



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

Disclosure Statement

Southminster Continuing Care Retirement Community

Provider: Southminster, Inc.

Date of Disclosure Statement: 9/30/2025

Last Date for Delivery: 03/09/2027

- **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 Southminster, Inc. to penalties under Article 64A.**

Financial Snapshot: Key Ratios for Southminster, Inc.

Fiscal Year Ended: September 30, 2025 (FY)

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	217	233	270	300	333	371	—	—	—
CUSH	1.94x	2.39x	2.87x	3.42x	3.93x	4.53x	—	—	—
OR	95.5%	107.2%	102.0%	101.1%	99.5%	98.2%	—	—	—
NOM	21.1%	10.1%	13.0%	12.3%	12.6%	12.7%	—	—	—
NOM-A	34.8%	26.7%	31.8%	32.5%	34.1%	34.2%	—	—	—
DSCR	2.17x	1.38x	1.78x	1.93x	2.12x	2.22x	—	—	—
CD	14.6%	16.9%	20.5%	24.5%	28.5%	33.8%	—	—	—
CED	.87x	.35x	.38x	.39x	.46x	.46x	—	—	—

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 E for full statutory definitions of how ratios are derived.

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.

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1. Provider Identification and Basic Information

Item	Information
Provider Name:	Southminster, Inc.
Business Address:	8919 Park Road, Charlotte, NC 28210
Telephone Number:	(704) 551-6800
Legal Entity Type:	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; classified as a public charity under Section 509(a)(1)
Ownership Type:	Privately owned and controlled nonprofit organization. The provider is not part of any publicly held or publicly traded corporate system.
Tax Filing Status:	Current on all required federal and state tax filings
Ownership / Control:	Southminster, Inc. is a nonstock, nonprofit corporation with no owners.

2. Organizational Structure

2.1 Multi-Entity Organization Status

Southminster, Inc. is a nonstock, nonprofit corporation (the Corporation or Organization) established to construct and operate a continuing care community; the Corporation is also a licensed home care provider. Southminster is the name under which the Corporation operates its single site “Life Plan Community” (to be used interchangeably with “retirement community”) and is not a legal entity separate from the Corporation. “Southminster, Inc.” and “Southminster” may be used interchangeably throughout this document.

The Southminster Foundation, Inc. (the Foundation) is a nonstock, nonprofit corporation organized under the laws of the state of North Carolina and established to operate exclusively for the benefit of Southminster, Inc., to support residents who are unable to meet

their financial obligations. During the 2014 fiscal year, the operations of the Foundation were moved into the Corporation. Neither the Corporation nor the Foundation would be liable or responsible in any matter for the debts or liabilities of the other. The Foundation does not currently have any activity nor does it have any assets or liabilities.

SM Rawlinson Road, LLC, is a South Carolina limited liability company formed and wholly owned by Southminster, Inc., whose sole purpose currently is to hold land for investment. Southminster's Obligated Group includes the activity of SM Rawlinson Road, LLC.

2.2 Consolidation of Financial Statements

Audited financial statements are prepared on a consolidated basis with combined financial statements including the accounts of Southminster, Inc. and Southminster Foundation, Inc. At this time, there is no activity in the accounts of the Southminster Foundation, Inc. Going forward, the combined financial statements will also include the accounts of SM Rawlinson Road, LLC. All intercompany balances and transactions between the consolidated entities will be eliminated.

2.3 Controlling Person

Item	Information
Name:	Southminster, Inc.
Business Address:	8919 Park Road, Charlotte, NC 28210
Telephone Number:	(704) 551-6800

3. Key Persons and Management

Definitions (for purposes of this Section):

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

3.1 Senior Officers of Southminster, Inc.

Name / Role	Education	Experience	Length of Service
Benjamin A. Gilchrist – President & Chief Executive Officer	MBA in Applied Management from Indiana Wesleyan University(OH) B.S. in Business Administration w/ an emphasis on Health Administration from Bowling Green State University(OH)	20 + years in senior-living operations; former VP of Operations at nonprofit and for-profit senior living providers; previously licensed Nursing Home Administrator	6 years 9 months (since 05/01/2019); serves as Chief Executive Officer of Southminster, Inc., Southminster Foundation, Inc., and SM Rawlinson Road, LLC; employed by Southminster, Inc.
Kenda M. Laughey – Chief Financial Officer	MAcc, University of South Carolina; B.S. in Business Administration with an emphasis in Accounting, University of South Carolina; CPA (NC, SC)	10 years in public accounting focusing on hospital systems, prior to joining Southminster	14 years (since 11/30/2011); serves as Chief Financial Officer of Southminster, Inc., Southminster Foundation, Inc., and SM Rawlinson Road, LLC; employed by Southminster, Inc.
Arnoldo Marquez – Chief Operating Officer	B.S. in Business Administration with a concentration in Information Systems, Appalachian State University.	8 years in technology experience working with small businesses and Fortune 100 companies prior to joining Southminster. 12 years in Senior Living	12 years 2 months (since 12/02/2013); 3 years 6 months in current role; serves as Chief Operating Officer of Southminster, Inc.

Business Address: 8919 Park Road, Charlotte, NC 28210

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

3.2 Board of Directors — Southminster, Inc. (Provider and Controlling Person)

Name / Role	Education	Experience	Length of Service
Robin Coira Chair	B.A. UNC-Charlotte M Div, Southeastern Theological Seminary	Retired Executive Minister	Since 2/19 7 years
Frank L. Horne, Jr. Vice Chair, Treasurer	MBA, Wake Forest University B.A. History, Hampden-Sydney College	President, Gas-Fired Products, Inc, a Charlotte manufacturing company	Since 2/21 5 years
MaryAnn Largen Vice Chair, Secretary	B.S. in Pharmacy, University of NC at Chapel Hill Registered Pharmacist since 1975	Retired Business Owner and Pharmacist for several Charlotte businesses	Since 2/21 5 years
Gloria Gibson Vice Chair	MAT, History & Social Studies, University of NC at Chapel Hill BA in History, University of Mary Washington, Fredericksburg, VA	Retired Human Resources Professional; former HR Consultant to small for-profit and non-profit businesses; former Managing Director, Human Resources, Financial Services	Since 2/22 4 years
Roy L. Smart, III Vice Chair	J.D. University of Virginia B.A. History, Harvard	Retired attorney (mergers and acquisitions, governance)	Since 2/22 4 years

Name / Role	Education	Experience	Length of Service
William Blue Director	M.B.A. from the University of Virginia B.A. in English and History, University of Virginia	Co-founder and Director of a non-profit mental health treatment organization. Retired Vice Chairman of Investment Banking and Capital Markets for Charlotte bank.	Since 2/23/26
Jack Cook Director	Master of Hospital Administration, Duke University B.S. Business Administration UNC-Chapel Hill	Retired CEO of Hospitals and Health Systems, Springfield, Illinois and Cincinnati, Ohio Health Care Consultant	Since 2/23 3 years
William D. Cornwell Director	Master of Management in Finance, Northwestern University Graduate School of Management B.S. Business-University of North Carolina	Executive Vice President of private company which has invested and managed a portfolio of real estate, public equities and other assets.	Since 2/23/26
Larry J. Dagenhart Director	J.D. New York University School of Law. B.S. History, Davidson College, Davidson, NC	Retired Attorney, Former Managing Partner of Charlotte Law Firm	Since 2/21 5 years
Charles Edwards Director	M.D. University of North Carolina School of Medicine B.S. University of Virginia	Vice Chair & Founding Physician Memory & Movement CLT Retired Thoracic Surgeon	Since 2/25 1 year

Name / Role	Education	Experience	Length of Service
Edward T. Hinson, Jr. Director	J.D. Duke University School of Law B.A. History, Wofford College	Attorney, James, McElroy & Diehl	Since 2/22 4 years
Henry Harman Edens, III Ex Officio	Yale Divinity School Hampden-Sydney College	Rector, Christ Church	9 years
H. Tate Bowers Chair Emeritus (Non-voting)	UNCC – Associates of Art in Business Clemson University	Former CEO Textile company Former Chair of Charlotte Bank	Since 1995 30 years
Richard N. Brigden Chair Emeritus (Non-voting)	B.A. Purdue University, Industrial Management Minor in Electrical Engineering	Retired CFO, large publicly traded, Charlotte Corporation	6 years (1994-1999) Since 2/17 8 years
Joseph B. C. Kluttz Chair Emeritus (Non-voting)	J.D. University of Virginia School of Law B.A. Princeton University	Retired Attorney	Since 2/13 12 years

Business Address: 8919 Park Road, Charlotte, NC 28210

Disclosure: None of the directors of Southminster, Inc. have reported any Outside Interests or Adverse Disclosures.

The Southminster, Inc. Board of Directors also serves as the governing body for the SM Rawlinson Road, LLC.

3.3 Board of Directors — Southminster Foundation, Inc. (Affiliate)

Name / Role	Education	Experience	Length of Service
Robin Coira Chair	B.A. UNC-Charlotte M Div, Southeastern Theological Seminary	Retired Executive Minister	Since 2/19 7 years
Edward T. Hinson, Jr. Director	J.D. Duke University School of Law B.A. History, Wofford College	Attorney, James, McElroy & Diehl	Since 2/22 4 years
Gloria Gibson Director	MAT, History & Social Studies, University of NC at Chapel Hill BA in History, University of Mary Washington, Fredericksburg, VA	Retired Human Resources Professional; former HR Consultant to small for-profit and non-profit businesses; former Managing Director, Human Resources, Financial Services	Since 2/22 4 years

Business Address: 8919 Park Road, Charlotte, NC 28210

Disclosure: None of the directors of Southminster Foundation, Inc. have reported any Outside Interests or Adverse Disclosures.

3.4 Individuals Holding ≥10% Equity or Beneficial Interest in Provider or Controlling Person

Southminster, Inc. and Southminster Foundation, Inc. are organized as nonprofit corporations and therefore have no equity ownership interests. No individual holds a ten percent (10%) or greater beneficial interest in either entity. SM Rawlinson Road, LLC is wholly owned by Southminster, Inc.

4. Governing Body and Oversight

4.1 Provider Governing Body

The business and other affairs of the Corporation are governed by a 15-member board of directors, comprised of 12 voting members and 3 non-voting Chairs Emeritus. The “Chair Emeritus” Directors continue to serve on the Board as non-voting members in recognition of their years of service as members of the Board of Directors. Directors serve without compensation and have no ownership interest.

The Corporation is affiliated with Christ Episcopal Church and Myers Park Baptist Church, both located in Charlotte, North Carolina. The “Ex Officio” Directors are voting members serving on the Southminster, Inc. Board by virtue of their leadership positions as Clergy of Myers Park Baptist Church and Christ Episcopal Church. Currently the Ex Officio position for Myers Park Baptist Church is vacant. Although not all Directors are associated with the sponsoring churches, the governing bodies of the two churches ratify those persons nominated to serve as Directors.

Board duties include:

- Establishing and upholding the organization’s mission statement
- Select, support, and evaluate the President/CEO
- Participate fully in Board activities
- Be aware of and monitor the organization's programs and services
- Reviewing and approving annual operating and capital budgets
- Build a competent Board and evaluate Board’s performance
- Ensuring compliance with applicable laws, regulations, and contractual obligations.

4.1.1 Selection of Members

Southminster’s Directors are elected by the vote of a majority of the Board of Directors then in office, from person selected and nominated by the Board’s Nominating Committee. Prior to taking office, the directors must be approved by the governing bodies of the two sponsoring churches. Directors serve three-year staggered terms and may be reappointed for a second three-year term, after which there must be a one-year break in service, unless there are exceptional circumstances. Officers of the Board (Chair, Vice Chair, Treasurer, and Secretary) are elected annually by the Board from among its members.

4.1.2 Oversight of Management and Operations

The management and staff of the Corporation, under the direction of the board of directors of the Corporation, manage Southminster. The Board delegates day-to-day operations of Southminster to the President/CEO and senior management employed by Southminster, Inc. The Board maintains oversight through:

- Regular review of financial and operating reports.

- Approval of major contracts, capital projects, and debt issuances.
- Quarterly board meetings and periodic committee reports.
- Evaluation of President/CEO performance and completion of strategic plan initiatives.

4.1.3 Committees

The Southminster, Inc. Board maintains standing committees for:

- **Executive:** as needed to support operations, evaluate performance and compensation of President/CEO.
- **Finance and Audit:** budget review, financial performance monitoring, engage independent third-party auditors.
- **Nominating:** recruit, recommend, and nominate new Board members, lead Board self-assessments.
- **Philanthropy:** recommends strategy/policy to support Southminster’s philanthropic mission.
- **Health and Wellness:** recommends policy for Southminster’s wellness services, monitor safety and satisfaction of wellness services.

4.2 Affiliates Governing Body

Southminster Foundation, Inc. has a three-member Board of Directors that meets annually and is comprised of members of the Southminster, Inc. Board of Directors. SM Rawlinson Road, LLC is governed by the Southminster, Inc. Board of Directors.

5. Related Parties

Southminster, Inc. has one related party arrangement that exceeded \$5,000 in FY2026 and is therefore disclosed below. For purposes of this section, Actual/Probable Cost refers to the cost incurred by Southminster, Inc.

5.1 SM Rawlinson Road, LLC

- **Nature of Relationship:** Wholly owned by Southminster, Inc.
- **Goods/Leases/Services Provided:** Purchase of land in February 2026 and holding land for investment purposes.
- **Actual/Probable Cost:** The cost was approximately \$2.4 million in FY2026, with net ongoing annual costs of approximately \$50,000.

6. Relationships with Religious, Charitable, or Other Organizations

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

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

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

7. Other Persons Responsible for Provider Obligations

Except as described in Section 8 regarding Southminster's participation in the obligated group and the joint and several liability for bonds, no other person or entity is responsible for the financial or contractual obligations of Southminster, Inc.

8. Obligated Groups

Southminster, Inc. is a member of an obligated group created under the terms of bond indentures and related financing agreements. Membership in the obligated group creates joint and several liability among the members solely for repayment of bonded indebtedness and for compliance with related bond covenants.

As of February 27, 2026, the obligated group consisted of:

- Southminster, Inc.
- SM Rawlinson Road, LLC (formed February 2026, wholly owned by Southminster, current sole purpose is to hold land for investment purposes).

Audited financial statements are prepared on a consolidated basis with combined financial statements including the accounts of Southminster, Inc. and Southminster Foundation, Inc. Currently, there is no activity in the accounts of the Southminster Foundation, Inc. The statements are attached in Section 32 – Audited Financial Statements. Going forward, the combined financial statements will also include the accounts of SM Rawlinson Road, LLC. All intercompany balances and transactions between the consolidated entities will be eliminated. Prospective statements are attached in Section 33 – Five-Year Prospective Financial Statements.

9. Debt Covenants and Compliance

Southminster, Inc. and the obligated group are subject to covenants contained in bond indentures and related debt agreements, including requirements for minimum debt service coverage, liquidity, and restrictions on additional borrowing.

As of September 30, 2025, Southminster, Inc. and the obligated group were in full compliance with all covenants contained in debt agreements.

10. Third-Party Management

Southminster does not employ a third-party manager to operate its Life Plan Community. Day-to-day operations are carried out by the CEO/President and senior management employed by Southminster, Inc.

11. Leases of Real Property

Southminster, Inc. does not lease from another person, any of the real property that makes up the continuing care retirement community.

12. Endowment Funds

Southminster, Inc. is currently holding endowment funds of just under \$500,000. Under a Board-approved policy, Southminster will not draw down on the earnings of these funds until permanently restricted gifts exceed \$1 million. Until then, benevolent care is covered by a combination of tax-deductible gifts to Southminster, Inc. through its Community Fund, or as a budgeted expense covered by resident fees.

Due to Southminster's classification as a charitable, non-profit organization under Federal law and regulation, Southminster will endeavor to avoid termination of the Residence and Services Agreement solely because of an inability to pay. The decision to grant financial assistance is at the sole discretion of Southminster. Southminster will provide financial assistance only if it is able to do so without impairing its ability to operate on a sound financial basis. A Resident seeking financial assistance should do so by contacting the CEO or the CFO. In doing so, the Resident agrees to make available any and all information requested by Southminster to assess the need for financial assistance. The Resident also agrees that, when requested by Southminster, he/she will seek financial assistance from other available sources, including family members and government assistance programs. The Resident also agrees to provide timely notification of financial need to Southminster, and to work cooperatively with Southminster to make reasonable changes that might delay or minimize an eventual financial assistance need. A Resident who is granted financial assistance by Southminster agrees to comply with reasonable conditions which may

include a move to a different Residence. Upon death, Southminster may seek to recover from the Resident's estate any financial assistance previously provided.

13. Description and Location of Property

Southminster is a single-site community situated on a 27-acre campus. Independent Living (IL) comprises 29 duplex/triplex cottages and a main building housing 228 apartments (two used as guest rooms), plus the 30-unit South Terraces and 36-unit North Terraces. The main building includes dining rooms, main kitchen, common rooms, library, wellness and aquatic center, administrative offices, underground parking, and support service areas. Southminster has combined some residences to create larger homes and continues to consider such opportunities. The Health Center, located in the main building, includes 25 assisted living licensed beds (all private, one-bedroom suites) and 60 nursing licensed beds (all private studios).

14. Number of Living Units

As of January 31, 2026, Southminster's campus included:

- 321 independent living units (226 apartments, 66 terraces, and 29 cottages)
- 25 assisted living (AL) units
- 60 skilled nursing (SN) beds

15. Continuing Care at Home Program

Southminster operates a licensed Home Care Agency through the Division of Health and Human Services. Southminster does not have a license to operate a Continuing Care at Home (CCaH) program.

16. Resident Population

As of September 30, 2025, the census at Southminster was:

- 409 residents in independent living
- 23 residents in assisted living
- 52 residents in skilled nursing

17. Occupancy Rates

The 12-month daily average occupancy rates for Southminster for the past five fiscal years were as follows:

Table 17.1 – Historical Occupancy Rates (12-Month Daily Average)

Fiscal Year-End	Independent Living (%)	Assisted Living (%)	Skilled Nursing (%)
09/30/2025	97.1%	84.3%	92.6%
09/30/2024	98.0%	90.9%	90.4%
09/30/2023	97.2%	90.9%	92.2%
09/30/2022	97.5%	92.8%	88.2%
09/30/2021	96.8%	88.5%	60.6%

18. Semiannual Resident Meetings

Southminster, Inc. holds meetings with residents of Southminster at least twice each year, as required by law.

Most Recent Meeting Dates

- August 20, 2025
- March 12, 2025

19. Resident Property Rights

Residents do not hold ownership or property rights in the real estate of Southminster. Southminster, Inc. retains full ownership and control of the property.

20. Services Provided

Southminster offers services under continuing care contracts. The following disclosures describe the services included in each contract type, as well as those available for additional charge.

20.1 Health Care Services

Residents of Southminster have access to assisted living, skilled nursing, and memory support care on campus. Included in the Health Center daily fee are facilities, equipment, staff, and services that are required to maintain current licenses, and services permitted and typically provided for each licensed level of health care. A description of all services included in the monthly fee and those available at additional cost appears in Article V (Common Areas and Amenities, Programs and Services) of the Continuing Care Contract attached in Appendix D.

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

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

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

20.2 Continuing Care Contracts (CCRC)

Residents of Southminster receive services as part of their monthly fees, with additional services available at an extra charge. A description of all services included in the monthly fee and those available at additional cost appears in Article V (Common Areas and Amenities, Programs and Services) of the Continuing Care Contract attached in Appendix D.

20.3 Delivery of Services

Core residential, assisted living, and skilled nursing services are provided directly by Southminster, Inc. Certain therapies (physical, occupational, and speech), as well as other services such as medical director, clinic, dietician, audiologist, podiatrist, dental, lab, psychiatry, and pharmacy are furnished under contract with independent third parties.

21. Resident Fees

Fees at Southminster consist of required nonancillary fees such as entrance fees, monthly service fees, and transfer fees. The following tables show Southminster's current fee schedules, along with historical information on entrance fee and monthly fee increases over the past five fiscal years. Narrative explanations of household composition changes, transfer fees, and resale fees are also included.

21.1 CCRC Contracts

CCRC contracts represent continuing care contracts for residents who live at Southminster.

Southminster maintains an active Wait List (the Compass Club) for people seeking the opportunity to apply for admission at a future date. Registering for the Wait List requires payment of \$1,500, which includes a \$250 non-refundable Administrative Fee. The remaining \$1,250 will be applied to one's Entrance Fee upon move-in, or is refunded upon written request for any reason.

Entrance fees are based on the size and type of Residence selected. As part of the admission process, a deposit equal to ten percent (10%) of the entrance fee for the type of accommodation selected will be required at the time the Residence and Services Agreement is executed. The balance will be due and payable on the Date of Occupancy, as defined in the Residence and Services Agreement.

The entrance fee gives the Resident the right to have a residence or health care accommodation at Southminster for life and guarantees priority access to the Health Center, while Southminster maintains and insures the property. The Monthly Service Fee is a charge by Southminster for programs, services, food, utilities, maintenance, housekeeping, debt service, insurance, administration, staff and other services. The Monthly Service Fee is based on the size and type of the Residence selected and the number of occupants per Residence.

See current monthly fees in the table below; see Appendix B, Table 6 of the Five-year prospective financial statements for a more detailed presentation of fees.

Table 21.1: Current Monthly Fees (CCRC Contracts)

Unit Type	Single Occupant	Double Occupant
Independent Living – Apartment	\$4,488 - \$8,120	\$7,001 - \$10,633
Independent Living – Terrace	\$5,779 - \$6,646	\$8,292 - \$9,159
Independent Living – Cottage	\$4,847 - \$5,070	\$7,360 - \$7,583

Unit Type	Single Occupant	Double Occupant
Assisted Living	\$9,368 - \$11,254 (Daily rates \$308 - \$370 per day)	N/A
Skilled Nursing	\$14,113 - \$15,360 (Daily rates \$464 – \$505 per day)	N/A

Monthly fees are reviewed annually and may be adjusted to reflect changes in the cost of services, food and utilities and other circumstances beyond Southminster’s control. Adjustments are subject to Board approval, with no contractual cap on increases. Southminster will, when necessary, at its discretion, adjust the Monthly Service Fee or any other charges by giving thirty (30) days advance written notice to Residents.

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

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

Upon the failure of the Resident to pay the charge, plus accrued interest, by the sixtieth (60th) day following notice that such payment is past due, Southminster has the right to terminate the Residence and Services Agreement. There is no requirement in the Residence and Services Agreement for continued residency at Southminster if the Resident becomes unable to pay current charges. However, Southminster, Inc. will endeavor to avoid termination of the Residence and Services Agreement solely because of an inability to pay. See further discussion in Section 23.

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

A limited number of direct admissions can be accepted into Southminster’s Health Center, signing the same CCRC contract. Direct admissions pay a separate entrance fee and higher daily rates.

Unit Type	Single Occupant – Direct admission into healthcare
Assisted Living	\$9,946 - \$12,015 (Daily rates \$327 - \$395 per day)
Skilled Nursing	\$15,634 - \$16,486 (Daily rates \$514 – \$542 per day)

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

Fiscal Year-End	Average % Increase	Average \$ Increase	Frequency
IL/AL/SN			
09/30/2026	4.9%	\$275/\$426/\$669	Annual
09/30/2025	5.5%	\$265/\$456/\$700	Annual
09/30/2024	5.5%	\$258/\$456/\$669	Annual
09/30/2023	4.3%	\$212/\$335/\$487	Annual
09/30/2022	3.2%	\$149/\$243/\$365	Annual

Table 21.3: Current Independent Living Entrance Fees (CCRC Contracts)

Unit Type	Entrance Fee (Single)	Entrance Fee (Double)
Independent Living – Apartment	\$158,500 - \$1,248,300	\$193,500 - \$1,283,300
Independent Living – Terrace	\$515,000 - \$860,000	\$550,000 - \$895,000
Independent Living – Cottage	\$479,200 - \$639,600	\$514,200 - \$674,600

An additional \$35,000 is added to the entrance fee for a second occupant. A second occupant will be required to meet all admissions criteria.

Refundability terms vary by contract and are disclosed in Section 22.

A limited number of direct admissions can be accepted into Southminster’s Health Center, signing the same CCRC contract. Direct admissions pay a separate entrance fee and higher daily rates.

Unit Type	Single Occupant – Direct admission into healthcare
Assisted Living	\$30,000 - \$40,000
Skilled Nursing	\$20,000 - \$25,000

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

Fiscal Year-End	Average % Increase	Average \$ Increase	Frequency
09/30/2026	6.0%	\$30,030	Annual
09/30/2025	11.0%	\$52,101	Annual
09/30/2024	7.0%	\$28,851	Annual
09/30/2023	6.1%	\$29,279	Annual
09/30/2022	7.0%	\$30,864	Annual

21.2 Household Composition Changes

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

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

21.3 Transfer Fees and Resale Fees

Transfers between Independent Living residences are generally allowed subject to Southminster approval, subject to availability of the desired accommodation, subject to the priority of the request as determined by Southminster, and subject to applicable charges. All requests for transfer must be submitted in writing and dated. Priority may be given to transfer requests related to acute physical, mental, financial and mobility problems. There

may be a charge for all voluntary in-house transfers. Such charge may include the full costs to prepare the residence being vacated and the new residence to move-in condition. The exact amount may vary depending on the circumstances of the move and the amount of refurbishing necessary. Southminster reserves the right to waive or modify such transfer charges.

When transferring to a home with a lower entrance fee (defined as a residence with a lower current entrance fee than the original entrance fee paid), no refund will be given. When transferring to a home with a higher entrance fee, an additional entrance fee will be due, in accordance with current policy and based on how long a resident has been living in their existing home. Any additional entrance fee paid will be added to the original entrance fee and amortized for refund purposes from the same date as the original entrance fee. A change in the type of entrance fee (from standard to refundable) is generally not allowed because of the differences in the amortization and refund provisions of the plans.

No resale fees are charged because residents do not hold ownership rights in their units.

22. Refundable Entrance Fees

22.1 Conditions for Refunds

Southminster offers three types of entrance fee plans – the Standard nonrefundable plan and two types of refundable plans: a 90% Refundable Plan and a 50% Refundable Plan.

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

Under the 90% and 50% Refundable Plans, the refund is amortized at a rate of 5% monthly until either the 90% or 50% level is reached, after which a 90% or 50% refund will be allowed. Refunds are made only upon the total withdrawal or move-out by the Resident from Southminster, whether voluntarily, forced, or by death. There is no refund upon the permanent transfer of the resident to the Health Center. Similarly, there is no partial refund upon the move or transfer to a residence with a lesser entrance fee. The refund in the case of couples will only be triggered by the death or withdrawal of the surviving spouse. Any refund due will be paid within thirty (30) days of the date of receipt by Southminster of an entrance fee received in full by Southminster from the next resident that occupies the Independent Living residence being vacated. Any refund due to the resident shall be offset by the amount of any accrued but unpaid Monthly Service Fees or other charges, including accrued interest thereon, due from the resident.

Under the Standard nonrefundable plan, the refund portion of the entrance fee decreases on a monthly basis and amortizes to 0% after 20 months. Once the amortization period has

elapsed, no refund is payable upon termination of the contract or the death of the resident. Standard contracts therefore do not create refundable entrance fee obligations beyond the initial amortization period.

22.2 Refund Obligations as of September 30, 2025

Category	Number of Contracts	Aggregate Amount
Refunds due once all contractual conditions are met (“Refundable Entrance Fees” per audited balance sheet at 9/30/25)	48	\$21,336,273
Refunds currently due (no amounts 30+ days past due); included in Accounts Payable on audited balance sheet at 9/30/25	4	\$2,012,057
Resident now in a non-independent living unit – Independent Living unit resold but not yet reoccupied at 9/30/25 (included in “Refundable Entrance Fee” amount on line 1 of table)	1	\$290,700
Residents now in non-independent living units – Independent Living units resold and reoccupied at 9/30/25 (included in “Refundable Entrance Fee” amount on line 1 of table)	9	\$3,315,841

As of September 30, 2025, Southminster had \$23,348,334 in total refundable entrance fee obligations reflected on its audited balance sheet. No refunds were past due at year-end. Obligations will be satisfied in accordance with contract terms as independent living units are resold and replacement entrance fees are received; however, the timing of refund payments depends on the pace of independent living unit turnover and resale activity.

23. Policies for Residents in Financial Hardship

23.1 Policies for Residents Unable to Pay

Due to Southminster’s classification as a charitable, non-profit organization under Federal law and regulation, Southminster will endeavor to avoid termination of the Residence and Services Agreement solely because of an inability to pay.

23.2 Sources of Financial Support

- **Southminster, Inc.:** Benevolent care is covered by a combination of tax-deductible gifts to Southminster, Inc. through its Community Fund, or as a budgeted expense covered by resident fees.
- **Refundable Entrance Fees:** Residents contractually entitled to a refundable entrance fee may, subject to the approval of Southminster, Inc., apply available refundable amounts toward unpaid monthly fees. Such applications reduce the remaining refund obligation and do not accelerate contractual payment of refunds.

23.3 Conditions or Limitations

- Eligibility for benevolent care is determined through a confidential financial review conducted by the CEO and CFO of Southminster, Inc. in accordance with a Board approved policy. The Resident agrees to make available any and all information requested by Southminster to assess the need for financial assistance, and that when requested by Southminster, he/she will seek financial assistance from other available sources, including family members and government assistance programs. The Resident also agrees to provide timely notification of financial need to Southminster, and to work cooperatively with Southminster to make reasonable changes that might delay or minimize an eventual financial assistance need.
- The decision to grant financial assistance is at the sole discretion of Southminster. Southminster will provide financial assistance only if it is able to do so without impairing its ability to operate on a sound financial basis.
- Residents must notify Southminster of any change in financial situation and respond to requests for financial updates to continue receiving assistance. A Resident who is granted financial assistance by Southminster agrees to comply with reasonable conditions which may include a move to a different residence. Upon death, Southminster may seek to recover from the Resident's estate any financial assistance previously provided.

23.4 Narrative

In fiscal year 2025, Southminster supported \$819,000 in financial assistance to its residents. Contributions to the Corporation of \$568,517 were used to subsidize the cost of providing resident support.

24. Contract Cancellation and Refund Policies

24.1 Provider-Initiated Cancellation

Southminster, Inc. may terminate a continuing care contract:

- Before occupancy or commencement of services, if:
 - The applicant is denied admission.
 - The applicant dies.
 - The applicant is precluded from occupying the residence due to illness, injury, or incapacity.
 - Southminster notifies the applicant that the reserved residence will not be available for occupancy.
 - Admission is determined to be a danger to the health and safety of others.
- After occupancy or commencement of services, if:
 - Persistent nonpayment of monthly fees occurs (see Section 21.1).
 - The resident commits a material breach of contract terms.
 - The resident engages in disruptive or harmful conduct that materially impairs the rights of other residents or the orderly operation of the community.
 - Material misrepresentation or omission made in the materials submitted as part of the admissions or financial assistance process.
 - Refusal to voluntarily make a move or transfer that is deemed necessary and recommended in accordance with the Residence and Services Agreement.
 - Permanent Move or transfer to an outside organization.
 - Good faith determination made by Southminster that a resident is a danger to him or herself or to others.

24.2 Resident-Initiated Cancellation

A resident may cancel a contract under the following circumstances:

- Before occupancy or commencement of services:

A resident may rescind the Residence and Services Agreement within thirty (30) days of the later of the execution of the agreement or receipt of the disclosure statement required by N.C.G.S. 58-64A-155. The Resident will receive a full refund of the Entrance Fee paid by the Resident within thirty (30) days of notice of rescission, less any nonstandard charges and cancellation fees as set forth in the executed Residence and Services Agreement.

In the case of termination by a resident that is not a rescission, the resident will receive a full refund of the entrance fee paid less a non-refundable fee, equal to three months' of the contracted monthly service fee, and less any nonstandard charges as set forth in the executed Residence and Services Agreement, to be paid within thirty (30) days of notice of termination.

- After occupancy or commencement of services:

A resident may voluntarily cancel by providing 30 days' written notice. Any entrance fee refunds due, are returned in accordance with Section 22, once all contractual conditions are satisfied, including resale and re-occupancy of the living unit when applicable.

24.3 Refunds Upon Cancellation

- Entrance fee refunds are returned in accordance with Section 22 – Refundable Entrance Fees.
- Nonrefundable portions of entrance fees are retained by Southminster, Inc.
- Prepaid monthly fees are prorated to the date the living unit is vacated or services cease, and any remaining balance is refunded.

24.4 Refunds Upon Death

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

If a resident dies before taking occupancy of a residence, the entrance fee is refunded in full within 30 days of the cancellation, less any nonstandard charges as set forth in the executed Residence and Services Agreement.

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

Refunds are made according to the standard refundable entrance fee provisions described in Section 22, including resale and replacement entrance fee conditions. For resident permanently residing in healthcare, prepaid monthly fees are prorated to the date of death and refunded. For residents in independent living, prepaid monthly fees are prorated to the date the residence is vacated.

25. Re-occupancy of Vacated Living Units

A living unit at Southminster may be reassigned to a new resident under the following circumstances:

25.1 Resident-Initiated Vacating

- **Contract termination:** A continuing care contract is canceled when a resident permanently vacates the living unit due to death or withdrawal.
- **Transfer to a higher level of care:** When a resident permanently moves from independent living to assisted living or skilled nursing.

25.2 Provider-Initiated Vacating

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

25.3 Temporary Absences

Hospitalizations, rehabilitative stays, or other temporary absences do not constitute the living unit having been vacated and do not permit re-occupancy by a new resident. Except as described in the Residence and Services Agreement or by Southminster policy, residents are required to continue paying Monthly Service Fees related to the residence until such residence is vacated. Monthly Service Fees are also payable even though the resident may be away from the residence for any reason, including a temporary stay in different accommodation at or outside Southminster.

25.4 Refunds

Refunds associated with the vacating of a living unit are handled in accordance with Section 22 – Refundable Entrance Fees. Payment of Refundable contracts is contingent upon re-occupancy by a new resident, and the timing of repayment may vary depending on market demand and the pace of living unit turnover.

26. Resident Relocation to Another Living Unit

Residents of Southminster may be required to relocate from their current living unit to another living unit within the community under the following circumstances:

26.1 Resident Needs

- **Health-Related Transfer:** When a resident’s medical condition requires a move to a more supportive level of care, such as assisted living or skilled nursing.
- **Safety and Accessibility:** When the current living unit no longer meets a resident’s safety or accessibility needs; see Transfer Fees, Section 21.3.

26.2 Provider Needs

- **Renovation or Construction:** When construction, renovation, or repair work requires temporary or permanent relocation.

26.3 Process

- Relocation decisions are made in consultation with the resident, the resident's family (if applicable), and appropriate health professionals.
- The provider makes reasonable efforts to relocate the resident to a comparable living unit within the community, meaning one of similar size, type, and monthly fee level whenever possible.
- If relocation is required for renovation or construction purposes, the provider will inform a resident in advance and clarify whether the move is temporary or permanent.

26.4 Financial Obligations

All entrance fee and monthly fee obligations continue in accordance with the terms of a resident's contract, regardless of relocation.

27. Health and Financial Admission / Continuation Standards

27.1 Admission Requirements

Admission to Southminster is subject to both health and financial screening at the time of application.

27.1.1 CCRC Contracts (Campus-Based)

- **Financial Standards:** Applicants must demonstrate sufficient resources to reasonably cover the entrance fee and projected monthly fees for the chosen living unit.
- **Health Standards:** Applicants for independent living must be capable of living safely and independently at the time of entry, with or without reasonable accommodation. A current medical history and health assessment completed by the applicant's physician is required. Applicants requiring immediate assisted living or skilled nursing are not eligible for independent living entry.

27.2 Continuation Requirements

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

27.3 Changes in Condition Before Occupancy or Commencement of Services

- **CCRC Contracts:** If a resident's health materially declines between signing a contract and the date of initial occupancy, the provider may re-evaluate eligibility for independent living and may require admission to a higher level of care, if available. If no suitable accommodation is available or if the applicant no longer meets entry requirements, the contract may be canceled and entrance fees refunded in accordance with Section 24 – Contract Cancellation and Refund Policies. If a material change in financial condition occurs before occupancy (such as loss of income or assets needed to pay monthly fees), the provider will re-evaluate eligibility. If standards are no longer met, the contract may be canceled and entrance fees refunded.

28. Age and Insurance Requirements for Admission

28.1 Age Requirements

- The minimum age for admission to Southminster under a continuing care contract is 62 years.
- There is no maximum age limit for admission, provided the applicant meets the health and financial eligibility standards described in Section 27, though there are maximum ages for 50% and 90% refundable contracts (see Section 22.1).

28.2 Insurance Requirements

Applicants for CCRC contracts must maintain Medicare Parts A and B and one supplemental health insurance policy or equivalent insurance coverage acceptable to Southminster.

Southminster is not a certified provider for Medicare or Medicaid programs, therefore, nursing care services in the Southminster Health Center are not covered under either of these programs. Support services such as physical therapy, rehabilitation treatments, speech therapy, etc. are generally arranged through Medicare certified providers who will submit eligible charges for such services to the appropriate Medicare carrier for collection.

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

Long-term care insurance is not required but can be considered in financial qualification.

29. Reserve Funding and Refund Security

29.1 Cash and Investments

As of September 30, 2025, Southminster, Inc. held \$30,264,627 in unrestricted cash and investments, supporting a Days Cash on Hand of 270 days, representing approximately nine months of projected operating expenses without new revenues.

29.2 Investment Management and Oversight

Investments are managed under Board-approved policies, the long-term objective of which is to provide growth of capital and income, using diversification to manage risk. The Operating Reserve is funded with a portion of the Corporation's long-term investments, as permitted by state statutes and the Corporation's investment policy. The Investment Committee is defined as the President/CEO and CFO, operating in coordination with the independent Investment Advisor (UBS Institutional Consulting), under the guidance of the Board of Directors. The Investment Committee, acting pursuant to the Investment Policy and instructions from the Board, shall have direct responsibility for the selection of the consultant and investment managers, and for the establishment of investment policies and procedures. Underlying investment managers operate under the Board-approved Investment Policy.

29.3 Statutory Operating Reserve Requirement

As of September 30, 2025, Southminster's 12-month rolling average independent living unit occupancy was 97.1%. Based on this level of occupancy, the required statutory operating reserve was 25% of projected operating costs for the next 12 months.

Because Southminster, Inc. maintains a separate Debt Service Reserve Fund, principal and interest payments are excluded from the operating reserve calculation.

Table 29.1: Statutory Operating Reserve Calculation (as of September 30, 2025)

Component	Amount
Total projected operating expenses	\$54,171,076
Add: Debt service (principal and interest)	\$3,525,000
Less: Principal and interest (covered by Debt Service Reserve Fund)	(\$9,029,538)
Less: Depreciation and amortization	(\$12,717,635)
Less: Extraordinary items (accelerated principal payments)	(\$265,000)

Component	Amount
Net projected operating costs	\$35,683,903
Applicable reserve percentage based on occupancy	25%
Required operating reserve	\$8,920,976
Unrestricted cash & investments on hand	\$30,624,627
Excess above required reserve	\$21,703,651

Summary: The required statutory operating reserve was \$8.92 million. Southminster, Inc. held \$30.6 million in unrestricted cash and investments, providing an excess cushion of \$21.7 million above the statutory minimum.

29.4 Refund Security (Entrance Fee Refunds)

Entrance fee refund obligations are supported by unrestricted liquidity, including \$21.7 million of unrestricted liquidity above the statutory operating reserve.

The statutory operating reserve cannot be used for any purpose, including refund payments, without prior regulatory approval.

Southminster, Inc. is not required by statute to escrow entrance fees and none are maintained in escrow.

29.5 Debt Service Reserves

Debt Service Reserve Funds were established in connection with the 2016 and 2018 bond issuances and are required to be maintained at a level of \$9,029,538. U.S. Bank National Association acts as Successor Trustee for each of the Corporation's Debt Service Reserve Funds. Ziegler Capital Management LLC is responsible for investment management of the funds associated with the Series 2016 Bonds and Series 2018 Bonds.

30. Expansion or Renovation Plans

The Corporation continues to make ongoing cosmetic upfits and improvements to its campus, but no major construction projects are currently planned.

31. Audit Opinion and Timeliness

The consolidated financial statements of Southminster, Inc. for the fiscal year ended September 30, 2025, were audited by CliftonLarsonAllen LLP (Charlotte, 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 consolidated financial statements of Southminster, Inc. for the fiscal year ended September 30, 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 Southminster, Inc. and affiliates, for the period 2026 through 2030 are attached hereto as Appendix B. These statements were prepared and compiled by CliftonLarsonAllen LLP, and include a summary of significant assumptions and accounting policies.

Because the prospective financial statements are presented on a consolidated basis, supplemental consolidating schedules provide prospective operating results for Southminster, Inc. on a stand-alone basis.

34. Explanation of Variances from Projections

For the fiscal year ended September 30, 2025, management reviewed the results of operations for Southminster, Inc. against the prospective financial statements filed in the prior year. Variances included both financial line items and key assumptions, such as occupancy, used in preparing the projections. The following material variances were identified:

Table 34.1: Variance Analysis - Fiscal Year Ended 9/30/25

Category	Projected Amount	Actual Amount	Variance	Explanation
Total Revenues, Gains, and other Support	\$50.7 million	\$52.4 million	\$1.7 million	Other Income \$600k overbudget due to interest paid on two quarters of Employee Retention Credits (“ERC”, COVID relief funds), Earned Entrance Fees \$500k overbudget due to high termination income, \$400k in overbudget investment earnings resulting from dividend and interest income (including \$200k in realized gains on investments)
Total Operating Expenses	\$54.2 million	\$53.6 million	\$.6 million	\$500k in lower compensation costs, primarily driven by lower home care caseload; \$100k in depreciation savings resulting from lower capital spending during the fiscal year
Change in Net Deficit Net Assets/(Deficit)	(\$3.5) million	\$1.1 million	\$4.6 million	\$2.3 million from positive operating results, above, plus \$1.3 million change in unrealized gains on investments plus \$1 million more in donor-restricted contributions
Net Cash Used in Investing Activities	(\$11.4) million	(\$7.4) million	\$4 million	Instead of purchasing investments with the receipt of the ERC, Southminster paid down the line of credit. There were also significant refunds paid out during the year (not replaced by new refundable contracts), which reduced the amount available to purchase investments.
Net Cash Provided by	\$7.8 million	\$5.1 million	\$2.7 million	Forecast anticipated leaving \$2.5 million outstanding on the line of

Category	Projected Amount	Actual Amount	Variance	Explanation
Financing Activities Current portion of Long-term debt				credit (included in current portion of long-term debt), whereas the line was paid down to zero at the end of FY25.
Liquidity Other current assets Refundable Entrance fees	\$32 million	\$30.3 million	(\$1.7) million	Forecast anticipated higher liquidity from receipt of three ERC payments, however only two payments were received in FY25 (also resulting in higher current assets due to the remaining receivable) and significant entrance fee refunds were paid out.
Accounts Payable	\$1 million	\$3 million	\$2 million	Actual payable includes \$2 million in entrance fees due at 9/30/25 (and paid by 1/31/26)

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 E.

35.1 Liquidity Ratios

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

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

Table 35.1: Liquidity Ratios – Provider Only

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3
DCOH	217	233	270	300	333	371
CUSH	1.94x	2.39x	2.87x	3.42x	3.93x	4.53x

Narrative – Provider Only:

Liquidity continues to improve as organization emerges from its latest capital expansion.

Table 35.1A: Liquidity Ratios – Obligated Group

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3
DCOH	217	233	270	299	332	370
CUSH	1.94x	2.39x	2.87x	3.42x	3.93x	4.53x

Narrative – Obligated Group:

Liquidity continues to improve as the Organization emerges from its latest capital expansion.

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 – Provider Only

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3
OR	95.5%	107.2%	102.0%	101.1%	99.5%	98.2%
NOM	21.1%	10.1%	13.0%	12.3%	12.6%	12.7%
NOM-A	34.8%	26.7%	31.8%	32.5%	34.1%	34.2%

Narrative – Provider Only:

Margins continue to strengthen as organization recovers from latest expansion; first year presented impacted by recognition of Employee Retention Credit (ERC) filings (COVID relief).

Table 35.2A: Profitability Ratios – Obligated Group

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3
OR	95.5%	107.2%	102.0%	101.3%	99.6%	98.3%
NOM	21.1%	10.1%	13.0%	12.2%	12.5%	12.6%
NOM-A	34.8%	26.7%	31.8%	32.4%	34.0%	34.1%

Narrative – Obligated Group:

Margins continue to strengthen as organization recovers from latest expansion; some early years impacted by recognition of ERC funds (COVID relief program).

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 – Provider Only

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3
DSCR	2.17x	1.38x	1.78x	1.93x	2.12x	2.22x
CD	14.6%	16.9%	20.5%	24.5%	28.5%	33.8%
CED	.87x	.35x	.38x	.39x	.46x	.46x

Narrative – Provider Only:

The provider is meeting covenant requires and continues to deleverage post-expansion.

Capital expenditures continue but at a lower rate, given recent expansion, and a need to allow liquidity to recover. Depreciation expense is high due to significant capital expansion; whereas current capital expenditures relate to maintaining current campus and refurbishing apartments as they turn over.

Table 35.3A: Capital Structure Ratios – Obligated Group

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3
DSCR	2.17x	1.38x	1.78x	1.92x	2.11x	2.21x
CD	14.6%	16.9%	20.5%	24.5%	28.5%	33.8%
CED	.87x	.35x	.38x	.39x	.46x	.46x

Narrative – Obligated Group:

The provider is meeting covenant requires and continues to deleverage post-expansion.

Capital expenditures continue but at a lower rate, given recent expansion, and a need to allow liquidity to recover. Depreciation expense is high due to significant capital expansion; whereas current capital expenditures relate to maintaining current campus and refurbishing apartments as they turn over.

35.4 Overall Summary

Recovery from capital expansion, with significant turnaround in liquidity in the current year, continuing into future years. Profitability and coverage ratios also improve significantly in near-term years, getting further away from significant expansion.

36. Actuarial Opinion and Balance

The opinion of a qualified independent actuary is attached hereto as Appendix C. The actuarial report evaluates Southminster, Inc.’s current and projected financial position and determines whether Southminster, Inc. is in satisfactory actuarial balance.

Southminster receives an annual Actuarial Compilation from A.V. Powell & Associates, Inc., a national consulting firm headquartered out of Atlanta, Georgia, which specializes in providing actuarial analysis for the senior living industry. Based on assumptions provided by the actuary and agreed to by Southminster management, and using the age profile of Southminster’s residents as well as experience from other retirement communities, it was determined that as of September 30, 2025, Southminster was in Satisfactory Actuarial Balance, with adequate healthcare capacity, and reserves increasing at an appropriate factor.

37. Most Recent Examination Report

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

38. Other Material Information

Management has reviewed whether there are any additional facts, circumstances, risks, or events that could reasonably be expected to influence a prospective or current resident's decision to contract with Southminster, Inc. Other than the disclosures provided in prior sections of this Disclosure Statement, management has determined that no additional material information requires disclosure at this time.

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

Appendix Index

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

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Appendix A — Audited Financial Statements

SOUTHMINSTER, INC.
COMBINED FINANCIAL STATEMENTS OF
SOUTHMINSTER, INC. AND
SOUTHMINSTER FOUNDATION, INC.
YEARS ENDED SEPTEMBER 30, 2025 AND 2024



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**SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
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YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Combined Financial Statements

Opinion

We have audited the combined financial statements of Southminster, Inc. and Southminster Foundation, Inc. (the Organization) which comprise the combined balance sheets as of September 30, 2025 and 2024 and the related combined statements of operations and changes in net assets (deficit), and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organization as of September 30, 2025 and 2024, and the results of their operations and changes in net assets (deficit), and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Combined Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Combined Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
January 26, 2026

**SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
COMBINED BALANCE SHEETS
SEPTEMBER 30, 2025 AND 2024**

ASSETS	2025	2024
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,579,946	\$ 699,431
Short-Term Investments	2,205,333	485,185
Assets Limited as to Use, Current Portion	5,857,869	5,738,608
Resident Accounts Receivable	403,137	478,723
Less: Allowance for Credit Losses	(16,000)	(16,000)
Resident Accounts Receivable, Net	387,137	462,723
Pledges Receivable, Current Portion	121,093	118,399
Employee Retention Credit Receivable	1,711,440	4,934,993
Other Current Assets	1,177,406	1,358,441
Total Current Assets	13,040,224	13,797,780
ASSETS LIMITED AS TO USE		
Held by Trustee Under Bond Indenture Agreements	9,268,248	9,529,758
Southminster Community Fund	50,000	50,000
Endowment Fund	493,774	-
Capital Campaign Fund	131,431	119,898
Operating Reserve - Required by the North Carolina Department of Insurance	8,920,976	8,398,588
Total Assets Limited as to Use, Net of Current Portion	18,864,429	18,098,244
PLEDGES RECEIVABLE, NET OF CURRENT PORTION, PRESENT VALUE DISCOUNT, AND ALLOWANCE	256,784	42,741
PROPERTY AND EQUIPMENT, NET	187,201,607	195,118,897
RIGHT-OF-USE ASSET - FINANCE, NET	85,111	129,517
LONG-TERM INVESTMENTS, AT MARKET	17,630,282	16,175,437
DEFERRED COSTS AND OTHER ASSETS	631,225	470,901
Total Assets	\$ 237,709,662	\$ 243,833,517

See accompanying Notes to Combined Financial Statements.

**SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
COMBINED BALANCE SHEETS (CONTINUED)
SEPTEMBER 30, 2025 AND 2024**

LIABILITIES AND NET ASSETS (DEFICIT)	2025	2024
CURRENT LIABILITIES		
Accounts Payable	\$ 2,993,055	\$ 1,873,488
Accrued Payroll and Employee Benefits	1,585,208	1,501,073
Accrued Interest Expense	3,281,392	3,372,734
Line of Credit	-	2,570,000
Current Portion of Right-of-Use Finance Lease Liability	46,295	44,483
Current Portion of Long-Term Debt	3,275,000	3,160,000
Total Current Liabilities	11,180,950	12,521,778
 LONG-TERM DEBT, NET OF CURRENT PORTION	 145,755,684	 149,693,354
 RIGHT-OF-USE FINANCE LEASE LIABILITY, NET OF CURRENT PORTION	 44,092	 90,387
 ADVANCE ENTRANCE FEE DEPOSITS	 1,426,739	 1,383,087
 DEFERRED ENTRANCE FEE REVENUE	 73,917,310	 72,467,948
 REFUNDABLE ENTRANCE FEES	 21,336,273	 24,773,335
Total Liabilities	253,661,048	260,929,889
 NET ASSETS (DEFICIT)		
Net Assets (Deficit) Without Donor Restrictions	(17,076,287)	(17,518,922)
Net Assets With Donor Restrictions	1,124,901	422,550
Total Net Assets (Deficit)	(15,951,386)	(17,096,372)
Total Liabilities and Net Assets (Deficit)	\$ 237,709,662	\$ 243,833,517

See accompanying Notes to Combined Financial Statements.

SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
COMBINED STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS (DEFICIT)
YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	2025	2024
REVENUES, GAINS, AND OTHER SUPPORT		
Independent Living Revenue	\$ 22,921,154	\$ 21,897,397
Health Care Revenue	11,039,822	10,432,194
Resident Home Care Revenue	3,462,835	3,508,150
Earned Entrance Fees	11,289,453	9,110,064
Less: Resident Assistance	(819,225)	(935,542)
Resident Service Revenue	47,894,039	44,012,263
Investment Income, net	1,252,432	1,359,627
Contributions	891,895	808,060
Net Assets Released from Restrictions	135,049	50,234
Other Income	2,298,942	1,549,303
Total Revenues, Gains, and Other Support	52,472,357	47,779,487
OPERATING EXPENSES		
Salaries, Wages, and Employee Benefits	23,535,931	22,681,850
Maintenance, Housekeeping, and Utilities	3,814,415	3,559,724
Food and Related Supplies	2,122,093	2,135,462
Insurance	494,949	455,459
Information Technology, Consulting, and Professional Fees	1,162,272	1,037,674
Other Operating Expenses	2,737,543	2,897,515
Depreciation	12,556,096	12,360,508
Amortization of Deferred Costs	31,943	27,857
Interest Expense	7,136,902	7,516,747
Loss on Disposal of Assets	36,032	35,110
Total Operating Expenses	53,628,176	52,707,906
OPERATING LOSS	(1,155,819)	(4,928,419)
NONOPERATING INCOME		
Change in Unrealized Gains on Investments	1,333,454	3,824,324
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENSES	177,635	(1,104,095)
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Net Assets Released from Restrictions for Payments of Capital Project Related Debt Service	265,000	190,000
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	442,635	(914,095)

See accompanying Notes to Combined Financial Statements.

**SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
COMBINED STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS (DEFICIT) (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

	2025	2024
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	\$ 1,058,610	\$ 143,671
Investment Income - Endowment Fund	43,790	-
Released from Restrictions	(400,049)	(240,234)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	702,351	(96,563)
CHANGE IN NET ASSETS	1,144,986	(1,010,658)
Net Assets (Deficit) - Beginning of Year	(17,096,372)	(16,085,714)
NET ASSETS (DEFICIT) - END OF YEAR	\$ (15,951,386)	\$ (17,096,372)

See accompanying Notes to Combined Financial Statements.

SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,144,986	\$ (1,010,658)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Earned Entrance Fees	(11,289,453)	(9,110,064)
Proceeds from Restricted Contributions for Investment in Endowment	(451,971)	-
Depreciation	12,556,096	12,360,508
Amortization of Bond Issuance Costs	113,036	116,454
Amortization of Deferred Costs	31,943	27,857
Amortization of Bond Premium	(502,456)	(522,773)
Loss on Disposal of Assets	36,032	35,110
Change in Net Unrealized Gains on Investments	(1,333,454)	(3,824,324)
Realized Gains on Investments	(215,980)	(384,006)
Provision for Credit Losses	-	8,389
(Increase) Decrease in:		
Accounts Receivable	75,586	131,603
Pledges Receivable	(216,737)	142,530
Employee Retention Credit Receivable	3,223,553	-
Other Current Assets	(121,598)	106,132
Other Assets	110,366	-
Decrease in:		
Accounts Payable, Excluding Amounts in Property and Equipment	(77,248)	(44,970)
Accrued Payroll and Employee Benefits	84,135	(566)
Accrued Bond Interest Expense, Net of Amounts Capitalized	(91,342)	(76,548)
Net Cash Provided by/(Used in) Operating Activities	3,075,494	(2,045,326)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in Assets Limited as to Use, Net	(914,661)	(924,865)
(Purchases)/Sales of Short-Term Investments, Net	(1,720,148)	335,882
Sales of Long-Term Investments, Net	94,589	1,851,312
Proceeds from Sale of Property and Equipment	17,305	-
Purchases of Property and Equipment	(4,844,175)	(4,334,697)
Net Cash Used by Investing Activities	(7,367,090)	(3,072,368)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Entrance Fees	14,296,411	10,874,369
Deposits Received, Net of Refunds and Conversions to Entrance Fees	43,652	290,228
Entrance Fees Refunded	(3,601,405)	(2,442,436)
Proceeds from Restricted Contributions for Investment in Endowment	451,971	-
Repayments of Long-Term Debt	(3,425,000)	(3,235,000)
Repayments of Line of Credit	(21,691,372)	(33,540,168)
Proceeds from Line of Credit	19,121,372	33,940,168
Payments of Financing Costs	(8,250)	(9,435)
Repayments of Right-of-Use Finance Lease Liability	(44,483)	(42,741)
Net Cash Provided by Financing Activities	5,142,896	5,834,985
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	851,300	717,291
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	7,044,348	6,327,057
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 7,895,648	\$ 7,044,348

See accompanying Notes to Combined Financial Statements.

**SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

	2025	2024
RECONCILIATION OF CASH		
Cash and Cash Equivalents	\$ 1,579,946	\$ 699,431
Cash Held Under Bond Agreements	6,315,702	6,344,917
Total Cash, Cash Equivalents, and Restricted Cash	\$ 7,895,648	\$ 7,044,348
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest, Net of Amounts Capitalized	\$ 7,617,809	\$ 7,999,757
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Property and Equipment Included in Accounts Payable, Retainage Payable, and Accrued Interest Expense	\$ 373,806	\$ 570,244

See accompanying Notes to Combined Financial Statements.

**SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024**

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Southminster, Inc. (the Corporation) is a nonstock, nonprofit corporation organized under the laws of the state of North Carolina. The Corporation was established to construct and operate a multilevel residential and health care center (the Center). The Center's purpose is to operate a continuing care community providing a residential environment in which older people may live independently for as long as they are able to do so. The Center opened for operations on May 16, 1987, and has 60 licensed nursing beds and 25 assisted living beds. In late 2020, the Center opened its replacement health center and converted the previous health center space into 20 independent living apartments, bringing the residential unit count to 324 (two apartments of which are used as guest rooms). During the year ended September 30, 2025, two homes were combined to provide one larger apartment, bringing the residential unit count to 323 (two apartments of which are used as guest rooms). The Corporation is also a licensed home care provider, providing care primarily to residents of its community. The license allows care to be provided outside of the community, with revenues recorded in Other Income.

Southminster Foundation, Inc. (the Foundation) is a nonstock, nonprofit corporation organized under the laws of the state of North Carolina on December 2, 1985. The Foundation was established to operate exclusively for the benefit of the Corporation, primarily through financial support to residents of the Center who are unable to meet their financial obligations. During fiscal year 2014, the operations of the Foundation were moved into the Corporation. There were no contributions for resident financial support to the Foundation for the years ended September 30, 2025 and 2024, as contributions are now recorded by the Corporation. Neither the Corporation nor the Foundation would be liable or responsible in any matter for the debts or liabilities of the other. The Foundation did not have any activity for the years ended September 30, 2025 or 2024, nor did it have any assets or liabilities.

Principles of Combination

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

Use of Estimates

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

SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024

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

Cash and Cash Equivalents

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

Accounts Receivable and Allowance for Credit Losses

Resident accounts receivable consists of resident monthly services fees and other resident charges. Accounts receivable are reported net of an allowance for credit losses to represent the Corporation's estimate of expected losses at the balance sheet date. The adequacy of the Corporation's allowance for credit losses is reviewed on an ongoing basis, using historical payment trends, write-off experience, analyses of receivable portfolios by aging of receivables, a review of specific accounts, as well as expected future economic conditions and market trends, and adjustments are made to the allowance as necessary. At September 30, 2025 and 2024, the allowance for credit losses was \$16,000.

Pledges Receivable

Pledges receivable consist of promises to pay from various individuals and foundations. Pledges receivable that are expected to be collected more than a year out are presented at net realizable value. Pledges receivable at September 30, 2025 and 2024 are designated for a capital campaign.

Contributions are required to be recognized when the donor makes a promise to give that, in substance, is unconditional. There were no conditional promises to give at September 30, 2025 and 2024.

Assets Limited as to Use

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

Property and Equipment

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

SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024

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

Investments

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

Bond Issuance Costs

Bond issuance costs, which are amortized over the life of the bonds, which approximates the effective interest method, include underwriters' discounts, legal and consulting fees, and printing costs incurred in issuing the Corporation's revenue bonds. Accumulated amortization at September 30, 2025 and 2024 was approximately \$1,257,000 and \$1,144,000, respectively.

Entrance Fees

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

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

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

At September 30, 2025 and 2024, the portion of entrance fees subject to refund provisions amounted to approximately \$33,165,000 and \$33,361,000, respectively.

**SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024**

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

Obligation to Provide Future Services

The Corporation annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred entrance fee revenue. If the present value of the estimated cost of future services and use of facilities to be provided to current residents exceeds the deferred revenue from entrance fees and the present value of periodic fees, a liability is recorded (obligation to provide future services) with the corresponding change to income. The present values of revenues and future service costs are calculated using a discount rate of 5.5%. This calculation did not require the recording of a liability at either September 30, 2025 or 2024.

Net Assets (Deficit)

The Corporation reports its net assets using the following two classes: without donor restrictions and with donor restrictions; depending on the presence and type of donor-imposed restrictions limiting the Corporation's ability to use or dispose of specific contributed assets, or the economic benefits embodied in those assets. Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Net assets with purpose donor restrictions are those net assets whose use by the Corporation has been limited by donors to specified purposes. When a donor restriction is met (when the purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statements of operations and changes in net assets (deficit) as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without restrictions. Net assets with perpetual donor restrictions are those which have been restricted by donors to be maintained by the Corporation in perpetuity. As of September 30, 2025, the Corporation had \$451,971 of net assets with perpetual donor restrictions. As of September 30, 2024, the Corporation did not have any net assets with perpetual donor restrictions.

SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024

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

Charity Care and Community Benefit

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

The cost of providing resident support was \$786,456 and \$898,120 for the years ended September 30, 2025 and 2024, respectively, estimated by applying a 4% operating margin to the charges foregone. The Corporation waived entrance fees totaling \$185,285 for the year ended September 30, 2025. No entrance fees were waived for the year ended September 30, 2024. Contributions to the Corporation of \$891,895 and \$808,060 included \$568,517 and \$488,817 of funds used to subsidize the costs of providing resident support for the years ended September 30, 2025 and 2024, respectively.

Excess (Deficit) of Revenues Over (Under) Expenses

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

Fair Value of Financial Instruments

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

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

Fair Value of Financial Instruments (Continued)

The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

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

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

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

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

Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets. The Corporation does not have any assets or liabilities that are valued using Level 2 or Level 3 inputs at September 30, 2025 and 2024.

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

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

Leases

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

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

Employee Retention Credit

The CARES Act allows a credit (Employee Retention Credit or ERC) against applicable employment taxes for eligible employers. Employers, including tax-exempt organizations, are eligible for ERC, if they operate a trade or business during calendar year 2020 and 2021 and experience either the full or partial suspension of the operations of their business during any calendar quarter due to a significant decline in gross receipts or because of governmental orders limiting commerce, travel or group meetings due to COVID-19. The credit applies to qualified wages (including certain health plan expenses) paid during this period or any calendar quarter in which eligibility requirements were met.

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. In a previous year, the Corporation determined it met the compliance requirements and conditions of the ERC program. The Organization recognized ERC amounts totaling approximately \$4,935,000 during the year ended September 30, 2023 for the quarters ended March 31, 2021, June 30, 2021 and September 30, 2021. The Corporation recognized these credits as a component of operating income on the combined statement of operations. During the year ended September 30, 2025, the Organization received payment related to the quarters ended March 31, 2021 and June 30, 2021. At September 30, 2025 and 2024, the Corporation has recorded a receivable in the amount of approximately \$1,711,000 and \$4,935,000 related to this credit, respectively. Subsequent to year end, the Corporation received payment for the remaining quarter of the ERC, bringing the receivable balance to \$0.

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NOTES TO COMBINED FINANCIAL STATEMENTS
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**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Employee Retention Credit (Continued)

There is a possibility that upon subsequent review the Internal Revenue Service could reach a different conclusion regarding the Organization's eligibility to retain the ERC credits received. That could result in repayment of the credits, interest, and potential penalties. The amount of liability, if any, from potential ineligibility cannot be determined with certainty.

Income Taxes

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

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

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

Reclassifications

Certain amounts in the 2024 financial statements were reclassified for comparison purposes with the 2025 financial statements. The reclassifications did not result in a change in net assets as previously reported.

Subsequent Events

In preparing these combined financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 26, 2026, the date the combined financial statements were available to be issued.

NOTE 2 RESIDENT SERVICE REVENUE

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

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NOTE 2 RESIDENT SERVICE REVENUE (CONTINUED)

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

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

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

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

All resident service revenue is from private pay individuals.

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NOTE 2 RESIDENT SERVICE REVENUE (CONTINUED)

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

	<u>2025</u>	<u>2024</u>
Service Lines:		
Independent Living	\$ 22,817,618	\$ 21,706,187
Health Care Services	13,786,968	13,196,012
Amortization of Entrance Fees	<u>11,289,453</u>	<u>9,110,064</u>
Total	<u>\$ 47,894,039</u>	<u>\$ 44,012,263</u>
Method of Payment:		
Monthly Service Fees	\$ 22,375,001	\$ 21,272,344
Per Diem Fees	10,194,307	9,590,656
Fee for Service	4,035,278	4,039,199
Amortization of Entrance Fees	<u>11,289,453</u>	<u>9,110,064</u>
Total	<u>\$ 47,894,039</u>	<u>\$ 44,012,263</u>
Timing of Revenue and Recognition:		
Health Care Services Transferred Over Time	<u>\$ 47,894,039</u>	<u>\$ 44,012,263</u>

Contract Costs

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

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

	<u>Accounts Receivable</u>	<u>Deferred Revenue</u>
Balance as of October 1, 2023	\$ 602,715	\$ 70,731,643
Balance as of September 30, 2024	462,723	72,467,948
Balance as of September 30, 2025	387,137	73,917,310

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NOTE 3 ASSETS LIMITED AS TO USE

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

	<u>2025</u>	<u>2024</u>
Cash and Cash Equivalents	\$ 6,660,241	\$ 6,560,000
Fixed Income Securities	3,720,052	3,997,330
Fixed Income Securities Funds	615,998	1,078,494
U.S. Government Securities	7,202,746	6,514,395
Equity Securities Funds	1,222,517	1,272,728
Equity Securities	5,228,487	4,360,032
Commodities	72,257	53,873
Subtotal	<u>24,722,298</u>	<u>23,836,852</u>
Less: Amounts Required to Meet Current Obligations	<u>(5,857,869)</u>	<u>(5,738,608)</u>
Total	<u><u>\$ 18,864,429</u></u>	<u><u>\$ 18,098,244</u></u>

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

	<u>2025</u>	<u>2024</u>
Series 2016 Interest Account	\$ 1,135,163	\$ 1,178,464
Series 2016 Principal Account	2,597,166	2,454,121
Series 2016 Debt Service Reserve	4,872,063	5,011,915
Series 2018 Debt Service Reserve	4,396,185	4,517,843
Series 2018 Interest Account	2,125,540	2,106,023
Subtotal	<u>15,126,117</u>	<u>15,268,366</u>
Less: Amounts Required to Meet Current Obligations	<u>(5,857,869)</u>	<u>(5,738,608)</u>
Total	<u><u>\$ 9,268,248</u></u>	<u><u>\$ 9,529,758</u></u>

Total cash amounts included within amounts restricted under debt agreements are comprised of the following at September 30:

	<u>2025</u>	<u>2024</u>
Series 2016 Interest Account	\$ 1,135,163	\$ 1,178,464
Series 2016 Principal Account	2,597,166	2,454,121
Series 2016 Debt Service Reserve	232,109	316,387
Series 2018 Debt Service Reserve	225,724	289,922
Series 2018 Interest Account	2,125,540	2,106,023
Total	<u><u>\$ 6,315,702</u></u>	<u><u>\$ 6,344,917</u></u>

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NOTE 4 PLEDGES RECEIVABLE

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

	<u>2025</u>	<u>2024</u>
Due in Less than One Year	\$ 121,093	\$ 118,399
Due in Two Years or More	300,800	56,893
Total Pledges Receivable	<u>421,893</u>	<u>175,292</u>
Less: Net Present Value Discount	(33,191)	(1,877)
Less: Allowance	(10,825)	(12,275)
Less: Current Portion	(121,093)	(118,399)
Pledges Receivable, Net	<u>\$ 256,784</u>	<u>\$ 42,741</u>

NOTE 5 PROPERTY AND EQUIPMENT

The Corporation's property and equipment consists of the following at September 30:

	<u>2025</u>	<u>2024</u>
Land and Land Improvements	\$ 5,041,323	\$ 5,000,029
Building and Improvements	293,848,758	292,074,425
Furniture and Equipment	11,093,417	10,931,055
Subtotal	<u>309,983,498</u>	<u>308,005,509</u>
Less: Accumulated Depreciation	(123,177,267)	(113,846,752)
Total	<u>186,806,231</u>	<u>194,158,757</u>
Construction in Progress	395,376	960,140
Property and Equipment, Net	<u>\$ 187,201,607</u>	<u>\$ 195,118,897</u>

There was no interest capitalized during the years ended September 30, 2025 or 2024.

Construction in progress at September 30, 2025 and 2024 relates primarily to the Corporation's normal capital improvements being funded out of operations.

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NOTE 6 INVESTMENTS

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

	<u>2025</u>	<u>2024</u>
Cash and Cash Equivalents	\$ 2,605,766	\$ 667,422
Fixed Income Securities Funds	1,206,989	2,064,856
Fixed Income Securities	3,880,536	3,040,870
Equity Securities Funds	2,255,719	2,436,731
Equity Securities	9,769,752	8,347,599
Commodities	116,853	103,144
Total Investments	<u>19,835,615</u>	<u>16,660,622</u>
Less: Short-Term Investments	<u>(2,205,333)</u>	<u>(485,185)</u>
Long-Term Investments	<u>\$ 17,630,282</u>	<u>\$ 16,175,437</u>

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

	<u>2025</u>	<u>2024</u>
Interest and Dividend Income, net of		
Investment Management Fees	\$ 1,036,452	\$ 975,621
Net Realized Gains on Sales of Investments	<u>215,980</u>	<u>384,006</u>
Total	<u>\$ 1,252,432</u>	<u>\$ 1,359,627</u>

Investments managed under board approved policies include long-term investments, investments designated to fund the North Carolina Department of Insurance Operating Reserve, and the board-designated Southminster Community Fund. The long-term objective of the policy is to provide growth of capital and income, using diversification to manage risk.

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NOTE 7 LONG-TERM DEBT AND LINE OF CREDIT

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

<u>Description</u>	<u>2025</u>	<u>2024</u>
Retirement Facilities First Mortgage Revenue Refunding Bonds Series 2016 (Maturing on October 1, 2020 Through 2037 with an Interest Rate of 5%)	\$ 45,105,000	\$ 47,545,000
Retirement Facilities First Mortgage Revenue Bonds Series 2018 (Maturing on October 1, 2038 Through 2053 with an Interest Rate of 4.25% - 5%)	83,820,000	84,085,000
2021 Bank Loan due June 30, 2033, with a Variable Interest Rate of 1.41% Plus 1-Month CME Term SOFR	<u>16,440,000</u>	<u>17,160,000</u>
Total	145,365,000	148,790,000
Add: Unamortized Bond Premium	5,663,963	6,166,417
Less: Unamortized Bond Issuance Costs	<u>(1,998,279)</u>	<u>(2,103,063)</u>
Total	149,030,684	152,853,354
Less: Current Portion	<u>(3,275,000)</u>	<u>(3,160,000)</u>
Total Long-Term Debt	<u><u>\$ 145,755,684</u></u>	<u><u>\$ 149,693,354</u></u>

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

<u>Year Ending September 30,</u>	<u>Amount</u>
2026	\$ 3,275,000
2027	3,400,000
2028	3,535,000
2029	3,675,000
2030	3,820,000
Thereafter	<u>127,660,000</u>
Total	<u><u>\$ 145,365,000</u></u>

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

Expansion Project

On June 30, 2021, the Corporation entered into two term loan agreements with a financial institution to provide up to \$30,000,000 to refinance existing bank debt issued for independent living construction completed in prior years and to finance renovations to convert the previous health center space into 20 independent living apartments, with construction completed during the year ended September 30, 2023. At issuance, the term loans bore interest at one-month LIBOR plus 1.30%. Loan 1 was comprised of \$12,000,000 in principal, had a seven-year maturity, and as of September 30, 2023, had been fully repaid out of entrance fee proceeds received. Loan 2 is comprised of \$18,000,000 in principal and has a final maturity of 12 years; interest-only payments were due monthly during the draw period. Effective on the first interest rate change date on or after July 5, 2023, Loan 2 bears interest at one-month CME Term SOFR plus 1.41%. Loan 2 was fully drawn and principal and interest payments began being made on a monthly basis in August 2023, equal to 1/300 of the outstanding principal balance on the Completion Date (defined in the loan agreement as the date occurring on the first business day of the seventh month after the receipt of the final certificate of occupancy, but in any event not before July 3, 2023). During the years ended September 30, 2025 and 2024, there were \$720,000 in principal payments made, leaving \$16,440,000 and \$17,160,000 outstanding at September 30, 2025 and 2024, respectively.

On July 18, 2018, the Corporation entered into a loan agreement with the Public Finance Authority (the Authority) and, concurrently, the Authority issued its \$86,200,000 Retirement Facilities First Mortgage Revenue Bonds (Southminster), Series 2018 (Series 2018 Bonds) at interest rates ranging from 4.25% to 5%. The Series 2018 Bonds were issued to finance the construction of a replacement health center and a portion of the two independent living construction projects (financed by a combination of the Series 2018 Bonds and previously issued bank loans, as discussed above). The Series 2018 Bond proceeds were also used for additional common areas, kitchen expansion, office spaces for environmental services operations (housekeeping, maintenance, transportation), a reconfigured loading dock, and to pay issuance costs and fund debt service reserves. During the years ended September 30, 2025 and 2024, the Corporation used capital campaign proceeds to accelerate, without penalty, principal payments totaling \$265,000 and \$190,000, respectively. Subsequent to year end, the Corporation accelerated an additional principal payment of \$130,000.

Line of Credit

On June 29, 2022, the Corporation entered into an agreement with a financial institution for a \$3,000,000 revolving line of credit. Any outstanding balance would bear interest at a rate of Term SOFR plus 2.50% (with a floor of 0.00%). On June 27, 2024, the agreement was amended to change the revolving line of credit to \$4,000,000. All principal outstanding was due June 26, 2025. On June 26, 2025, the agreement was again amended to extend the revolving line of credit an additional 364-day period with all principal outstanding due on June 25, 2026. As of September 30, 2025, there was no outstanding balance on the line of credit. As of September 30, 2024, \$2,570,000 was outstanding on the line of credit.

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

Other Long-Term Debt

2007 Expansion, Financing, and Refinancing

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

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

Debt Compliance

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

Management is not aware of any noncompliance with the covenants contained in the Master Trust Indenture, the Trust Agreements, and the Loan Agreements. To the extent that investment earnings are credited to the bond funds, future deposits to such accounts are reduced. Substantially all property and equipment is pledged as security.

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NOTE 8 RIGHT-OF-USE LEASES

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

The maturity analysis of annual discounted cash flows for lease liabilities as of September 30, 2025, is as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2026	\$ 49,068
2027	44,979
Total Lease Payments	<u>94,047</u>
Less: Current Portion	(46,295)
Less: Imputed Interest	(3,660)
Present Value of Lease Payable, Net of Current Portion	<u>\$ 44,092</u>

The lease payable will continue to be impacted by new leases, lease modifications, lease terminations, and reevaluation of any new facts and circumstances. As of September 30, 2025 and 2024, the weighted average lease term remaining that is included in the maturities of the leases payable is two years and three years, respectively.

As the rate implicit in each lease is not readily determinable, the Corporation uses an incremental borrowing rate to calculate the lease liability that represents an estimate of the interest rate the Corporation would have to borrow on a collateralized basis over the term of the lease. The weighted average discount rate used for leases was 4.0% at September 30, 2025 and 2024.

NOTE 9 BENEFIT PLAN

The Corporation maintains a defined contribution savings retirement plan (the Plan) eligible to all employees. For all employees having been employed for one year, the Corporation makes a 100% match of an employee's contribution to the Plan up to 6%. The Corporation's contributions to the Plan for the years ended September 30, 2025 and 2024 were \$554,979 and \$489,489, respectively.

NOTE 10 CONTINUING CARE LICENSE

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

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NOTE 11 OPERATING RESERVE

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

On September 30, 2025 and 2024, the Corporation's occupancy was above 90%, mandating the lower Operating Reserve requirement. The Operating Reserve is funded with a portion of the Corporation's long-term investments, as permitted by state statute and the Corporation's investment policy.

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2025</u>	<u>2024</u>
Restricted for Time:		
Pledges Receivable	\$ 377,877	\$ 161,140
Restricted for Purpose:		
Capital Campaign	131,341	119,898
Investment Earnings on Endowment	41,803	-
Other	121,909	141,512
Perpetually Restricted:		
Endowment Fund	<u>451,971</u>	<u>-</u>
Total	<u>\$ 1,124,901</u>	<u>\$ 422,550</u>

Net assets released from restriction for operations relate to various Southminster initiatives and totaled approximately \$135,000 and \$50,000 for the years ended September 30, 2025 and 2024, respectively. Net assets released from restriction related to debt repayment totaled \$265,000 and \$190,000 for the years ended September 30, 2025 and 2024, respectively.

Endowment Fund

As required by U.S. GAAP, net assets associated with endowment funds, including any funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Corporation has determined that no other individual fund meets the definition of endowment under Uniform Prudent Management of Institutional Funds Act (UPMIFA).

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(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024**

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Endowment Fund (Continued)

The Corporation's board of directors has interpreted the North Carolina enacted version of UPMIFA, North Carolina Uniform Prudent Management of Institutional Funds Act (NCUPMIFA), as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as perpetually restricted net assets: (a) the original value of gifts donated in perpetuity to the endowment, (b) the original value of subsequent gifts to the perpetually restricted endowment, and (c) accumulations to the perpetually restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified as perpetually restricted net assets is classified as purpose restricted net assets until those amounts are appropriated for expenditure by the Corporation in a manner consistent with the standard of prudence prescribed by NCUPMIFA.

In accordance with NCUPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund
- The purposes of the Corporation and the endowment fund
- Price level trends and general economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Corporation
- The investment policy of the Corporation

Endowment assets are guided by a board-approved Endowment investment policy that aligns with the Corporation's long-term investment policy objectives of long-term growth, using diversification to manage risk. These assets are comprised of bequests and gifts that will permanently support the Corporation's mission and purpose from the income of the Endowment. The board of directors of the Corporation will adopt a spending policy when endowment assets reach a predetermined level prior to the expenditure of any endowment related earnings. It is the Corporation's policy to maintain the corpus amounts of donor-restricted endowment funds received.

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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Changes in endowment net assets are as follows as of September 30:

	2025		Total
	Perpetually Restricted	Purpose Restricted	
Endowment Net Assets - Beginning of Year	\$ -	\$ -	\$ -
Contributions	451,971	-	451,971
Net Investment Income	-	5,106	5,106
Net Appreciation	-	36,697	36,697
Endowment Net Assets - End of Year	<u>\$ 451,971</u>	<u>\$ 41,803</u>	<u>\$ 493,774</u>

NOTE 13 LIQUIDITY AND AVAILABILITY

Southminster invests cash in excess of short-term requirements in short-term investments. In addition, Southminster has long-term mutual funds and equity securities which are liquid within one week. Southminster also has a \$4,000,000 revolving line of credit, of which \$4,000,000 is available as of September 30, 2025.

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

	2025	2024
Cash and Cash Equivalents	\$ 1,579,946	\$ 699,431
Investments:		
Cash and Cash Equivalents	2,605,766	667,422
Fixed Income Securities Funds	1,206,989	2,064,856
Fixed Income Securities	3,880,536	3,040,870
Equity Securities Funds	2,255,719	2,436,731
Equity Securities	9,769,752	8,347,599
Commodities	116,853	103,144
Accounts Receivable, Net	387,137	462,723
Less: Net Assets With Donor Restrictions - Other	<u>(121,909)</u>	<u>(141,512)</u>
Total Financial Assets Available to Meet Liquidity Needs	<u>\$ 21,680,789</u>	<u>\$ 17,681,264</u>

**SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024**

NOTE 14 FAIR VALUE MEASUREMENTS

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

	2025			
	Level 1	Level 2	Level 3	Total
Assets:				
Assets Limited as to Use:				
Fixed Income	\$ 3,720,052	\$ -	\$ -	\$ 3,720,052
Fixed Income Securities Funds	615,998	-	-	615,998
U.S. Government Securities	7,202,746	-	-	7,202,746
Equity Securities Funds	1,222,517	-	-	1,222,517
Equity Securities	5,228,487	-	-	5,228,487
Commodities	72,257	-	-	72,257
Subtotal	<u>18,062,057</u>	<u>-</u>	<u>-</u>	<u>18,062,057</u>
Investments:				
Fixed Income Securities Funds	1,206,989	-	-	1,206,989
Fixed Income Securities	3,880,536	-	-	3,880,536
Equity Securities Funds	2,255,719	-	-	2,255,719
Equity Securities	9,769,752	-	-	9,769,752
Commodities	116,853	-	-	116,853
Subtotal	<u>17,229,849</u>	<u>-</u>	<u>-</u>	<u>17,229,849</u>
Total Assets Measured at Fair Value	<u>\$ 35,291,906</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,291,906</u>
	2024			
	Level 1	Level 2	Level 3	Total
Assets:				
Assets Limited as to Use:				
Fixed Income	\$ 3,997,330	\$ -	\$ -	\$ 3,997,330
Fixed Income Securities Funds	1,078,494	-	-	1,078,494
U.S. Government Securities	6,514,395	-	-	6,514,395
Equity Securities Funds	1,272,728	-	-	1,272,728
Equity Securities	4,360,032	-	-	4,360,032
Commodities	53,873	-	-	53,873
Subtotal	<u>17,276,852</u>	<u>-</u>	<u>-</u>	<u>17,276,852</u>
Investments:				
Fixed Income Securities Funds	2,064,856	-	-	2,064,856
Fixed Income Securities	3,040,870	-	-	3,040,870
Equity Securities Funds	2,436,731	-	-	2,436,731
Equity Securities	8,347,599	-	-	8,347,599
Commodities	103,144	-	-	103,144
Subtotal	<u>15,993,200</u>	<u>-</u>	<u>-</u>	<u>15,993,200</u>
Total Assets Measured at Fair Value	<u>\$ 33,270,052</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,270,052</u>

SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024

NOTE 15 FUNCTIONAL EXPENSES

Program, management, and fundraising expenses for the years ended September 30, 2025 and 2024 are summarized as follows:

	2025			
	Program Services	Management and General	Fundraising	Total
Salaries, Wages, and Employee Benefits	\$ 19,987,745	\$ 3,447,973	\$ 100,213	\$ 23,535,931
Maintenance, Housekeeping, and Utilities	3,749,383	65,032	-	3,814,415
Food and Related Supplies	2,122,093	-	-	2,122,093
Insurance	-	494,949	-	494,949
Information Technology, Consulting, and Professional Fees	347,086	809,444	5,742	1,162,272
Other Operating Expenses	1,718,097	965,686	53,760	2,737,543
Depreciation	12,395,265	160,831	-	12,556,096
Amortization of Deferred Costs	31,943	-	-	31,943
Interest Expense	7,045,485	91,417	-	7,136,902
Loss on Disposal of Assets	36,032	-	-	36,032
Total Functional Expenses	<u>\$ 47,433,129</u>	<u>\$ 6,035,332</u>	<u>\$ 159,715</u>	<u>\$ 53,628,176</u>

	2024			
	Program Services	Management and General	Fundraising	Total
Salaries, Wages, and Employee Benefits	\$ 19,242,998	\$ 3,343,883	\$ 94,969	\$ 22,681,850
Maintenance, Housekeeping, and Utilities	3,497,251	62,473	-	3,559,724
Food and Related Supplies	2,135,462	-	-	2,135,462
Insurance	-	455,459	-	455,459
Information Technology, Consulting, and Professional Fees	263,171	764,160	10,343	1,037,674
Other Operating Expenses	1,943,886	885,591	68,038	2,897,515
Depreciation	12,202,182	158,326	-	12,360,508
Amortization of Deferred Costs	27,857	-	-	27,857
Interest Expense	7,420,465	96,282	-	7,516,747
Loss on Disposal of Assets	35,110	-	-	35,110
Total Functional Expenses	<u>\$ 46,768,382</u>	<u>\$ 5,766,174</u>	<u>\$ 173,350</u>	<u>\$ 52,707,906</u>

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

**SOUTHMINSTER, INC.
(SOUTHMINSTER, INC. AND SOUTHMINSTER FOUNDATION, INC.)
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024**

NOTE 16 COMMITMENTS AND CONTINGENCIES

Health Care Industry

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

Self-Insured Health Plan

The Corporation is self-insured for its employee health plan and purchases specific stop-loss protection for all claims over \$90,000 and aggregate stop-loss protection for total claims which exceed \$1,000,000. An accrual for the self-insurance program was established to provide for estimated claims incurred but not reported. This accrual totaled approximately \$231,000 and \$151,000 at ended September 30, 2025 and 2024, respectively, and is included in Accrued Payroll and Employee Benefits on the combined balance sheets.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

Appendix B — Five-Year Prospective Financial Statements

SOUTHMINSTER, INC. AND AFFILIATES
COMPILATION OF FINANCIAL FORECAST AND SUPPLEMENTAL FORECASTED FINANCIAL
STATEMENTS AND
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT
FOR THE FIVE YEARS ENDING
SEPTEMBER 30, 2026 THROUGH SEPTEMBER 30, 2030



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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

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

Management is responsible for the accompanying forecasted financial statements of Southminster, Inc. (the "Corporation") and Affiliates (collectively, the "Organization"), which comprise the forecasted consolidated balance sheets as of September 30, 2026, 2027, 2028, 2029 and 2030, and the related forecasted consolidated statements of operations and changes in net deficit, and cash flows for the years then ending, and the related summaries of significant forecast assumptions and accounting policies in accordance with the guidelines for presentation of a financial forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the forecasted financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this forecast.

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

The accompanying supplementary information beginning on page 28 is presented for purposes of additional analysis and is not a required part of the consolidated forecast. Such information is the responsibility of Management. Supplementary information was subject to our compilation engagement. We have not examined or reviewed the supplementary information and do not express an opinion, a conclusion, or provide any assurance on such information.

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
February 11, 2026

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

	2026	2027	2028	2029	2030
REVENUES, GAINS, AND OTHER SUPPORT					
Independent Living Revenue	\$ 24,070,180	\$ 25,118,274	\$ 26,172,529	\$ 27,074,930	\$ 28,078,758
Healthcare Revenue	11,729,553	12,285,314	12,836,966	13,349,716	13,882,929
Resident Home Care Revenue	3,698,768	4,016,680	4,143,594	4,270,508	4,397,422
Earned Entrance Fees	11,430,349	11,800,645	12,051,162	12,332,369	12,650,860
Less: Resident Assistance	(889,796)	(966,888)	(1,010,400)	(1,050,816)	(1,092,852)
Resident Service Revenue	50,039,054	52,254,025	54,193,851	55,976,707	57,917,117
Investment Income, Net	1,117,270	1,288,436	1,425,120	1,577,553	1,756,488
Contributions	790,500	814,215	838,641	863,800	889,714
Net Assets Released from Restrictions	60,000	60,000	60,000	60,000	60,000
Other Income	2,049,851	1,579,861	1,614,294	1,653,139	1,687,831
Total Revenues, Gains and Other Support	54,056,675	55,996,537	58,131,906	60,131,199	62,311,150
OPERATING EXPENSES					
Salaries, Wages, and Employee Benefits	24,932,040	25,970,120	26,967,236	27,953,795	28,879,464
Maintenance, Housekeeping, and Utilities	3,833,696	3,859,929	4,009,557	4,146,249	4,279,854
Food and Related Supplies	2,174,078	2,239,300	2,306,480	2,375,675	2,446,945
Insurance	541,709	557,960	574,699	591,940	609,698
Information Technology, Consulting, and Professional Fees	1,220,839	1,257,463	1,295,186	1,334,041	1,374,061
Other Operating Expenses	3,014,767	2,906,080	3,109,343	3,181,394	3,255,470
Depreciation	12,856,100	13,143,110	13,151,708	13,297,788	13,425,412
Amortization of Deferred Costs	17,835	17,241	15,809	14,954	14,156
Interest Expense	6,751,230	6,522,846	6,324,211	6,162,419	5,994,496
Loss on Disposal of Assets	48,000	48,000	48,000	48,000	48,000
Total Operating Expenses	55,390,294	56,522,049	57,802,229	59,106,255	60,327,556
OPERATING (LOSS) INCOME	(1,333,619)	(525,512)	329,677	1,024,944	1,983,594
NONOPERATING INCOME					
Change in Unrealized Gains on Investments	-	-	-	-	-
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENSES	(1,333,619)	(525,512)	329,677	1,024,944	1,983,594
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS					
Net Assets Released from Restrictions for Payments of Capital Project Related Debt Service	130,000	100,000	100,000	100,000	100,000
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(1,203,619)	(425,512)	429,677	1,124,944	2,083,594
NET ASSETS WITH DONOR RESTRICTIONS					
Contributions	31,800	30,000	30,000	30,000	30,000
Investment Income - Endowment Fund	12,666	12,983	13,307	13,640	13,981
Released from Restrictions	(190,000)	(160,000)	(160,000)	(160,000)	(160,000)
DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	(145,534)	(117,017)	(116,693)	(116,360)	(116,019)
CHANGE IN NET ASSETS (DEFICIT)	(1,349,153)	(542,529)	312,984	1,008,584	1,967,575
Net Assets (Deficit) - Beginning of Year	(15,951,386)	(17,300,539)	(17,843,068)	(17,530,084)	(16,521,500)
NET ASSETS (DEFICIT) - END OF YEAR	\$ (17,300,539)	\$ (17,843,068)	\$ (17,530,084)	\$ (16,521,500)	\$ (14,553,925)

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

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

	2026	2027	2028	2029	2030
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in Net Assets (Deficits)	\$ (1,349,153)	\$ (542,529)	\$ 312,984	\$ 1,008,584	\$ 1,967,575
Adjustments to Reconcile Change in Net Assets (Deficits) to					
Net Cash Provided by Operating Activities:					
Earned Entrance Fees	(11,430,349)	(11,800,645)	(12,051,162)	(12,332,369)	(12,650,860)
Proceeds from Restricted Contributions	(1,000)	-	-	-	-
Depreciation	12,856,101	13,143,110	13,151,708	13,297,788	13,425,412
Amortization of Bond Issuance Costs	110,083	103,895	103,895	103,895	103,895
Amortization of Deferred Costs	17,835	17,241	15,809	14,954	14,156
Amortization of Bond Premium	(485,661)	(461,404)	(439,663)	(416,839)	(392,896)
Loss on Disposal of Assets	48,000	48,000	48,000	48,000	48,000
(Increase) Decrease in:					
Accounts Receivable	(12,094)	(12,457)	(12,831)	(13,216)	(13,612)
Pledges Receivable	99,093	87,975	90,809	100,000	-
Employee Retention Credit Receivable	1,711,440	-	-	-	-
Other Current Assets	(15,586)	(23,540)	(24,346)	(25,182)	(26,046)
Other Assets	71,838	(38,528)	(38,528)	(38,528)	(38,528)
Increase (Decrease) in:					
Accounts Payable, Excluding Amounts in Property and Equipment	1,042,589	60,708	62,529	64,405	66,337
Accrued Payroll and Employee Benefits	47,556	48,983	50,452	51,966	53,525
Accrued Bond Interest Expense, Net of Amounts Capitalized	(75,909)	(78,418)	(75,218)	(78,718)	(82,343)
Net Cash Provided by Operating Activities	2,634,783	552,391	1,194,438	1,784,740	2,474,615
CASH FLOWS FROM INVESTING ACTIVITIES					
Change in Assets Limited as to Use, Net	(135,456)	4,584,519	(188,985)	(175,657)	(68,574)
Sales of Short-Term Investments, Net	2,205,333	-	-	-	-
Purchases of Long-Term Investments, Net	(6,214,590)	(9,239,942)	(5,607,953)	(6,188,083)	(7,398,666)
Purchase of Land Held for Investment	(2,330,366)	-	-	-	-
Proceeds from Sale of Property and Equipment	-	-	-	-	-
Purchases of Property and Equipment	(5,000,000)	(6,000,000)	(6,000,000)	(6,000,000)	(6,000,000)
Net Cash Used by Investing Activities	(11,475,079)	(10,655,423)	(11,796,938)	(12,363,740)	(13,467,240)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from Entrance Fees	15,277,113	16,017,000	16,698,000	17,248,000	17,795,000
Deposits Received, Net of Refunds and Conversions to Entrance Fees	(105,000)	-	-	-	-
Entrance Fees Refunded	(3,000,000)	(2,304,000)	(2,393,000)	(2,325,000)	(2,307,000)
Proceeds from Restricted Contributions	1,000	-	-	-	-
Repayments of Long-Term Debt	(3,405,000)	(3,500,000)	(3,635,000)	(3,775,000)	(3,920,000)
Repayments of Line of Credit	(493,000)	-	-	-	-
Proceeds from Line of Credit	493,000	-	-	-	-
Payments of Financing Costs	-	-	-	-	-
Repayments of Right-of-Use Finance Lease Liability	(46,294)	(44,093)	-	-	-
Net Cash Provided by Financing Activities	8,721,819	10,168,907	10,670,000	11,148,000	11,568,000
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH					
	(118,477)	65,875	67,500	569,000	575,375
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	7,895,648	7,777,171	7,843,046	7,910,546	8,479,546
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR					
	\$ 7,777,171	\$ 7,843,046	\$ 7,910,546	\$ 8,479,546	\$ 9,054,921

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

**SOUTHMINSTER, INC. AND AFFILIATES
FORECASTED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDING SEPTEMBER 30,**

	2026	2027	2028	2029	2030
RECONCILIATION OF CASH					
Cash and Cash Equivalents	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 2,000,000	\$ 2,500,000
Cash Held Under Bond Agreements	6,277,171	6,343,046	6,410,546	6,479,546	6,554,921
Total Cash, Cash Equivalents, and Restricted Cash	\$ 7,777,171	\$ 7,843,046	\$ 7,910,546	\$ 8,479,546	\$ 9,054,921
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION					
Cash Paid for Interest, Net of Amounts Capitalized	\$ 7,185,119	\$ 6,958,773	\$ 6,735,197	\$ 6,554,081	\$ 6,365,840

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

**SOUTHMINSTER, INC. AND AFFILIATES
FORECASTED CONSOLIDATED BALANCE SHEETS
AT SEPTEMBER 30,**

	2026	2027	2028	2029	2030
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 2,000,000	\$ 2,500,000
Short-Term Investments	-	-	-	-	-
Assets Limited As To Use, Current Portion	5,819,338	5,885,213	5,952,713	6,021,713	6,097,088
Resident Accounts Receivable	415,231	427,688	440,519	453,735	467,347
Less: Allowance for Credit Losses	(16,000)	(16,000)	(16,000)	(16,000)	(16,000)
Resident Accounts Receivable, Net	399,231	411,688	424,519	437,735	451,347
Pledges Receivable, Current Portion	100,800	100,000	100,000	-	-
Other Current Assets	1,192,992	1,216,532	1,240,878	1,266,060	1,292,106
Total Current Assets	9,012,361	9,113,433	9,218,110	9,725,508	10,340,541
ASSETS LIMITED AS TO USE					
Held by Trustee Under Bond Indenture Agreements	9,029,538	9,029,538	9,029,538	9,029,538	9,029,538
Southminster Community Fund	50,000	50,000	50,000	50,000	50,000
Endowment Fund	506,642	519,308	532,291	545,598	559,238
Capital Campaign Fund	100,000	100,000	100,000	100,000	-
Operating Reserve Fund Required Under North Carolina Statutes	9,313,705	4,716,520	4,892,522	5,054,872	5,209,806
Total Assets Limited as to Use, Net of Current Portion	18,999,885	14,415,366	14,604,351	14,780,008	14,848,582
PLEDGES RECEIVABLE, NET OF CURRENT PORTION, PRESENT VALUE DISCOUNT, AND ALLOWANCE	177,984	90,809	-	-	-
PROPERTY AND EQUIPMENT, NET	179,341,912	172,191,507	164,991,799	157,646,011	150,172,599
RIGHT-OF-USE ASSET - FINANCE, NET	40,705	-	-	-	-
LONG-TERM INVESTMENTS, AT MARKET	23,844,872	33,084,814	38,692,767	44,880,850	52,279,516
DEFERRED COSTS AND OTHER ASSETS	2,871,918	2,893,205	2,915,924	2,939,498	2,963,870
Total Assets	\$ 234,289,637	\$ 231,789,134	\$ 230,422,951	\$ 229,971,875	\$ 230,605,108

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

SOUTHMINSTER, INC. AND AFFILIATES
FORECASTED CONSOLIDATED BALANCE SHEETS (CONTINUED)
AT SEPTEMBER 30,

	2026	2027	2028	2029	2030
LIABILITIES AND NET ASSETS (DEFICIT)					
CURRENT LIABILITIES					
Accounts Payable	\$ 2,023,587	\$ 2,084,295	\$ 2,146,824	\$ 2,211,229	\$ 2,277,566
Accrued Payroll and Employee Benefits	1,632,764	1,681,747	1,732,199	1,784,165	1,837,690
Accrued Interest Expense	3,205,483	3,127,065	3,051,847	2,973,129	2,890,786
Line of Credit	-	-	-	-	-
Current Portion of Right-of-Use Finance Lease Liability	44,093	-	-	-	-
Current Portion of Long-Term Debt	3,400,000	3,535,000	3,675,000	3,820,000	3,975,000
Total Current Liabilities	10,305,927	10,428,107	10,605,870	10,788,523	10,981,042
LONG-TERM DEBT, NET OF CURRENT PORTION	141,850,106	137,857,597	133,746,829	129,513,885	125,149,884
ADVANCE ENTRANCE FEE DEPOSITS	1,321,739	1,321,739	1,321,739	1,321,739	1,321,739
DEFERRED ENTRANCE FEE REVENUE	76,236,363	78,851,018	81,828,056	85,018,887	88,383,527
REFUNDABLE ENTRANCE FEES	21,876,041	21,173,741	20,450,541	19,850,341	19,322,841
Total Liabilities	251,590,176	249,632,202	247,953,035	246,493,375	245,159,033
NET ASSETS (DEFICIT)					
Net Assets (Deficit) Without Donor Restrictions	(18,279,906)	(18,705,418)	(18,275,741)	(17,150,797)	(15,067,203)
Net Assets With Donor Restrictions	979,367	862,350	745,657	629,297	513,278
Total Net Assets (Deficit)	(17,300,539)	(17,843,068)	(17,530,084)	(16,521,500)	(14,553,925)
Total Liabilities and Net Assets (Deficit)	\$ 234,289,637	\$ 231,789,134	\$ 230,422,951	\$ 229,971,875	\$ 230,605,108

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

Summary of Significant Forecast Assumptions and Accounting Policies

Background and Information

Basis of Presentation

The accompanying financial forecast presents, to the best of the knowledge and belief of management ("Management") of Southminster, Inc., a North Carolina nonprofit corporation (the "Corporation"), and Affiliates, (collectively, the "Organization") the Organization's expected financial position, results of operations and cash flows as of September 30, 2026, 2027, 2028, 2029 and 2030 and for each of the years then ending (the "Forecast Period").

Accordingly, the financial forecast reflects Management's judgment as of February 11, 2026, the date of this forecast, of the expected conditions and its expected course of action during the Forecast Period. The assumptions disclosed herein are the assumptions which Management believes are significant to the financial forecast. There usually will be differences between the forecast and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

The financial forecast includes Southminster Foundation, Inc. (the "Foundation"), an affiliate of the Corporation. The activities of the Southminster Foundation, Inc., have ceased and are expected to remain inactive during the Forecast Period. The Foundation is not obligated for any payments under the Series 2016 Bonds, Series 2018 Bonds, or any taxable bank loans entered into by the Corporation. The financial forecast also includes the forecasted activities, described hereafter, of SM Rawlinson Road, LLC, a South Carolina limited liability company that will be wholly owned by Southminster, Inc. whose purpose is currently to hold land for investment. The presentation, due to the inactivity of the Foundation reflects the effective results of the Southminster's Obligated Group defined under the Master Indenture which includes the activity of Southminster, Inc. and SM Rawlinson Road, LLC.

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

Summary of Significant Forecast Assumptions and Accounting Policies

Background and Information (continued)

Background of the Corporation

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

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

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

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

SM Rawlinson Road, LLC is forecasted to be formed and owned by Southminster, Inc., for the current purpose of holding land for investment. Management has forecasted the acquisition of land during the Forecast Period.

The business and other affairs of the Corporation are governed by an 16-member board of directors, comprised of 12 voting members and 4 non-voting Chairs Emeritus. The Corporation is affiliated with Christ Episcopal Church and Myers Park Baptist Church, both of which are located in Charlotte, North Carolina. Although not all of the directors are associated with the sponsoring churches, the governing bodies of the two churches ratify those persons nominated to serve as directors.

Southminster is an entrance fee community located on approximately 27 acres of land at 8919 Park Road, Charlotte, North Carolina, consisting of 29 one-story duplex/triplex cottage units, 66 Terrace units, and a main building that includes 226 independent living apartments, dining rooms, the main kitchen, common rooms for activities and social interactions, a library, administrative offices, and all the necessary support service areas for the normal functioning of the community (e.g., maintenance, housekeeping, resident storage spaces, etc.). The health center (the “Health Center”) building is attached to the main building and houses 25 licensed assisted living beds and 60 licensed nursing beds.

Independent Living Units

The independent living units of Southminster (the “Independent Living Units”) consist of 321 apartments, duplex/triplex cottage units, and terraces. The apartments are contained within three- and eight-story main buildings and are connected to common areas and healthcare service facilities via enclosed walkways and elevators. Floor plans vary depending on location and include studio, one, two, and three-bedroom units, with one to three bathrooms. Most units include either a patio or balcony, storage facilities, monitored emergency fire and safety systems, and central heating and air conditioning with

See Accompanying Independent Accountants’ Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Background and Information (continued)

individual thermostatic controls. Most units also include washer/dryer units. The cottage floor plans also vary in design and size, but include two bedrooms and a den. Southminster has combined some units in its original building to make larger units and continues to look for further opportunities to do so. The terraces are multi-unit buildings with underground parking and units with at least two sides with windows.

Assisted Living

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

Nursing Care

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

Common Areas

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

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

Summary of Significant Forecast Assumptions and Accounting Policies

Background and Information (continued)

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

Unit Type	Total	Existing Average Square Footage by Unit Type
<i>Independent Living Units</i>		
<i>Apartments:</i>		
One-bedroom	52	635 - 1,000
One-bedroom/den	37	955 - 1,456
Two-bedrooms	78	955 - 2,260
Two-bedrooms/den or great room	58	1,276 - 3,190
Three-bedroom	1	3,081
<i>Terraces:</i>		
Two-bedrooms	12	1,383 - 1,563
Two-bedrooms with den	54	1,602 - 2,140
<i>Cottages:</i>		
Small sunroom	4	1,500
Large sunroom	25	1,800 - 1,900
Total Independent Living Units	321	
<i>Assisted Living</i>		
Assisted Living	25	600
<i>Skilled Nursing</i>		
Private	60	300
Total Health Care Units and Beds	85	
Total Campus Units and Beds	406	

Source: Management

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

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Summary of Significant Accounting Policies

Basis of Accounting

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

Basis of Consolidation

The consolidated financial statements include the accounts of Southminster, Inc., Southminster Foundation, and SM Rawlinson Road, LLC. All intercompany balances and transactions between the consolidated entities have been eliminated.

Cash and Cash Equivalents

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

Accounts Receivable

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

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

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

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

Assets Limited as to Use

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

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

Property and Equipment

Property and equipment is stated at cost. Assets contributed to the Corporation are recorded at fair market value as of the date of receipt. Routine maintenance, repairs, renewals, and replacement costs are charged to expense. Expenditures (in excess of \$1,000) which materially increase the value, change

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Summary of Significant Accounting Policies

the capacities or extend the useful lives of existing assets are capitalized. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which range from 3 to 30 years. Apartment refurbishment costs which, in aggregate, total \$2,500 or more per unit, are capitalized and depreciated over an average seven-year period. Interest costs incurred during the construction period of significant construction projects are capitalized as a cost of the constructed asset and amortized over the useful life of the asset.

Long-Term Investments

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

Leases

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

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

Employee Retention Credit

The CARES Act allows a credit (Employee Retention Credit or ERC) against applicable employment taxes for eligible employers. The management of the Corporation believes it has complied with the conditions of the ERC and has claimed a credit of approximately \$4,935,000 as of September 30, 2023. As of September 30, 2025, a receivable in the amount of approximately \$1,177,000 remained outstanding related to this credit, with the remaining balance received during the year ending September 30, 2026.

Summary of Significant Forecast Assumptions and Accounting Policies

Summary of Significant Accounting Policies (continued)

Deferred Costs and Other Assets

Deferred costs include sales commissions associated with acquiring expansion residential contracts and are deferred until construction is complete and units are available for occupancy. Management amortizes such costs over the estimated average life expectancy of the residents. Other Assets include 457b retirement accounts, and \$2,330,366 of land being purchased for investment.

Bond Issuance Costs

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

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

Original Issuance Premium

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

Entrance Fees

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

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

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

Summary of Significant Forecast Assumptions and Accounting Policies

Summary of Significant Accounting Policies (continued)

Net Assets (Deficit)

The Corporation reports its net assets using the following two classes: without donor restrictions and with donor restrictions; depending on the presence and type of donor-imposed restrictions limiting the Corporation's ability to use or dispose of specific contributed assets, or the economic benefits embodied in those assets. Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Net assets with purpose donor restrictions are those net assets whose use by the Corporation has been limited by donors to specified purposes. When a donor restriction is met (when the purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the forecasted statements of operations and changes in net assets (deficit) as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as support without restrictions. Net assets with perpetual donor restrictions are those which have been restricted by donors to be maintained by the Corporation in perpetuity. As of September 30, 2025, the Corporation had \$452,000 in net assets with perpetual donor restrictions.

Excess (Deficit) of Revenues over (under) Expenses

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

Obligation to Provide Future Services

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

Independent Living, Healthcare, and Other Revenues

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

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

Summary of Significant Forecast Assumptions and Accounting Policies

Summary of Significant Accounting Policies (continued)

Income Taxes

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

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

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

Use of Estimates

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

Resident Service Revenue

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

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

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Summary of Significant Accounting Policies (continued)

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

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

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

All resident service revenue is from private pay individuals.

Contract Costs

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

Risks and Uncertainties

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

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Revenue

Revenue for the Corporation is generated primarily as follows:

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

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

Forecasted Occupancy Levels

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

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

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

Table 2
Forecasted Utilization of the Independent Living Units

Year Ending September 30, Forecasted:	Average Number of Independent Living Units Occupied	Average Number of Independent Living Units Available	Average Occupancy Percentage
2026	315	321	98.1%
2027	315	321	98.1%
2028	315	321	98.1%
2029	315	321	98.1%
2030	315	321	98.1%

Source: Management

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Revenue (continued)

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

Table 3
Forecasted Second Person Occupancy of the Independent Living Units

Year Ending September 30, Forecasted:	Average Number of Independent Living Units Occupied	Average Number of Existing Independent Living Units with Double Occupants	Double Occupancy Percentage
2026	315	100	31.7%
2027	315	97	30.8%
2028	315	95	30.2%
2029	315	91	28.9%
2030	315	89	28.3%

Source: Management

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

Table 4
Forecasted Utilization of the Assisted Living Units

Forecasted Year Ending September 30,	Average Number of Available Units	Total Residents	Average Percent Occupancy
2026	25	24	96.0%
2027	25	24	96.0%
2028	25	24	96.0%
2029	25	24	96.0%
2030	25	24	96.0%

Source: Management

Table 5
Forecasted Utilization of the Skilled Nursing Units

Forecasted Year Ending September 30,	Average Number of Available Units	Total Residents	Average Percent Occupancy
2026	60	52	86.7%
2027	60	52	86.7%
2028	60	52	86.7%
2029	60	52	86.7%
2030	60	52	86.7%

Source: Management

Note:

- (1) The resident count above excludes independent living residents on a temporary stay in a Skilled Nursing Unit.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Revenue (continued)

Forecasted Entrance and Monthly Service Fees

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

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

Table 6
Monthly Service and Entrance Fees through September 30, 2026

Unit Type	Units	Monthly Service Fee ⁽¹⁾	Entrance Fee ⁽²⁾
<i>Independent Living Units:</i>			
Apartments:			
One-bedroom	52	\$4,488 - \$4,861	\$158,500 - \$344,600
One-bedroom/den	37	\$4,861 - \$5,494	\$306,000 - \$536,500
Two-bedrooms	78	\$4,861 - \$6,555	\$328,400 - \$840,900
Two-bedrooms/den	58	\$5,437 - \$6,988	\$459,600 - \$1,160,400
Three-bedroom	1	\$8,120	\$1,248,300
Terraces:			
Two-bedrooms	12	\$5,779 - \$5,835	\$515,000 - \$562,300
Two-bedrooms/den	54	\$5,913 - \$6,646	\$601,800 - \$860,000
Cottages:			
Small sunroom	4	\$4,847	\$479,200
Large sunroom	25	\$5,017 - \$5,070	\$577,600 - \$639,600
Second Person Fees		\$2,513	\$35,000
Total Independent Living Units	321		
<i>Assisted Living</i>			
Assisted Living	25	\$327 - \$395	\$30,000 - \$40,000 ⁽³⁾
Total Assisted Living Units	25		
<i>Skilled Nursing</i>			
Private	60	\$514 - \$542	\$20,000 - \$25,000 ⁽³⁾
Total Nursing Units	60		
Total Units/Beds	406		

Source: Management

Notes:

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

Increases in fees are generally anticipated to approximate increases in operating expenses during the Forecast Period. However, fee increases may be adjusted to reflect actual changes in expenses which could be higher than forecasted. Entrance fees are continuously reviewed and adjusted as necessary to align with market demands. Management has forecasted annual increases to its monthly and daily fees in the range of 4.0% to 4.9% during the Forecast Period. Management has noted that the 2026 rate increases approximated 4.9%.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Revenue (continued)

Entrance Fee Receipts

Entrance fee receipts and refunds are based on information provided by Management based on historical experience, as well as Management's assumptions relating to occupancy during the Forecast Period. The following table reflects entrance fees received and refunds paid during the Forecast Period for the Corporation, as forecasted by Management. Management has forecasted entrance fee increases of approximately 6 percent annually during the Forecast Period.

Forecasted Year Ending September 30,	2026	2027	2028	2029	2030
Entrance fees received from unit turnover	\$ 15,277,113	\$ 16,017,000	\$ 16,698,000	\$ 17,248,000	\$ 17,795,000
Entrance fees refunded from unit turnover	(3,000,000)	(2,304,000)	(2,393,000)	(2,325,000)	(2,307,000)
Total entrance fees received, net of refunds	\$ 12,277,113	\$ 13,713,000	\$ 14,305,000	\$ 14,923,000	\$ 15,488,000

Source: Management

For purposes of forecasting entrance fee receipts, Management has assumed that 90% of entrants would select the Standard Plan and 10% would select the 90% Refundable Plan during the Forecast Period.

Investment Income

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

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

	2026	2027	2028	2029	2030
Cash and Cash Equivalents	2.40%	2.00%	2.00%	2.00%	2.00%
Debt Service Reserve Fund	3.80%	3.80%	3.80%	3.80%	3.80%
Investments	3.00%	3.00%	3.00%	3.00%	3.00%

Source: Management

Other Revenue Items

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

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Revenue (continued)

Contributions

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

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

Net Assets Released From Restrictions

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

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Expenses

Operating Expenses

Management has forecasted operating expenses (excluding depreciation, amortization, and interest) based upon Management's experience and current market conditions. Due to labor and inflationary pressures being experienced, management has forecast operating expenses to increase approximately 2% to 4% annually for inflation throughout the Forecast Period.

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

Salaries, Wages and Employee Benefits

In aggregate, salaries and wages are forecasted to increase approximately 3.3% to 4.2% annually throughout the Forecast Period. Individual department increases in labor vary depending on the type of position, labor pressures being experienced in the market, and to address caseload increases or other job changes.

Benefit costs include payroll taxes and employee benefits including FICA, unemployment taxes, workers' compensation, health insurance, 403(b) defined contribution plan, incentives and other miscellaneous benefits for the entire facility. These benefit costs are assumed to approximate 25% to 26% of wages during the Forecast Period, based on Management's historical experience.

Maintenance, Housekeeping, and Utilities

Costs include maintenance costs, housekeeping costs, and electricity, water and sewer, gas, and cable television and all activities of maintenance for the campus.

Food and Related Supplies

Costs include raw food and dietary supplies.

Insurance

Costs include those related to insuring the campus.

Information Technology, Consulting and Professional Fees

Costs include those costs related to information technology and security, various consulting services and associated professional fees for outside parties not solely for information technology, but also for other contracted services.

Other Operating Expenses

Other operating expenses capture all other operating costs not previously described in the other expense categories.

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Other Items

Assets Limited as to Use

Held by the Trustees:

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

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

Board Designated:

- Southminster Community Fund – Board Designated amount supporting Southminster's fundraising and community benefit efforts.

Statutory Operating Reserve – North Carolina Statutory Operating Reserve – Section 58-64A-245 of the General Statutes of North Carolina, as amended, requires that all continuing care facilities maintain operating reserves equal to 50 percent of the total operating costs (as defined in Section 58-64A-245) for the 12-month period related to the calculation. Once a continuing care facility achieves a 12-month daily average independent living unit occupancy rate of ninety percent (90% or higher) a provide shall only be required to maintain an operating reserve in an amount calculated using the table below, unless otherwise instructed by the Commission.

<u>Independent Living Unit Occupancy Rate:</u>	<u>Operating Reserve Percentage Requirement</u>
90% or above	25.00%
86% to 89.9%	31.25%
83% to 85.9%	37.50%
80% to 82.9%	43.75%
Below 80%	50.00%

Such operating reserves may only be released upon approval of the North Carolina Commissioner of Insurance. Management has forecasted, based on its forecasted occupancies, meeting the 25 percent operating reserve requirement for all years of the Forecast Period, noting that this can be reduced to 12.5 percent in situations where the debt service coverage ratio also exceeds 2.0.

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

Summary of Significant Forecast Assumptions and Accounting Policies

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

Table 9
Forecasted Operating Reserve Calculation

	2026	2027	2028	2029	2030
Forecasted Total Operating Expenses	\$ 55,390,294	\$ 56,522,049	\$ 57,802,229	\$ 59,106,255	\$ 60,327,556
Include:					
Principal Payment	3,405,000	3,500,000	3,635,000	3,775,000	3,920,000
Line of Credit Payment	493,000	-	-	-	-
Exclude:					
Debt Service (reserved for separately in DSRF)	(9,029,538)	(9,029,538)	(9,029,538)	(9,029,538)	(9,029,538)
Depreciation	(12,856,100)	(13,143,110)	(13,151,708)	(13,297,788)	(13,425,412)
Amortization of Deferred Marketing Cost	(17,835)	(17,241)	(15,809)	(14,954)	(14,156)
Principal Redeemed from Capital Campaign Proceeds	(130,000)	(100,000)	(100,000)	(100,000)	(100,000)
Total Operating Costs	\$ 37,254,821	\$ 37,732,160	\$ 39,140,174	\$ 40,438,975	\$ 41,678,450
Operating Reserve Percentage* ⁽¹⁾	25%	12.5%	12.5%	12.5%	12.5%
Operating Reserve	\$ 9,313,705	\$ 4,716,520	\$ 4,892,522	\$ 5,054,872	\$ 5,209,806
* Units Occupied at 9/30:					
Independent Living	315	315	315	315	315
Assisted Living	24	24	24	24	24
Total Units Occupied and Reserved	339	339	339	339	339
Units Available	346	346	346	346	346
Occupancy Percentage	98%	98%	98%	98%	98%

Source: Management

Note:

- (1) Pursuant to new requirements for the establishment of the operating reserves, organizations that achieve both certain occupancies as well as a debt service coverage in excess of 2.0 may reduce the reserve requirement to 12.5 percent. Management has forecasted that it would achieve an excess of 2.0 debt service coverage ratio beginning in 2027.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

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

Property and Equipment

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

Table 10
Capital Expenditures

For the Forecasted Year Ending September 30,	2026	2027	2028	2029	2030
Routine Capital Additions	\$ 5,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000
Total Property and Equipment Additions	\$ 5,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000

Source: Management

Long-Term Debt and Interest Expense

Forecasted interest expense and long term debt during the Forecast Period were based on the Series 2016 Bonds, the Series 2018 Bonds, and the 2021 Bank Loans as described below. Variable interest rates are forecasted to range from 4.5% to 5.5% during the Forecast Period.

On June 30, 2021, the Corporation entered into two term loan agreements with a financial institution to provide up to \$30,000,000 to refinance existing bank debt issued for independent living construction completed in prior years and to finance renovations to convert the previous health center space into 20 independent living apartments, with construction completed during the year ended September 30, 2023. At issuance, the term loans bore interest at one-month LIBOR plus 1.30%. Loan 1 was comprised of \$12,000,000 in principal, had a seven-year maturity, and as of September 30, 2023, had been fully repaid out of entrance fee proceeds received. Loan 2 is comprised of \$18,000,000 in principal and has a final maturity of 12 years; interest-only payments were due monthly during the draw period. Effective on the first interest rate change date on or after July 5, 2023, Loan 2 bears interest at one-month CME Term SOFR plus 1.41%. Loan 2 was fully drawn and principal and interest payments began being made on a monthly basis in August 2023, equal to 1/300 of the outstanding principal balance on the Completion Date (defined in the loan agreement as the date occurring on the first business day of the seventh month after the receipt of the final certificate of occupancy, but in any event not before July 3, 2023). During the year ended September 30, 2025, there were \$720,000 in principal payments made, leaving \$16,440,000 outstanding at September 30, 2025.

On July 18, 2018, the Corporation entered into a loan agreement with the Public Finance Authority (the Authority) and, concurrently, the Authority issued its \$86,200,000 Retirement Facilities First Mortgage Revenue Bonds (Southminster), Series 2018 (Series 2018 Bonds) at interest rates ranging from 4.25% to 5%. The Series 2018 Bonds were issued to finance the construction of a replacement health center and a portion of the two independent living construction projects (financed by a combination of the Series 2018 Bonds and previously issued bank loans, as discussed above). The Series 2018 Bond proceeds were also used for additional common areas, kitchen expansion, office spaces for environmental services operations (housekeeping, maintenance, transportation), a reconfigured loading dock, and to pay issuance costs and fund debt service reserves. During the year ended September 30, 2025, the Corporation used capital campaign proceeds to accelerate, without penalty, principal payments totaling \$265,000. Subsequent to year end, the Corporation accelerated an additional principal payment of \$130,000.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

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

Line of Credit

On June 29, 2022, the Corporation entered into an agreement with a financial institution for a \$3,000,000 revolving line of credit. Any outstanding balance would bear interest at a rate of Term SOFR plus 2.50% (with a floor of 0.00%). On June 27, 2024, the agreement was amended to change the revolving line of credit to \$4,000,000. All principal outstanding was due June 26, 2025. On June 26, 2025, the agreement was again amended to extend the revolving line of credit an additional 364-day period with all principal outstanding due on June 25, 2026. As of September 30, 2025, there was no outstanding balance on the line of credit. Line of credit usage is only forecast during the first year of the forecast period with an interest rate of 6.1%.

Other Long-Term Debt

2007 Expansion, Financing, and Refinancing

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

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

Summary of Significant Forecast Assumptions and Accounting Policies

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

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

Table 11
Forecasted Principal Payments

Forecasted Year Ending September 30,	Series 2016 Bonds	Series 2018 Bonds	2021 First Horizon Bank Loan #1	2021 First Horizon Bank Loan #2	2022 Line of Credit	Total Principal Payments
2026	\$ 2,555,000	\$ 130,000	\$ -	\$ 720,000	\$ -	\$ 3,405,000
2027	2,680,000	100,000	-	720,000	-	3,500,000
2028	2,815,000	100,000	-	720,000	-	3,635,000
2029	2,955,000	100,000	-	720,000	-	3,775,000
2030	3,100,000	100,000	-	720,000	-	3,920,000
2031	3,255,000	-	-	720,000	-	3,975,000
2032	3,415,000	-	-	720,000	-	4,135,000
2033	3,585,000	-	-	11,400,000	-	14,985,000
Thereafter	20,745,000	83,290,000	-	-	-	104,035,000
Total ⁽¹⁾	\$ 45,105,000	\$ 83,820,000	\$ -	\$ 16,440,000	\$ -	\$ 145,365,000

Source: Management

At September 30, 2025, there was an unamortized bond premium equal to \$5,663,963.

Current Assets and Current Liabilities

Cash

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

Accounts Receivable

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

Other Current Assets

Other current assets include interest receivable, sales tax receivable, prepaid expenses and dietary inventories which have been forecasted based on historical levels throughout the Forecast Period, adjusted for inflation.

Accounts Payable

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

Accrued Expenses

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

Accrued Interest

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

See Accompanying Independent Accountants' Compilation Report

Supplemental Information

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for the Forecast of Supplemental Information

Supplemental Information

The information provided in this section provides Management's key forecast assumptions relating to Southminster, Inc. and has been prepared pursuant to the requirements of North Carolina General Statutes, Chapter 58, Article 64A and excludes the activities of the Foundation and SM Rawlinson Road, LLC. The assumptions disclosed herein for this supplementary disclosure (the "Supplemental Disclosure") are for a period covered by the Forecast Period and are the assumptions which Management believes are significant to the financial forecast included in the Supplemental Disclosure. However, the forecasted results may not be achieved as there will usually be differences between the forecasted and actual results because the events and circumstances frequently do not occur as expected, and those differences may be material.

Management's supplemental forecast has been prepared for the specific purpose of presenting the supplemental forecasted statements of operations and changes in net assets, statements of cash flows and balance sheets for Southminster, Inc. This presentation is not intended to include the consolidated forecasted financial statements of Southminster, Inc. and Affiliates which would include Southminster, Inc, the Foundation, and SM Rawlinson Road, LLC. Accordingly, the supplemental forecast is not intended to be a presentation in conformity with U. S. generally accepted accounting principles since it excludes the Foundation and SM Rawlinson Road, LLC.

The disclosures in the Supplemental Disclosure add specific disclosures related to Management's supplemental forecast (the "Supplemental Forecast") included in this Supplemental Disclosure. Other key assumptions have been presented in Management's Summary of Significant Forecast Assumptions and Accounting Policies as disclosed previously and also apply to the Supplemental Forecast with the exception of the following.

Elimination of SM Rawlinson Road, LLC

As a result of the forecasted inclusion of a new affiliate, SM Rawlinson Road, LLC, into the Obligated Group pursuant to the Master Indenture, the presentation of Southminster, Inc. that follows has eliminated the activities of SM Rawlinson Road, LLC. For the presentation of Southminster, Inc.'s financial forecast, the purchase of the land is reflected as net assets transferred to the affiliate, SM Rawlinson Road, LLC.

Due From Affiliate

Management has forecasted the Due From Affiliate based upon the cost of land purchased for investment and the annual costs and revenues related to the land acquisition throughout the Forecasted Period.

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

	2026	2027	2028	2029	2030
REVENUES, GAINS, AND OTHER SUPPORT					
Independent Living Revenue	\$ 24,070,180	\$ 25,118,274	\$ 26,172,529	\$ 27,074,930	\$ 28,078,758
Healthcare Revenue	11,729,553	12,285,314	12,836,966	13,349,716	13,882,929
Resident Home Care Revenue	3,698,768	4,016,680	4,143,594	4,270,508	4,397,422
Earned Entrance Fees	11,430,349	11,800,645	12,051,162	12,332,369	12,650,860
Less: Resident Assistance	(889,796)	(966,888)	(1,010,400)	(1,050,816)	(1,092,852)
Resident Service Revenue	50,039,054	52,254,025	54,193,851	55,976,707	57,917,117
Investment Income, Net	1,117,270	1,288,436	1,425,120	1,577,553	1,756,488
Contributions	790,500	814,215	838,641	863,800	889,714
Net Assets Released from Restrictions	60,000	60,000	60,000	60,000	60,000
Other Income	2,097,751	1,627,761	1,664,110	1,704,948	1,741,712
Total Revenues, Gains and Other Support	54,104,575	56,044,437	58,181,722	60,183,008	62,365,031
OPERATING EXPENSES					
Salaries, Wages, and Employee Benefits	24,932,040	25,970,120	26,967,236	27,953,795	28,879,464
Maintenance, Housekeeping, and Utilities	3,833,696	3,859,929	4,009,557	4,146,249	4,279,854
Food and Related Supplies	2,174,078	2,239,300	2,306,480	2,375,675	2,446,945
Insurance	541,709	557,960	574,699	591,940	609,698
Information Technology, Consulting, and Professional Fees	1,220,839	1,257,463	1,295,186	1,334,041	1,374,061
Other Operating Expenses	3,014,767	2,906,080	3,109,343	3,181,394	3,255,470
Depreciation	12,856,100	13,143,110	13,151,708	13,297,788	13,425,412
Amortization of Deferred Costs	17,835	17,241	15,809	14,954	14,156
Interest Expense	6,751,230	6,522,846	6,324,211	6,162,419	5,994,496
Loss on Disposal of Assets	48,000	48,000	48,000	48,000	48,000
Total Operating Expenses	55,390,294	56,522,049	57,802,229	59,106,255	60,327,556
OPERATING (LOSS) INCOME	(1,285,719)	(477,612)	379,493	1,076,753	2,037,475
NONOPERATING INCOME					
Change in Unrealized Gains on Investments	-	-	-	-	-
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENSES	(1,285,719)	(477,612)	379,493	1,076,753	2,037,475
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS					
Net Assets Released from Restrictions for Payments of Capital Project Related Debt Service	130,000	100,000	100,000	100,000	100,000
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(1,155,719)	(377,612)	479,493	1,176,753	2,137,475
NET ASSETS WITH DONOR RESTRICTIONS					
Contributions	31,800	30,000	30,000	30,000	30,000
Investment Income - Endowment Fund	12,666	12,983	13,307	13,640	13,981
Released from Restrictions	(190,000)	(160,000)	(160,000)	(160,000)	(160,000)
DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	(145,534)	(117,017)	(116,693)	(116,360)	(116,019)
CHANGE IN NET ASSETS (DEFICIT)	(1,301,253)	(494,629)	362,800	1,060,393	2,021,456
Net Assets (Deficit) - Beginning of Year	(15,951,386)	(17,252,639)	(17,747,268)	(17,384,468)	(16,324,075)
NET ASSETS (DEFICIT) - END OF YEAR	\$ (17,252,639)	\$ (17,747,268)	\$ (17,384,468)	\$ (16,324,075)	\$ (14,302,619)

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

SOUTHMINSTER, INC.
FORECASTED STATEMENTS OF CASH FLOWS
AT SEPTEMBER 30,

	2026	2027	2028	2029	2030
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in Net Assets (Deficits)	(1,301,253)	(494,629)	362,800	1,060,393	2,021,456
Adjustments to Reconcile Change in Net Assets (Deficits) to					
Net Cash Provided by Operating Activities:					
Earned Entrance Fees	(11,430,349)	(11,800,645)	(12,051,162)	(12,332,369)	(12,650,860)
Proceeds from Restricted Contributions	(1,000)	-	-	-	-
Change in Due From Affiliate	(2,378,266)	(47,900)	(49,816)	(51,809)	(53,881)
Depreciation	12,856,101	13,143,110	13,151,708	13,297,788	13,425,412
Amortization of Bond Issuance Costs	110,083	103,895	103,895	103,895	103,895
Amortization of Deferred Costs	17,835	17,241	15,809	14,954	14,156
Amortization of Bond Premium	(485,661)	(461,404)	(439,663)	(416,839)	(392,896)
Loss on Disposal of Assets	48,000	48,000	48,000	48,000	48,000
(Increase) Decrease in:					
Accounts Receivable	(12,094)	(12,457)	(12,831)	(13,216)	(13,612)
Pledges Receivable	99,093	87,975	90,809	100,000	-
Employee Retention Credit Receivable	1,711,440	-	-	-	-
Other Current Assets	(15,586)	(23,540)	(24,346)	(25,182)	(26,046)
Other Assets	71,838	(38,528)	(38,528)	(38,528)	(38,528)
Increase (Decrease) in:					
Accounts Payable, Excluding Amounts in Property and Equipment	1,042,589	60,708	62,529	64,405	66,337
Accrued Payroll and Employee Benefits	47,556	48,983	50,452	51,966	53,525
Accrued Bond Interest Expense, Net of Amounts Capitalized	(75,909)	(78,418)	(75,218)	(78,718)	(82,343)
Net Cash Provided by Operating Activities	304,417	552,391	1,194,438	1,784,740	2,474,615
CASH FLOWS FROM INVESTING ACTIVITIES					
Change in Assets Limited as to Use, Net	(135,456)	4,584,519	(188,985)	(175,657)	(68,574)
Sales of Short-Term Investments, Net	2,205,333	-	-	-	-
Purchases of Long-Term Investments, Net	(6,214,590)	(9,239,942)	(5,607,953)	(6,188,083)	(7,398,666)
Purchases of Property and Equipment	(5,000,000)	(6,000,000)	(6,000,000)	(6,000,000)	(6,000,000)
Net Cash Used by Investing Activities	(9,144,713)	(10,655,423)	(11,796,938)	(12,363,740)	(13,467,240)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from Entrance Fees	15,277,113	16,017,000	16,698,000	17,248,000	17,795,000
Deposits Received, Net of Refunds and Conversions to Entrance Fees	(105,000)	-	-	-	-
Entrance Fees Refunded	(3,000,000)	(2,304,000)	(2,393,000)	(2,325,000)	(2,307,000)
Proceeds from Restricted Contributions	1,000	-	-	-	-
Repayments of Long-Term Debt	(3,405,000)	(3,500,000)	(3,635,000)	(3,775,000)	(3,920,000)
Repayments of Line of Credit	(493,000)	-	-	-	-
Proceeds from Line of Credit	493,000	-	-	-	-
Repayments of Right-of-Use Finance Lease Liability	(46,294)	(44,093)	-	-	-
Net Cash Provided by Financing Activities	8,721,819	10,168,907	10,670,000	11,148,000	11,568,000
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH					
	(118,477)	65,875	67,500	569,000	575,375
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	7,895,648	7,777,171	7,843,046	7,910,546	8,479,546
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR					
	\$ 7,777,171	\$ 7,843,046	\$ 7,910,546	\$ 8,479,546	\$ 9,054,921

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

SOUTHMINSTER, INC.
FORECASTED STATEMENTS OF CASH FLOWS (CONTINUED)
AT SEPTEMBER 30,

	2026	2027	2028	2029	2030
RECONCILIATION OF CASH					
Cash and Cash Equivalents	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 2,000,000	\$ 2,500,000
Cash Held Under Bond Agreements	6,277,171	6,343,046	6,410,546	6,479,546	6,554,921
Total Cash, Cash Equivalents, and Restricted Cash	\$ 7,777,171	\$ 7,843,046	\$ 7,910,546	\$ 8,479,546	\$ 9,054,921
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION					
Cash Paid for Interest, Net of Amounts Capitalized	\$ 7,185,119	\$ 6,958,773	\$ 6,735,197	\$ 6,554,081	\$ 6,365,840

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

**SOUTHMINSTER, INC.
FORECASTED BALANCE SHEETS
AT SEPTEMBER 30,**

	2026	2027	2028	2029	2030
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 2,000,000	\$ 2,500,000
Short-Term Investments	-	-	-	-	-
Assets Limited As To Use, Current Portion	5,819,338	5,885,213	5,952,713	6,021,713	6,097,088
Resident Accounts Receivable	415,231	427,688	440,519	453,735	467,347
Less: Allowance for Credit Losses	(16,000)	(16,000)	(16,000)	(16,000)	(16,000)
Resident Accounts Receivable, Net	399,231	411,688	424,519	437,735	451,347
Pledges Receivable, Current Portion	100,800	100,000	100,000	-	-
Other Current Assets	1,192,992	1,216,532	1,240,878	1,266,060	1,292,106
Total Current Assets	9,012,361	9,113,433	9,218,110	9,725,508	10,340,541
ASSETS LIMITED AS TO USE					
Held by Trustee Under Bond Indenture Agreements	9,029,538	9,029,538	9,029,538	9,029,538	9,029,538
Southminster Community Fund	50,000	50,000	50,000	50,000	50,000
Endowment Fund	506,642	519,308	532,291	545,598	559,238
Capital Campaign Fund	100,000	100,000	100,000	100,000	-
Operating Reserve Fund Required Under North Carolina Statutes	9,313,705	4,716,520	4,892,522	5,054,872	5,209,806
Total Assets Limited as to Use, Net of Current Portion	18,999,885	14,415,366	14,604,351	14,780,008	14,848,582
PLEDGES RECEIVABLE, NET OF CURRENT PORTION, PRESENT VALUE DISCOUNT, AND ALLOWANCE	177,984	90,809	-	-	-
PROPERTY AND EQUIPMENT, NET	179,341,912	172,191,507	164,991,799	157,646,011	150,172,599
RIGHT-OF-USE ASSET - FINANCE, NET	40,705	-	-	-	-
LONG-TERM INVESTMENTS, AT MARKET	23,844,872	33,084,814	38,692,767	44,880,850	52,279,516
DEFERRED COSTS AND OTHER ASSETS	541,552	562,839	585,558	609,132	633,504
DUE FROM AFFILIATE	2,378,266	2,426,166	2,475,982	2,527,791	2,581,672
Total Assets	\$ 234,337,537	\$ 231,884,934	\$ 230,568,567	\$ 230,169,300	\$ 230,856,414

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

SOUTHMINSTER, INC.
FORECASTED BALANCE SHEETS (CONTINUED)
AT SEPTEMBER 30,

	2026	2027	2028	2029	2030
LIABILITIES AND NET ASSETS (DEFICIT)					
CURRENT LIABILITIES					
Accounts Payable	\$ 2,023,587	\$ 2,084,295	\$ 2,146,824	\$ 2,211,229	\$ 2,277,566
Accrued Payroll and Employee Benefits	1,632,764	1,681,747	1,732,199	1,784,165	1,837,690
Accrued Interest Expense	3,205,483	3,127,065	3,051,847	2,973,129	2,890,786
Current Portion of Right-of-Use Finance Lease Liability	44,093	-	-	-	-
Current Portion of Long-Term Debt	3,400,000	3,535,000	3,675,000	3,820,000	3,975,000
Total Current Liabilities	10,305,927	10,428,107	10,605,870	10,788,523	10,981,042
LONG-TERM DEBT, NET OF CURRENT PORTION	141,850,106	137,857,597	133,746,829	129,513,885	125,149,884
ADVANCE ENTRANCE FEE DEPOSITS	1,321,739	1,321,739	1,321,739	1,321,739	1,321,739
DEFERRED ENTRANCE FEE REVENUE	76,236,363	78,851,018	81,828,056	85,018,887	88,383,527
REFUNDABLE ENTRANCE FEES	21,876,041	21,173,741	20,450,541	19,850,341	19,322,841
Total Liabilities	251,590,176	249,632,202	247,953,035	246,493,375	245,159,033
NET ASSETS (DEFICIT)					
Net Assets (Deficit) Without Donor Restrictions	(18,232,006)	(18,609,618)	(18,130,125)	(16,953,372)	(14,815,897)
Net Assets With Donor Restrictions	979,367	862,350	745,657	629,297	513,278
Total Net Assets (Deficit)	(17,252,639)	(17,747,268)	(17,384,468)	(16,324,075)	(14,302,619)
Total Liabilities and Net Assets (Deficit)	\$ 234,337,537	\$ 231,884,934	\$ 230,568,567	\$ 230,169,300	\$ 230,856,414

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



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

Appendix C — Statement of Actuarial Opinion

Summary of Actuarial Analysis for Southminster

The Board and management of Southminster have adopted the financial management philosophy to set fees and maintain reserves that are actuarially sound in accordance with Actuarial Standards of Practice No. 3 (ASOP#3). ASOP#3 defines three conditions to evaluate the financial solvency of a CCRC: (1) fully funded status for actuarial reserves associated with current residents; (2) sufficient margins for fees charged to new entrants; and (3) long-term cash flows that are positive and meet bond covenants. If all three conditions are met, then Southminster is considered to be in satisfactory actuarial balance (SAB). Many in the CCRC space consider the goal of reaching satisfactory actuarial balance a “best practice” since ASOP#3 requirements go beyond simply meeting or exceeding only the third condition that confirms positive cash flows and/or payment of outstanding debt.

Each year Southminster engages A. V. Powell & Associates LLC, a nationally recognized actuarial firm, to update our assumptions and test our status in regard to the Board’s objective to comply with ASOP#3. The most recent update as of September 30, 2025, shows Southminster is in satisfactory actuarial balance, provided future experience substantially follows the underlying assumptions contained in the actuarial report.

Source: Actuarial Study Report as of September 30, 2025, dated January 5, 2026

Actuarial Criteria and Opinions	Southminster 9/30/2025	AVP Median	ASOP#3 Minimum
1. Funded Status	103.4%	102.8%	100.0%
2. New Entrant Pricing			
Standard Plan	12.0%		
90% Refundable Plan	13.6%		
50% Refundable Plan	13.2%		
Weighted Average	12.2%	12.5%	0.0%
3. 10-Year Reserve Increase Factor	3.33	2.46	>\$0 balance
Unified Funded Status (Combines Criteria #1 and #2)	113.2%	113.3%	100.0%
Satisfactory Actuarial Balance?	Yes		
AVP Seal?	No		
Health Care Capacity Adequate?	Yes		

#

The reader should be aware of the following baseline assumptions that were used to prepare the actuarial study and were developed based on reaching a consensus with the management of Southminster, who agreed such assumptions were reasonable.

1. Average annual independent living unit occupancy increases from 306 units to 315 units in fiscal year 2026 and maintains an average occupancy of 97.5% thereafter. Average annual assisted living occupancy remains constant at 96.0% (24 units occupied) and average annual nursing care occupancy remains constants at 93.3% (56 beds occupied).
2. Entry fees for CCRC residents moving into independent living units are assumed to increase 3.5% annually. In future years, 90% of new entrants are assumed to select the Standard Plan and 10% are assumed to select the 90% Refundable Plan.
3. Monthly and per diem rate increases for independent living, assisted living and nursing care are assumed to be equal to average expense increases throughout the projection period. Monthly fees and per diem rates are assumed to increase by 3.5% annually. Budgeted operating expenses excluding interest and depreciation are assumed to increase by 3.5% annually.
4. Residents are assumed to be able to pay projected monthly fees, and assessment of this capability was beyond the scope of the actuarial study engagement. Management believes this assumption is valid or that other funds not accounted for in the actuarial study will be sufficient to cover any shortfall.
5. The difference between interest earnings/discount rate and expense inflation (“real rate-of-return”) is 2.0%.
6. Projected capital expenditures are adequate to maintain the market position of the community and total \$58.7 million during the next 10 years.
7. Projected accumulated cash balances are all available for the exclusive benefit of contractholders and all cash outflows have been reflected in the report to the best of our knowledge.

It should be noted while unfavorable variation in these baseline assumptions will reduce the current and future funded status as well as erode the future new entrant pricing margin, it is possible if such variations occur Southminster will still exceed the defined bond covenant debt service coverage ratio minimum threshold. Also, favorable experience variations associated with any of the assumptions used to prepare the actuarial analysis, such as lower operating expenses, lower health care utilization, or higher average occupancy may occur such that their impact will mitigate any adverse variation in previously listed baseline assumptions.

Caveats for Third-Party Readers of the Actuarial Analysis Summary for Southminster

This summary is prepared for use as statutory disclosure of the actuarial study conducted on Southminster as of September 30, 2025, and submitted to the Board of Southminster on January 5, 2026. Any reader of this summary should be made aware that this actuarial summary was prepared for users of the report who are familiar with the proposed operations of Southminster and the environment in which a CCRC operates. The consulting staff of A.V. Powell & Associates LLC are available, at the reader's expense and with written permission from Southminster, to further explain the assumptions, implications and appropriate interpretations of this summary. In particular, the reader is alerted to the context that the actuarial opinion is only valid for the unique and extensive set of actuarial, financial, demographic, operational, and new entrant assumptions that were used to prepare the actuarial report and content therein.

In accordance with Section 3.3 Special Circumstances in Actuarial Standards of Practice No. 41 for Actuarial Communications, all third-party readers should be aware that this actuarial summary was developed with constraint limitations on its content. This means that the content of this actuarial summary deviates from including all of the information suggested by the [Actuarial Standards of Practice No. 3 for CCRCs](#) and [Actuarial Standards of Practice No. 41 for Actuarial Communications](#). Such information is not included because it has been made available to the Board and management of Southminster for whom the actuarial report was prepared.

Each third-party reader should recognize that this actuarial summary was based on results of a limited use actuarial study and will place no reliance on the actuarial summary nor any data contained herein which would result in the creation of any duty or liability by A.V. Powell & Associates LLC to them or other parties using any report prepared by them.

Appendix D — Representative Continuing Care Contract



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

8919 Park Road – Charlotte, NC 28210

Residence and Services Agreement

I. Introduction

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

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

II. Definitions

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

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

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

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

III. Additional Terms Applicable until the Date of Occupancy

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

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

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

IV. Residence

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

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

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

V. Common Areas and Amenities, Programs and Services

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

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

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

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

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

VI. Financial Arrangements

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

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

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

VII. Terms of Residency

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

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

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

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

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

VIII. Moves, Transfers, and Marriage after Occupancy

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

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

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

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

IX. Rescission, Cancellation, and Termination

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

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

X. Refund of the Entrance Fee

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

XI. Financial Assistance

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

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

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

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

XII. General

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

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

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

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

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

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

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

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.

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

SOUTHMINSTER, INC.

RESIDENT(S)

By: _____

Title: _____



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

A Continuing Care Retirement Community

8919 Park Road – Charlotte, NC 28210

Schedule I of the Residence and Services Agreement

I. Introduction

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

II. Residence

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

cottage apartment nursing assisted living assisted living – dementia.

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

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

III. Entrance Fee

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

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

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

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

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

IV. Service Fee

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

V. Date of Occupancy

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

Southminster: _____ Resident: _____ Resident: _____

VI. Non-refundable Fee

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



SOUTHMINSTER

8919 Park Road – Charlotte, NC 28210

Schedule II of the Residence and Services Agreement

I. Introduction

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

II. Non-standard Features You Have Requested

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

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

III. Non-standard Features from Previous Occupants

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

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

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

SOUTHMINSTER, INC.

RESIDENT(S)

By:_____

Title:_____

Appendix E — Statutory Ratio and Supporting Definitions

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). Subsequent amendments, if enacted, supersede the text reproduced herein.