membership in The Cypress; (b) be approved by The Club; and (c) have complied with the provisions of Paragraph 7 hereof regarding assurances with respect to the Monthly Payment. When the designated person(s) no longer occupies the Unit; and, thus, ceases to use the Membership, the Membership expires. Provided however, if the designated user ceases to occupy the Unit and lives in the Health Care Facility then the Membership continues and



the Member and the Unit Owner shall continue to be jointly responsible for payment of the Monthly Payment at the applicable Member rate. Any person(s) who subsequently occupy the Unit, including the Unit Owner, must acquire a Membership for their use prior to occupying the Unit. Since under these circumstances there is no sales price upon which to determine the Membership Fee, the Membership Fee is based on the gross fair market value of the Unit, as determined by a Qualified Appraisal. The transferring Member or the proposed new Member shall be responsible for the cost of the appraisal. The Membership Fee will then be assessed at ten percent (10%) of the Unit's gross fair market value, and must be paid prior to re-occupancy of the Unit. This procedure for change of Member due to circumstances other than a sale of the Unit will be followed with regard to each subsequent Member until there is a re-sale of the Unit, in which event the provisions of Paragraph 5 shall apply.

If the Member is not the Unit Owner, the Member and the Unit Owner will be jointly and severally responsible for the Membership Fee and the Monthly Payment. In addition to executing this Agreement, the Unit Owner will execute an agreement, in a form approved by The Club, personally guaranteeing payment of such obligations. In the event the Unit Owner fails to execute such agreement guaranteeing the payment of such obligations, this Membership Agreement shall act as and be the Unit Owner's personal guarantee for the benefit of the Company, its successor and assigns, guaranteeing the Member's payment of the Membership Fee and each Monthly Payment to the Company, its successors, and assigns.

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

**MONTHLY PAYMENT
INCLUDES CYPRESS
SERVICES AND
CONDOMINIUM FEE**

7. Monthly Payment. All Members shall be responsible for a Monthly Payment which includes the Service Fee and the Condominium Fee as discussed in Paragraph 1.j. hereof. The estimated initial Monthly Payment for Members as of the most recent January is set forth on Schedule "A" attached hereto and incorporated herein by reference. The Service Fee and the Condominium Fee (and the Second Person Fee, where applicable) are the sole components of the Monthly Payment. The percentages of the Monthly Payment that are attributable to the Service Fee and the Condominium Fee are set forth in the Notes to Schedule A attached hereto. Company and Member acknowledge that the current amount of Member's Monthly Payment under this Agreement shall be \$ _____, subject to annual adjustments as described in the Notes to Schedule A, and further subject to additional charges for any repair and/or maintenance of "custom changes", as set forth in the Declaration of Condominium, and for any optional services requested by Member, in accordance with Paragraphs 8 and 9 hereof.



**MONTHLY PAYMENT TO
BE ADJUSTED
ANNUALLY WITHIN
LIMITS BASED ON
CONSUMER PRICE
INDICES**

The Monthly Payment for the first full year (calendar year 2009) will be based upon estimated costs of operations provided by an experienced continuing care operator. The Monthly Payment will thereafter be based on the actual operating costs. After the second full year (calendar year 2010), there will be a cap on future increases in the cost of services and features provided by The Club (i.e., the Service Fee). With respect to services provided by The Club, the formula for determining the maximum increase permitted for that portion of the Monthly Payment will be based on the higher of: (a) the annual percentage increase of the Consumer Price Index, U.S. City Average, All Items (1967-100) (hereinafter "C.P.I.") issued by the U.S. City Average, Labor Statistics in its monthly report entitled "The Consumer Price Index, U.S. City Average and Selected Areas," or (b) the annual percentage increase of the Medical Care Component of the C.P.I. An additional three percent (3%) may be added to the higher of the annual percentages. This formula will go into effect after the second full year of operations. The Member shall receive sixty (60) days advance notice of any Monthly Payment adjustment.

As mentioned above, one component of the Monthly Payment is the monthly Condominium Fee to the Condominium for the Unit owned or occupied by the Member. The Condominium Fee will be based on actual Condominium operating costs (together with a reserve for replacements), as shown in the annual Condominium operating budget formulated and adopted in accordance with the Bylaws of the Condominium, and assessed based on the percentage of ownership interest in the Condominium's common elements. The Condominium Fee is a separate cost from the operation of The Club, but is included in the Monthly Payment as a convenience to the Members.

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

**OPTIONAL SERVICES
AVAILABLE FOR
ADDITIONAL COST**

The Monthly Payment covers the cost of the services and features outlined herein which are available to all Members. Members will be required to pay additional charges for any repair and/or maintenance of "custom changes", as set forth in the Declaration of Condominium, and for any optional services requested by them, in accordance with Paragraphs 8 and 9 hereof. The Monthly Payment will be payable on the seventh day of each month, in advance; and additional charges will be payable on the seventh day of each month for the optional services obtained during the preceding month. The Member's responsibility for the Monthly Payment shall commence on the earlier of: (a) actual occupancy of the Unit, or (b) the date on which the Unit will be available for occupancy, as specified in a notice thereof delivered to the



SERVICES INCLUDED IN MONTHLY PAYMENT

CLUB ACTIVITIES

Member at least fourteen (14) days prior to the specified date of availability.

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

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

URGENT CALL SYSTEM

b. Urgent Call System. All Cottages and Villas have a two-way, telephonic urgent call system. The purpose of this system is to summon help in an emergency. The urgent call system is connected to an indicator panel in the Health Care Facility, which identifies the Cottage or Villa from which the signal was initiated. Licensed nursing personnel with emergency training will respond to calls from the urgent call system and will summon any other appropriate emergency personnel that may be required.

FOOD SERVICE ALLOWANCE

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

As part of residency at The Cypress of Raleigh, Members receive meal services as described in this section. To assist in tracking meal usage and monitoring the health of Members, Members receive quarterly meal points, which may be used for food and beverage selections from a varied menu of favorites, seasonal and daily specials, giving the Members optimal choice and flexibility for their dining experience. A Member's meal points are designed to be allocated in the Member's discretion over the course of each calendar quarter and typically are sufficient for one meal per day. With four distinct dining venues, the Members can choose to use meal points on dining experiences in the formal or main dining venues or on quick grab-and-go menu items from the buffet-style bistro and bar menus. Home delivery and take-out meals are also available. A registered dietician is available for



consultation. Charges for guest meals will be published by The Club and subject to change without prior notice based on variable food and labor costs. A Member's meal point allowance is not equivalent to dollars, cannot be exchanged for dollars, and does not reflect the actual cost of food and labor utilized for the delivery of food service as part of a Member's residency at The Cypress of Raleigh. Unused meal points will not carry over to the next quarter. Additional meal points cannot be purchased. Any additional meals that may be requested by a Member in excess of their quarterly meal points will be charged on a per-item basis to the Member at a dollar amount determined by The Cypress of Raleigh. To the extent required by law, appropriate sales and use taxes will be charged to Members and collected on sales of alcohol and guest meals.

PRIVATE DINING ROOM

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

WEEKLY FLAT LAUNDRY

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

WEEKLY HOUSEKEEPING SERVICES

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

SCHEDULED MAINTENANCE OF COTTAGE OR VILLA AND COMMON AREA

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

GROUNDS CARE AND GARDENING

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

CERTAIN UTILITIES

i. Certain Utilities. Electric, gas (if applicable), water, sewer,



and basic cable services will be included in the Monthly Payment for owners of villa Units. Owners of cottage Units must pay a separate charge for electric and gas.

SCHEDULED TRANSPORTATION

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

CAMPUS SECURITY

k. Campus Security. The Cypress is a gated community with security staff personnel onsite twenty-four (24) hours a day. Additionally, security cameras and a card access only entrance into the Villa Buildings and Health Care Facility are utilized to enhance campus security.

MAIL DELIVERY

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

ABSENCE CREDIT

m. Absence Credit. If a Member provides prior written notice to the Club that the Unit will be unoccupied for a period of not less than fourteen (14) consecutive days, the Member may be entitled to an "absence credit" in an amount determined by the Club to be applied against the Monthly Payment.

HEALTH CARE FACILITY

n. Health Care Facility. The Cypress has secured a license from the North Carolina Department of Health & Human Services, Division of Facility Services to operate fifty-seven (57) skilled nursing beds and four (4) assistance-in-living adult home beds. The skilled nursing care facility and the assistance-in-living facility are collectively referred to as the Health Care Facility. For a period of forty-five (45) lifetime cumulative days, each Member will be entitled to receive nursing care in the nursing care facility in a semi-private room in the Health Care Facility, without extra charge, at the current Monthly Payment. During this forty-five (45) day period, the Member will continue to pay his/her Monthly Payment, plus the cost of two (2) extra meals per day, nursing supply charges, and those costs outlined in Paragraph 9 hereof. A private room may be available for an additional charge. If the Member needs further care after the forty-five (45) cumulative lifetime days of care, the Member will pay, in addition to the Monthly Payment, the applicable Member rate for such care. This rate will include meals and a semi-private room (at the request of a Member, a private room will be provided on an "as available" basis for an additional charge).

If two (2) Members occupy a Unit and one (1) of them becomes a permanent resident of the Health Care Facility, then the Monthly Payment for the Member continuing to occupy the Unit will be reduced to the single occupancy rate. The Member residing in the Health Care



Facility will pay the applicable Member rate.

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

It should be noted that, due to the licensing requirements for the Health Care Facility, the facility cannot provide treatment for all conditions (e.g., no psychiatric care will be available). In addition, occupancy at the Health Care Facility may be terminated in accordance with Paragraph 12 hereof.

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

The operation of the Health Care Facility shall be subject to the applicable regulations and licensing standards of the State of North Carolina, including the N.C. Department of Insurance and the North Carolina Department of Human Resources.

HEALTH CENTER ACTIVITIES

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

MEMBER COMMITTEES

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

MONTHLY BILLING SERVICE

q. Monthly Billing Service. Monthly statements are placed in each Member's mailbox or other appropriate location on or before the fifth (5th) day of the month. Each monthly statement must be paid within seven (7) days after the delivery date of the statement. Payment may be made at the accounting office, accounting drop box or by mail.



**UNCOVERED SURFACE
PARKING FOR
MEMBERS AND GUESTS**

Payments made after the seven (7) day period may be subject to a late fee. A staggered billing system may be implemented in the discretion of the Club.

r. Uncovered Surface Parking for Members and Guests. The Cypress has surface parking for both the Members and their invited guests. In addition, all Cottages have a two-car garage. Limited assigned covered parking and garage parking is available to Villa Members at an extra charge. In order to ensure that sufficient parking is available to all of our Members and their invited guests, Members shall be limited to keeping no more than one (1) vehicle on campus for each Member with an active driver's license, except as otherwise agreed to in writing by the Executive Director. Certain Members who joined The Cypress prior to June 1, 2023 are keeping more than one (1) vehicle per licensed driving Member on campus (each an "Excess Vehicle"). In the event an Excess Vehicle is transferred, it may not be replaced with another Excess Vehicle, except as otherwise agreed to in writing by the Executive Director.

**INTERRUPTION OR
DELAY OF SERVICES**

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

**ADDITIONAL SERVICES
NOT INCLUDED IN
MONTHLY PAYMENT**

8. Additional Amenities and Services not Included in Monthly Payment. Additional amenities and services which will be available to Members at an additional charge include guest meals, additional meals, valet service, additional housekeeping, beauty parlor, barber shop, personal transportation, and health care services in the Member's Unit.

**ADDITIONAL HEALTH
SERVICES NOT
INCLUDED IN MONTHLY
PAYMENT**

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

**HEALTH CENTER HAS
MEDICAL DIRECTOR**

A physician in good standing with the Raleigh medical community will be designated as the Medical Director of The Club (herein referred to as "Medical Director"). The Medical Director, although not an employee of The Club, will be on emergency call for Members. For matters other



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

**MEMBER'S VOLUNTARY
TERMINATION RIGHTS**

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

**FAILURE TO PAY
CHARGES DUE**

**DETRIMENTAL
DISTURBANCES**

than emergencies, the Member may engage the services of the Medical Director or any other physician, at the Member's expense. The Club will not be responsible for the cost of medical treatment by the Medical Director, or for the cost of medicine, drugs, prescribed therapy, and similar treatment.

10. Duration of Member's Right to Occupy the Unit. The Member may occupy his/her Unit for as long as he/she (or both) is capable of independent living, and so long as independent living is practical and safe. If, in the opinion of either the Member's attending physician, the Medical Director or The Club, the Member's physical or mental health requires that the Member receive nursing care, the Member agrees to receive the necessary in home assistance through the provision of additional health services described herein, or relocate to the Health Care Facility or to some other health facility of the Member's choice.

11. Member's Termination Rights. The Member (including both of them if there are two (2) Members) may terminate this Agreement at any time for any reason by giving the Company thirty (30) days prior written notice signed by the Member (or both of them if there are two (2) Members). The Member's obligations hereunder shall continue until the Unit is transferred, sold, or otherwise occupied by a successor Member, and the new Member assumes the obligation of the Monthly Payment. Transfer under the last will and testament of a deceased Member, other than to his/her estate, is a conveyance upon which a new Membership Fee must be paid if the devisee or beneficiary elects to become a Member of The Club. In the event of death, the estate of the Member will retain all Membership obligations provided herein until the deceased Member's Unit is transferred, sold, or otherwise occupied by a successor Member, and the new Member assumes the obligation of the Monthly Payment. As previously stated, if the Member is not also the Unit Owner, the Unit Owner and the deceased Member's estate shall be jointly and severally responsible for obligations hereunder.

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

a. The Company and/or The Club shall not terminate this Agreement except for just cause. The Member agrees that he/she will be obligated to promptly sell his/her Unit if the Company and/or The Club terminates this Agreement for just cause. Just cause includes, but is not limited to, the following:

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

ii. creation by the Member of a disturbance within The Cypress which, in the judgment of The Club or the Company, is detrimental to the health, safety, comfort and



INFECTION WITH DANGEROUS OR CONTAGIOUS DISEASE, MENTAL INSTABILITY

peaceful lodging of the other Members; e.g., loud noises, harassing other residents;

iii. the Member becomes infected with a dangerous and contagious disease or becomes mentally or emotionally disturbed, and the Medical Director determines that the Member's condition is detrimental to the health, safety or welfare of the Member, other residents or the staff of The Cypress, and the Member's condition cannot be treated in the Health Care Facility; or

MEMBER REFUSES MEDICAL TREATMENT

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

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

b. Because it is and shall continue to be The Club's policy to endeavor to avoid termination of a Member's Membership Agreement solely by reason of his/her financial inability to pay the total Monthly Payment and other charges, the Member shall be permitted to remain at The Cypress at a reduced monthly charge based on the Member's ability to pay for so long as: (i) he/she establishes facts to justify deferral of the usual charges; (ii) he/she establishes the ability to secure repayment of such deferred charges; and (iii) the determination is made that the deferral of such charges can, in the sole discretion of The Club, be granted without impairing the ability of The Club to operate on a sound financial basis. The loss of revenue to The Club from any such deferral of charges will be borne by The Club until repaid as provided in this Paragraph 12.

IF THE MEMBER HAS FINANCIAL DIFFICULTIES

c. If the Member encounters financial difficulties making it impossible for him/her to pay the Monthly Payment and other applicable charges, then:

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

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

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

iii. any charges deferred, as herein contemplated, will be offset by The Club against the proceeds from the sale of the Member's Unit when such sale occurs, and The Club shall have a first priority claim against such proceeds, subject only to any existing first mortgage lien and the lien of the



Condominium for Condominium assessments, as hereafter provided. The Member agrees that his/her financial obligations to The Club constitute a debt which must be repaid. The Member agrees to execute a note and a mortgage on his/her Unit, and any other loan documents required by The Club as security for the repayment of this debt. If the Member is not the Unit Owner, then the Member shall cause the Unit Owner to give a mortgage on the Unit occupied by the Member. It is understood and acknowledged that the lien of such mortgage shall be subordinate to the lien of the Condominium for Condominium assessments and any such mortgage must expressly so provide. The Note shall bear interest at the average prime rate as published in the Wall Street Journal. Notwithstanding the above, the provisions of Paragraphs 12(b) and (c) shall be rendered inoperative and inapplicable if the Member has impaired his/her ability to meet his/her financial obligations hereunder by making unapproved gifts or other transfers.

CYPRESS WILL GIVE 30 DAYS NOTICE AND MEMBER HAS 30 DAYS TO CORRECT PROBLEM

d. Prior to any termination of the Agreement by The Club, The Club will give the Member written notice of the reasons for termination, and the Member will have thirty (30) days thereafter within which to correct the problem. If the problem is corrected within such time period, this Agreement will not be terminated. If the problem is not corrected within such time period, this Agreement will be terminated and the Member must promptly leave The Cypress. Notwithstanding such termination, the Member will continue to pay his/her Monthly Payment and other applicable charges, until his/her Unit has been sold, transferred, or otherwise conveyed to a new Member who assumes all obligations hereunder.

MEDICAL DIRECTOR MAY WAIVE NOTICE PERIOD IF LAPSE OF TIME DETRIMENTAL TO MEMBER, OTHER RESIDENTS OR STAFF

e. If the Medical Director determines that either the giving of notice or the lapse of time specified above might be detrimental to the Member or other residents or staff of The Cypress, then such notice and/or waiting period, prior to termination and relocation to an appropriate hospital or other facility, shall not be required and termination of this Agreement shall be deemed to have occurred when the Member is relocated. In such event, The Club is expressly authorized to transfer the Member to an appropriate hospital or other facility and will promptly notify the Member's representative or his/her attending physician. However, the Member will retain all ownership rights and obligations in the Unit until it is sold, transferred, or otherwise conveyed to a new Owner who assumes the rights and obligations of membership with respect to the Unit and the Monthly Payment. If the Member is not the Unit Owner, then the Member and the Unit Owner shall be jointly and severally responsible for all such obligations until a new Member assumes all such rights and obligations



of membership with respect to the Unit and the Monthly Payment.

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

**UNITS ARE FOR
RESIDENTIAL
PURPOSES ONLY;
OCCUPANCY LIMITED
TO TWO (2)
INDIVIDUALS**

a. All Units are for living purposes only and shall not be used for carrying on any business or profession, nor in any manner in violation of applicable covenants, restrictions, laws, and regulations. In no event may a Unit be occupied by more than two (2) individuals, each of whom must be a Member.

**PETS ARE PERMITTED
WITH STRICT
GUIDELINES**

b. Subject to the prior written consent of the Executive Director, which may be withheld in the Executive Director's sole discretion, pets may be permitted in the Units. Pets must be on a leash at all times. Pets must be healthy, have current shots and rabies immunization, and be free of fleas and other parasites. The Member owning the pet is responsible for ensuring the pet's good behavior and paying any costs expended by The Club for the failure of the Member to adhere to The Cypress pet policy, including, but not limited to, the cost of disinfection, cleaning, and fumigation. Pets are prohibited in the common facilities. Any Member having a pet understands and agrees that the pet will be removed from the Unit if the pet becomes a nuisance to other Members, as determined by the Executive Director in his or her sole discretion. The Club will provide the Member with fourteen (14) days written notice that the pet must be removed from the Unit.

OCCUPANCY OF UNITS

c. Except as hereinafter provided, no person other than the Member (or both of them) may occupy the Unit without the express written approval of The Club. If a person who is not a party to this Agreement (including any subsequent spouse of the Member) is accepted for residency under this Agreement after the date hereof (such acceptance to be in accordance with admission policies governing all other admissions), an additional Membership Fee and an additional Monthly Payment will be charged to the new resident of the Unit, in accordance with Paragraph 6 above. The amount of the Membership Fee will be based on the gross fair market value of the Unit at the time the new Member is accepted, as determined by a Qualified Appraisal. The new Member will pay the applicable Monthly Payment each month he/she occupies the Unit. If, however, the new prospective resident does not meet the residency requirements for the Unit, such person will not be permitted to occupy the Unit for more than thirty (30) days (except with the express written approval of The Club). If such person does not vacate the Unit after the thirty (30) day period, this Agreement may be terminated in accordance with the terms hereof.



CYPRESS MAY MODIFY UNITS TO MEET LEGAL REQUIREMENTS

d. The Club or the Company may modify a Unit in The Cypress at any time to meet the requirements of applicable law. The Member agrees to temporarily relocate to other facilities provided by The Club, at The Club's cost, if it becomes necessary to vacate his/her Unit in order to make such modifications.

MEMBER MUST OBTAIN INSURANCE FOR PERSONAL PROPERTY

e. Each Member must obtain hazard and liability insurance covering the Member's personal property located within, and the interior of, his/her Unit. A Member's personal property, furniture, clothing, jewelry, etc. located within the Unit may not interfere with the health, safety, and general welfare of other Members.

FUTURE PURCHASERS MUST MEET CYPRESS RESIDENCY REQUIREMENTS; RETAIL LISTING PROCESS; THE COMPANY OFFERS SERVICES AS BROKER FOR REALES

14. Resale. The Member acknowledges that the resale of a Unit in The Cypress must be made to a person(s) who either meets The Cypress Membership and residency requirements or who is purchasing a Unit for or on behalf of a person(s) who meets The Cypress Membership and residency requirements. The Company shall determine whether a person(s) meets such requirements. The Member also acknowledges and agrees that, if he/she moves out of his/her Unit prior to its sale, the Member will be responsible for paying the Monthly Payment until the Unit is sold, transferred or otherwise conveyed to a new Owner who assumes the ownership rights and obligations of membership with respect to the Unit and the Monthly Payment.

As described in this Membership Agreement, the occupancy of a Unit and access to and use of the common elements and services provided by The Club are restricted to a qualified Member or Designated Member, as the case may be. And, membership in The Club is subject to the age, financial and medical qualifications set forth herein. Due to the complex and dual nature of each resale, The Company expends ongoing and considerable resources in marketing The Cypress, including hiring consultants, purchasing third party professional reports, collecting and reviewing data analytics specific to senior citizens, and maintaining Priority Reservation Agreements with individuals who have expressed an interest in The Cypress and have delivered refundable deposits so that they may be advised of community resales when they occur. As well, employees of The Company are well-versed in both the sale of real estate and the qualifications of membership in The Club (including a HIPPA certification to protect the confidential information required to be delivered for consideration of admission as a Member). As part and parcel of this effort, The Company offers its services to owners at the time of a resale at a commission rate considered to be at or below a market rate for the sale of real estate and with no additional consideration for assisting with the membership admission process.



Owners are not required to engage The Company for resales, nor is admission of membership contingent on the use of the Company for the resale of a Unit. However, in such cases where an Owner elects to sell a Unit without engaging The Company, The Cypress may impose reasonable restrictions on access to the Unit and common elements for purposes of ensuring the safety and well-being of The Cypress residents. The Company also may charge the Owner a \$1,000 administrative fee per prospective member, payable to the Company in advance, to reimburse The Company for the time and expense of assisting with the membership admission process. This administrative fee shall be non-refundable, whether or not such prospective member is admitted for membership at The Cypress and/or closes on the sale of a Unit. In such instances, an Owner and its agent(s) should engage legal counsel experienced in transactions of this nature, and they shall be responsible for all elements of disclosure required by the CCRC Act and the Condominium Act. The Owner and its agent(s) shall be required to execute an indemnification agreement in favor of The Company, The Club and The Cypress of Raleigh Owners' Association, Inc. covering any liability arising out of the failure to comply with the CCRC Act, the Condominium Act and the requirements set forth in the Disclosure Statement.

SMOKE FREE COMMUNITY

15. Smoke Free Community. The Cypress is committed to providing a safe, healthy, and comfortable living and working environment for its Members, employees, and guests. To support this commitment, The Cypress maintains a smoke-free environment. Other than the limited exceptions described below, smoking is prohibited in all indoor and outdoor areas, including but not limited to the Cottages and Villas, the Health Care Facility, the Clubhouse, and all other common areas. The Cypress may take reasonable action if smoking, smoke odors, vapor, or related residue creates a health, safety, sanitation, nuisance, or fire-risk concern. If a Member's violation of The Cypress's smoke-free policy results in The Cypress incurring costs for cleaning, repairs, deodorization, or other remedial measures, the Member will be responsible for reimbursing such costs. The Cypress will make reasonable efforts to enforce its smoke-free policy; however, it does not guarantee a smoke-free environment or the absence of smoke, vapor, odors, or related residue.

Prior to implementing its smoke-free policy, The Cypress permitted Members to smoke within their Units provided that they installed an approved air purification system at the Member's sole cost and expense. Currently only a very limited number of existing Members who purchased their Units prior to 2026 are permitted to smoke within their Units. All other Members will be subject to The Cypress's smoke-free policy.



PARKING SPACE LICENSE

16. Parking Space License. When a Unit is purchased at The Cypress, the Member may also purchase the right to use a garage or covered parking space if one is available (a “Parking Space License”). Each Parking Space License is governed by the terms and conditions of a Villa Garage/Covered Parking Space Agreement. It is also subject to the recorded Declaration of Condominium because the garage and covered parking spaces are common elements of the Condominium. Only a Member may use a Parking Space License. It cannot be transferred to or used by a non-Member, and any transfer of a Parking Space License requires the prior reasonable approval of both the Company and the Association. When a Member who owns a Parking Space License ceases to be a Member at The Cypress, the Parking Space License must be transferred either to the purchaser of that Member’s Unit or another existing Member at The Cypress. Under no circumstances may a Parking Space License be retained or used by a former Member or by that Member’s estate, heirs, or beneficiaries – other than through the acquisition of the Parking Space License as a Cypress Member. As part of the sales process or otherwise, the Company is available to assist in locating an eligible purchaser for the Parking Space License from among existing and incoming Cypress Members.

COMMON OPERATING SYSTEMS; ASSOCIATED NOISES AND VIBRATIONS

17. Common Operating Systems and Associated Noise and Vibrations. Cottages and Villas, common areas, and the buildings in which they are located contain a variety of shared operating systems that are essential to The Cypress’s day-to-day operations (collectively, the “Operating Systems”). These Operating Systems include but are not limited to:

- Electrical, mechanical, and plumbing systems;
- Heating, ventilating, and air-conditioning equipment;
- Elevators and generators;
- Water pump systems, water heaters, and boilers;
- Fire and life-safety systems, security systems, and building automation/management systems;
- Telephone, internet, and cable equipment; and
- Trash chutes and dumpsters.

The Operating Systems operate continuously or at various intervals as needed, and may emit sounds, vibrations, or other operational noise in the ordinary course of use. Use of the covered parking areas by Members also generates sounds and vibrations in the ordinary course of use, such as those related to vehicle motors, fans, tires, and brakes. The Company, The Club, and the Association make no representation or warranty that the sounds, vibrations, and operational noises emitted by or associated with the Operating Systems and/or the covered



parking areas will not be perceptible to, or create sensitivity for, Members.

ASSOCIATE MEMBERSHIPS

18. Associate Memberships. The Company anticipates that there will be a large demand for membership in The Club. Accordingly, the Company may, in its sole discretion, accept associate members who are not residents of The Cypress, but will have secondary priority access to the Club Facilities.

DISAGREEMENT SETTLED BY ARBITRATION

19. Arbitration. It is the parties' intent that any controversy arising under, out of, in connection with, or relating to, this Agreement and any amendment thereto, or breach thereof, shall be determined and settled by arbitration, in accordance with the rules of the American Arbitration Association. Any decision rendered therein shall be final and binding on each and all of the parties thereto and their personal representatives, and judgment may be entered on any such decision in any court having jurisdiction. Notwithstanding the foregoing, this arbitration provision will not be mandatory for any effort by The Club and/or the Company to collect Monthly Payments, Membership Fees, or other charges, nor with respect to decisions by the Company with respect to the admission of new Members.

20. Amendments.

AMENDMENTS TO AGREEMENT

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

MUST BE IN WRITING

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

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

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

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



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

21. Cancellation Rights.

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

a. This Agreement may be rescinded by the Member within thirty (30) days following the later of the execution of this Agreement or the receipt of a disclosure statement prepared in accordance with North Carolina law; and the Member will not be required to close on the purchase of his/her Unit prior to the expiration of the thirty (30) day period.

**AUTOMATIC
TERMINATION OF
AGREEMENT**

b. If a Member dies before closing on the purchase of a Unit or is unable to occupy a Unit due to illness, injury, or incapacity that renders him/her ineligible for Membership, then this Agreement will automatically be terminated and all deposits returned to the Member or his/her estate. If there is more than one purchaser of the Unit, the Agreement will continue to be binding on the surviving or eligible purchaser. The Agreement will also be automatically terminated if a Member sells his/her Unit and does not reside in the Unit or the Health Care Facility.

**MEMBER (OR
MEMBER'S
REPRESENTATIVE) MAY
BE ENTITLED TO
REFUND UPON
RESCISSION OR
CANCELLATION**

c. If the Agreement is rescinded or canceled pursuant to this Paragraph 21, the Member or his/her legal representative shall receive a refund of all money or property transferred to the Company, less (i) non-standard costs specifically incurred by the Company at the request of the Member, as described in any contract amendment signed by the Member or the Owner; (ii) any non-refundable fees or costs specified and described herein; and (iii) a reasonable service charge not to exceed the greater of one thousand dollars (\$1,000.00) or two percent (2%) of the Membership Fee.



NORTH CAROLINA LAW GOVERNS

NORTH CAROLINA INSURANCE LAW REGARDING CONTINUING CARE RETIREMENT COMMUNITIES CONTROLS

AGENTS OF THE CYPRESS NOT PERSONALLY LIABLE

IF MORE THAN ONE MEMBER, OBLIGATIONS ARE JOINT AND SEVERAL

22. Miscellaneous Legal Provisions.

a. This Agreement will be interpreted in accordance with the laws of the State of North Carolina.

b. The purchase, sale and ownership of the Unit and membership in the Club are subject to the provisions of the North Carolina Condominium Act (North Carolina General Statutes Chapter 47C) and the North Carolina Insurance Law regarding Continuing Care Retirement Communities (North Carolina General Statutes Chapter 58, Article 64A). North Carolina also has a law prohibiting transfer fees (North Carolina General Statutes Chapter 39A). In the event of a conflict among these laws, the Member, by execution of this Agreement, evidences the Member's acknowledgement and agreement that the North Carolina Insurance Law regarding Continuing Care Retirement Communities shall control, including specifically North Carolina General Statutes 58-64A-375(b) which provides:

(b) Continuing care retirement communities and providers licensed under this Article that are also subject to the provisions of the North Carolina Condominium Act under Chapter 47C of the General Statutes shall not be subject to the provisions of Chapter 39A of the General Statutes, provided that the continuing care retirement community's declaration of condominium does not require the payment of any fee or charge not otherwise provided for in a resident's continuing care contract, or other separate contract for the provisions of membership or services.

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

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

e. When more than one Member occupies a Unit, the rights and obligations of such Members are joint and several, except as the context otherwise requires.



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

**MEMBER REPRESENTS
HE/SHE IS CAPABLE OF
INDEPENDENT LIVING
AND HAS SUFFICIENT
ASSETS AND INCOME
FOR PAYMENT OF
MEMBERSHIP
OBLIGATIONS**

g. By executing this Agreement, the Member represents and warrants that he/she is capable of independent living, with or without reasonable accommodation or modification, and has assets and monthly income which have been represented to The Cypress in writing through a preliminary application which are sufficient, under foreseeable circumstances and after provision for payment of the Member's obligations under this Agreement, to meet his/her ordinary and customary living expenses after assuming Membership and occupancy. The Member further warrants that he/she will continue to carry the applicable Title XVIII Medicare benefits and Medicare Supplement and/or third party insurance policies listed on the preliminary application and that all written representations made with respect to such matters by him/her or on his/her behalf to the Company are true and correct.

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

h. Durable Power of Attorney. Each Member agrees to execute and deliver to The Club, at or before assuming residency in The Cypress, a Durable Power of Attorney, in a form acceptable to The Club, naming a person of Member's choice to act on Member's behalf in the capacity of attorney-in-fact in the event it shall become necessary that a third party representative act on behalf of the Member. The Durable Power of Attorney shall comply with all applicable laws, and grant the power and authority to make financial decisions for the Member. The Durable Power of Attorney shall not be affected by the physical disability or mental incompetence of the Member. Each Member shall keep the Durable Power of Attorney in full force and effect throughout the term of this Agreement. The attorney-in-fact, trustee or other representative named in the Durable Power of Attorney shall not be a person employed by The Club, the Company, The Condominium, or any other entity engaged in the management of The Cypress. The Durable Power of Attorney must name a successor attorney-in-fact.



**MEMBER
ACKNOWLEDGES
RECEIPT OF ALL
DOCUMENTS AND
EXHIBITS**

23. Acknowledgment and Receipt of Documents. The Member hereby certifies that he/she has received a printed copy of this Agreement, a copy of the Declaration of Condominium establishing The Cypress of Raleigh Condominium, the Public Offering Statement and all Exhibits thereto, the Bylaws of The Cypress of Raleigh Condominium, the current Cypress Disclosure Statement and the Purchase Process worksheet, which sets forth all cost components of the Monthly Payment.

**MEMBER
ACKNOWLEDGES THIS
IS A CONTRACT FOR
PERSONAL CONTINUING
CARE SERVICES**

24. Personal Services Contract. The Member hereby acknowledges that this Agreement is a non-transferable contract for personal continuing care services subject to the provisions of North Carolina General Statutes Chapter 58, Article 64A. The Member further acknowledges that the obligations set forth herein are contractual in nature and that this Agreement does not create an estate or interest in real property.

**COUNTERPARTS;
ELECTRONIC
SIGNATURES**

25. Counterparts; Electronic Signatures. This Agreement may be executed in one or more counterparts or counterpart signature pages attached to one copy of this Agreement, each of which shall constitute an original and all of which taken together shall constitute one agreement. Documents executed, scanned (in .PDF or similar reprographic format), and/or executed (and, as appropriate, witnessed and/or notarized) electronically using electronic signature software (e.g., DocuSign or similar software), or similar methods (each a method of "Electronic Execution") and transmitted electronically shall be deemed original signatures for purposes of this Agreement and all matters related thereto, with such Electronic Execution having the same legal and binding effect as original signatures. The parties hereto agree that this Agreement may be accepted, executed and/or agreed to through the use of an electronic signature in accordance with the Electronic Signatures in Global and National Commerce Act (E-Sign Act), Title 15, United States Code, Sections 7001 et seq., the Uniform Electronic Transaction Act (UETA) and any applicable state law. Any document accepted, executed, or agreed to in conformity with such laws will be binding on all parties the same as if it were physically executed. The parties (a) consent to the Electronic Execution of the Agreement and the use of electronic signatures, (b) intend to be bound by the signatures on any document delivered via Electronic Execution; (c) are aware that the other party(ies) will rely on such Electronic Execution and electronic signatures; and (d) waive any defenses to the enforcement of the terms of this Agreement based on Electronic Execution or electronic signatures.



SIGNED and SEALED by Member(s) in duplicate originals as of the day and year first above written.

NOTICE: BECAUSE THE AUTHORITY TO ENTER INTO CONTINUING CARE CONTRACTS GRANTED BY THE NORTH CAROLINA DEPARTMENT OF INSURANCE IS NEITHER A GUARANTEE OF PERFORMANCE BY THE PROVIDER NOR AN ENDORSEMENT OF ANY CONTINUING CARE CONTRACT PROVISION, PROSPECTIVE RESIDENTS MUST CAREFULLY CONSIDER THE RISKS, BENEFITS, AND COSTS BEFORE SIGNING A CONTINUING CARE CONTRACT AND ARE STRONGLY ENCOURAGED TO SEEK FINANCIAL AND LEGAL ADVICE BEFORE DOING SO.

SIGNED IN THE PRESENCE OF:

"MEMBER(S)"

"UNIT OWNER" (if different from Member)

SIGNED IN THE PRESENCE OF:

"COMPANY"
THE CYPRESS OF RALEIGH, LLC,
a North Carolina limited liability company

By: THE CYPRESS MANAGEMENT GROUP, LLC, its Manager

By: _____
Its: Manager



SIGNED IN THE PRESENCE OF:

"CLUB"
**THE CYPRESS OF RALEIGH
CLUB, INC.**, a North Carolina non-
profit corporation

By: _____
Its: _____

Villa Type: _____
Villa Number: _____
Cottage Type: _____
Cottage Number: _____



SCHEDULE A

See attached list of Monthly Fees.

Appendix E — Examination Report

Not applicable.

Appendix F — Statutory Ratio and Supporting Definitions

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

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

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

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

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

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

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

Debt Service Coverage Ratio. *“A capital structure ratio that measures a provider's ability to pay annual debt service with cash flow from net cash revenues and net entrance fee receipts. The quotient shall be calculated by dividing the sum of total excess of revenues over or under expenses plus interest expense, depreciation expense, amortization expense, other noncash operating losses or expenses, and net cash proceeds from entrance fees, minus entrance fee amortization, entrance fee refunds contractually past due, and other noncash operating gains or revenues divided by annual debt service. Entrance fees received from the initial residents of independent living units at a continuing care retirement community that have been financed in whole or in part with the proceeds of indebtedness shall be excluded*

from the net proceeds from entrance fees up to an amount equal to the aggregate of the principal amount of the indebtedness.” (G.S. 58-64A-5(17))

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

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

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

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

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

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

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

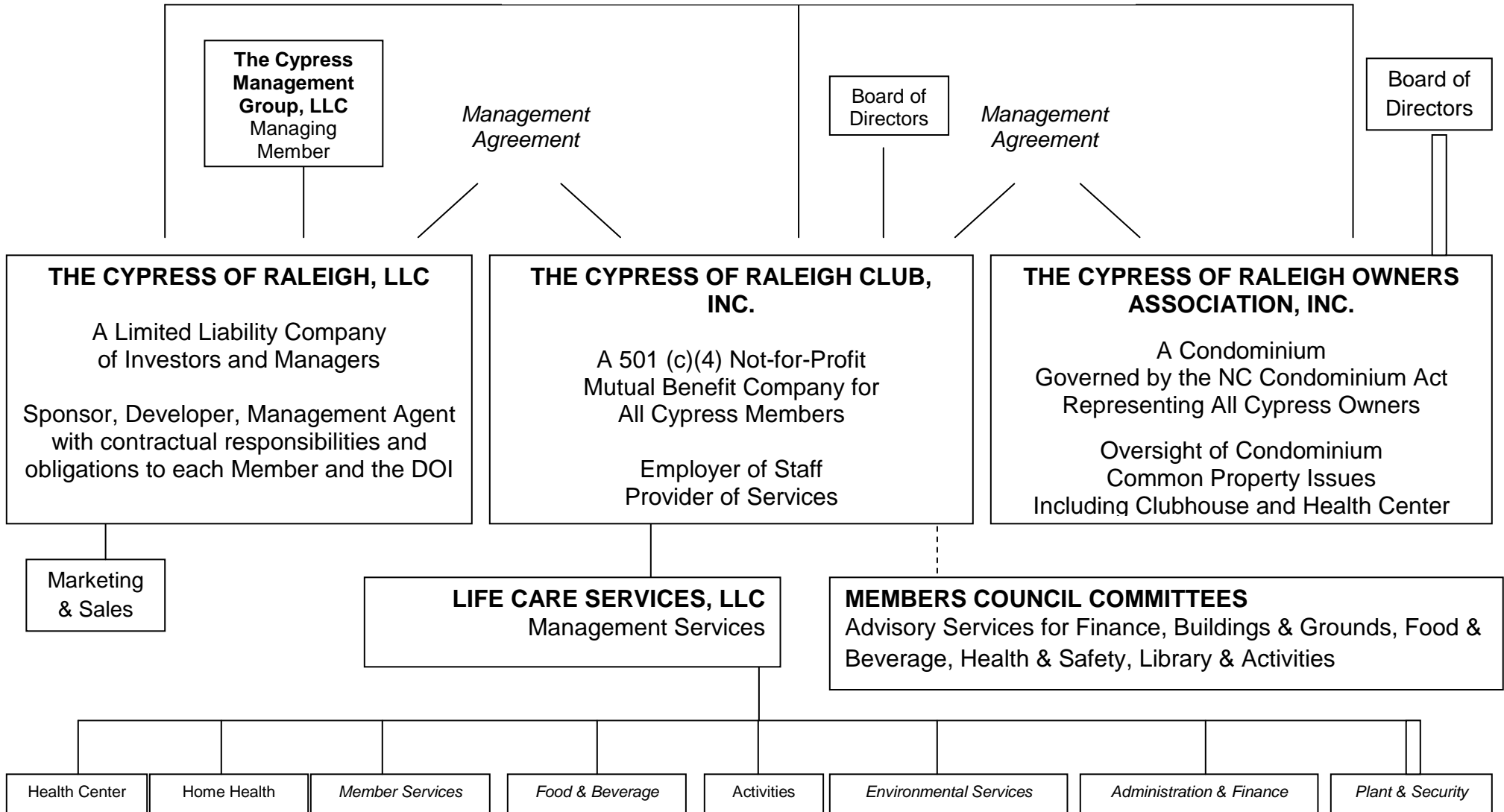
Unrestricted Cash and Investments to Long-Term Debt Ratio. *“A capital structure ratio that (i) measures a provider's position in available cash and marketable securities in relation to its long-term debt and (ii) measures a provider's ability to withstand annual fluctuations in cash. The quotient shall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

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

Appendix G – The Cypress Organizational Chart

See attached Organizational Chart for The Cypress.

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



The Cypress Management Group, LLC
Managing Member

Management Agreement

Board of Directors

Management Agreement

Board of Directors

THE CYPRESS OF RALEIGH, LLC
 A Limited Liability Company of Investors and Managers
 Sponsor, Developer, Management Agent with contractual responsibilities and obligations to each Member and the DOI

THE CYPRESS OF RALEIGH CLUB, INC.
 A 501 (c)(4) Not-for-Profit Mutual Benefit Company for All Cypress Members
 Employer of Staff
 Provider of Services

THE CYPRESS OF RALEIGH OWNERS ASSOCIATION, INC.
 A Condominium Governed by the NC Condominium Act Representing All Cypress Owners
 Oversight of Condominium Common Property Issues Including Clubhouse and Health Center

Marketing & Sales

LIFE CARE SERVICES, LLC
Management Services

MEMBERS COUNCIL COMMITTEES
Advisory Services for Finance, Buildings & Grounds, Food & Beverage, Health & Safety, Library & Activities

- Health Center
- Home Health
- Member Services
- Food & Beverage
- Activities
- Environmental Services
- Administration & Finance
- Plant & Security