



Disclosure Statement

May 31, 2025

**Alamance Extended Care, Inc.
d.b.a.
The Village at Brookwood**

**1860 Brookwood Avenue
Burlington, NC 27215
(336) 570-8400**

In accordance with Article 64 of Chapter 58 of the NC General Statutes:

- **This Disclosure Statement may be delivered until revised, but not after May 30, 2026.**
- **Delivery of this Disclosure Statement to a contracting party before execution of a contract for the provision of continuing care is required;**
- **This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.**

TABLE OF CONTENTS

| | |
|--|----|
| Definition of Terms..... | 3 |
| I. Organization..... | 5 |
| II. Facility Introduction and Information..... | 7 |
| III. Policies..... | 10 |
| IV. Services-Life Care – Standard | 17 |
| V. Services-Fee for Service – Standard..... | 18 |
| VI. Fees..... | 20 |
| VII. Financial Information..... | 23 |
| VIII. Reserves, Escrow and Trusts..... | 26 |
| IX. Facility Development and Expansion..... | 26 |
| X. Residence and Services Agreements..... | 27 |
| XI. Miscellaneous..... | 27 |

Table of Appendices:

- A. Audited Financial Statements
- B. Five Year Forecasted Statements
- C. Un-audited Financial Statement
- D. Residence and Services Agreement – Life Care
- E. Residence and Services Agreement – Fee for Service
- F. Summary of Report of Actuary
- G. Conflict of Interest

Definition of Terms

“Assisted Living” means a level of care that combines housing, supportive services, personalized assistance, and healthcare designed to meet the individual’s needs on a daily basis.

“Confidential Financial Statement” means a financial disclosure by the resident for the purpose of qualifying for admission to The Village at Brookwood.

“Continuing Care Retirement Community” (CCRC) also known as Life Plan Community means the provision of residential housing together with nursing services, medical services, or other health related services, under an agreement effective for the life of the individual.

“Co-Resident Fee” means the additional entrance fee and the additional monthly fee associated with two persons occupying the same residence.

“Direct Admission to the Health Care” means an agreement between a resident and The Village at Brookwood to enter Health Care directly for residency. Health related services are provided at the full per-diem rate and specified amenities are billable services as used.

“Entrance Fee” means a one-time payment at move-in that assures a resident a residence.

“Fee-for-Service contract” means a contract that provides housing, residential services, and priority access to health-related services in exchange for an entrance fee and a monthly fee. Health related services are provided at the full per-diem rate and specified amenities are billable services as used.

“Gated Community” means fully fenced campus with strictly controlled entrances.

“Health Care Center” means the building where Assisted Living and Nursing Care are provided.

“Life Care Benefit” means the rate paid by a resident who has a “Life Care Contract” while residing in the Health Care Center. The rate at the time of transfer will apply to Assisted Living, Assisted Living Memory Care and Skilled Nursing accommodations.

“Life Care Contract” means a contract that provides housing, residential services, and priority access to health-related services in exchange for an entrance fee and a monthly fee. Unlimited access to long-term nursing care is available at little to no additional cost (Life Care Benefit), apart from periodic inflationary increases.

“Life Plan Community” also known as a CCRC means the provision of residential housing together with nursing services, medical services, or other health related services, under an agreement effective for the life of the individual.

“Non-refundable fee” means the portion of the fees paid to The Village at Brookwood that will not be refunded if the resident terminates the contract.

“Nursing Care” means the Skilled Nursing level of care as defined by the Nursing Home Rules and Regulations.

“Occupancy” means the time after which the resident pays their entrance fees, begins paying monthly fees, takes possession of the keys and moves into his/her residence at The Village at Brookwood.

“Provider” means the corporation, Alamance Extended Care, Inc., d/b/a The Village at Brookwood.

“Residence” means an Apartment, Garden Home, or Assisted Living residence.

“Residence and Services Agreement” means the contract for continuing care between The Village at Brookwood and the resident.

“Residency” means approval by the Provider to move into the CCRC, based on age, health, and financial qualifications of the prospective resident.

“Resident” means a purchaser of a Life Care or Fee for Service Residence and Services Agreement and residing on The Village at Brookwood campus.

“Residential Living” means garden homes and apartment residences.

“Skilled Nursing” means the level of care that requires the oversight of a Registered Nurse.

“The Village” means The Village at Brookwood.

“Wellness Center” means the facility that houses all exercise equipment, aerobics/exercise room and swimming pool.

I. ORGANIZATION

Alamance Extended Care, Inc. d/b/a The Village at Brookwood is a North Carolina not-for-profit corporation which was founded in 1986. The Village has received a determination letter from the Internal Revenue Service stating that the corporation is an organization exempt from federal income tax under Section 501(A) of the Internal Revenue Code of 1986, as amended (the "Code"), as an organization described in Section 501(c)(3) of the Code.

Well Spring Services, Inc., (the "Parent") a North Carolina not-for-profit organization located in Greensboro, is a not-for-profit corporation chartered by the State of North Carolina in 1986 and is the sole member of The Village, Well Spring Retirement Community, Inc., Well Spring Solutions and Well Spring Management & Development. The Parent is not liable for any activities of the Village.

In July 2022, Well Spring Services became the sole member of The Village through a member substitution agreement, "the Member Substitution Agreement" with ARMC and The Moses H. Cone Memorial Hospital ("Cone Health"). The Member Substitution Agreement was entered into January 26, 2022, and the member substitution was finalized on July 1, 2022.

In July 2020, AEC closed its Edgewood Place Public Skilled Nursing Facility and sold 54 of the 81 bed licenses, keeping the remaining 27 beds licenses. As of the date of this projection, Management has not determined the future use of the Edgewood Place public skilled nursing facility property nor the remaining 27 nursing bed licenses, and as such, Management has projected no activity during the projection period.

Affiliation

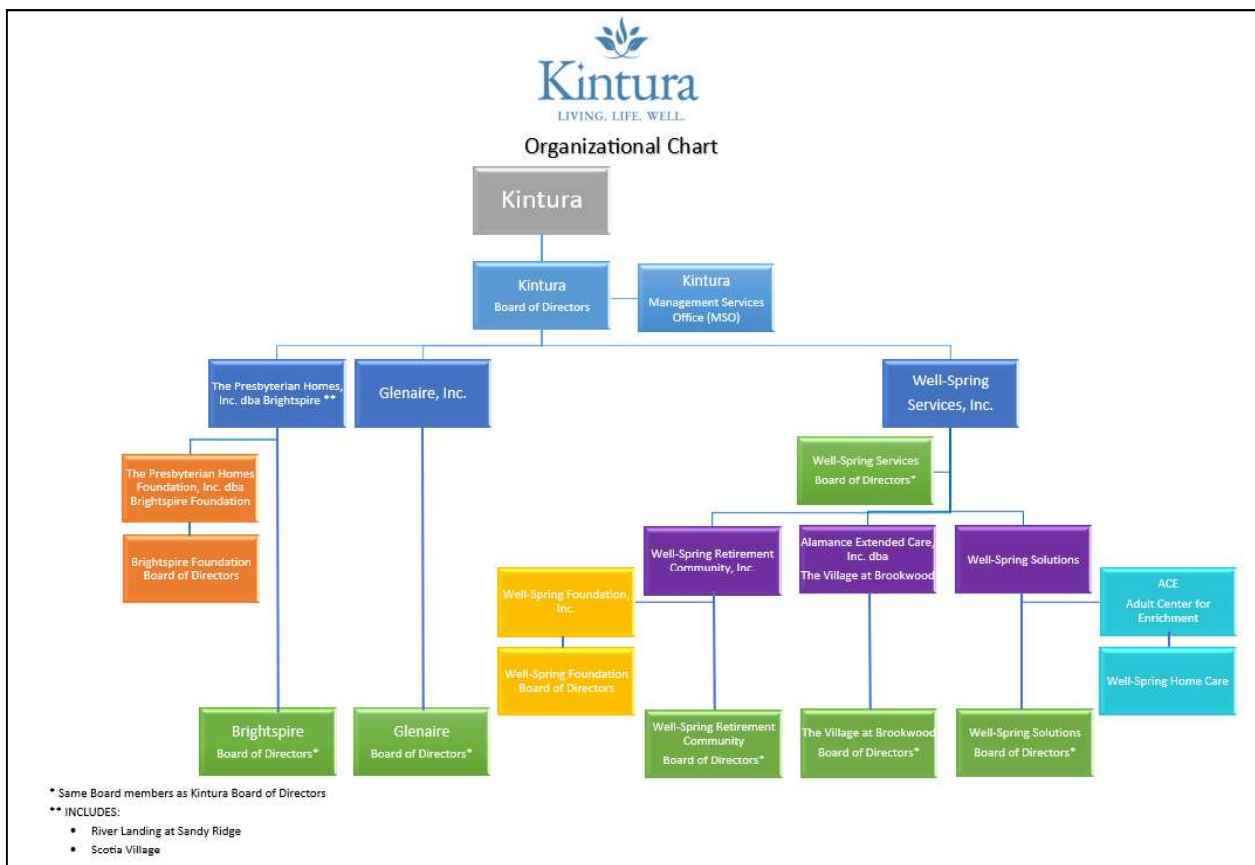
Kintura was founded in 2024 through the affiliation of the former organizations The Presbyterian Homes, Inc., (d/b/a Brightspire) and Well-Spring Services, Inc. (d/b/a The Well-Spring Group). Kintura, located in Greensboro, N.C., is a North Carolina not-for-profit corporation chartered by the State of North Carolina in 2024. Kintura is the controlling corporate parent of each Kintura affiliated life plan community. As the corporate parent Kintura shall appoint the board of directors of each Kintura life plan community and shall serve as the sole corporate member of each life plan community.

While each Kintura life plan community has its own board, the common parent Kintura board and its life plan community boards follow a board members-in-common model which means that individuals who sit on the board of directors for the common parent Kintura board also sit on the boards of directors of the individual life plan community boards at the same time, essentially sharing their board membership. Decision-making for each life plan community is made by the life plan community board. The board of directors of the common parent, Kintura, as well as each life plan community board consists of fifteen members, two of which are residents of Kintura life plan communities. A Kintura Board of Directors-appointed Board of

Advisors – made up of resident representatives of each Kintura life plan community – provides insight and feedback to help inform Kintura decision-making.

Currently within Kintura, there exists two financially obligated groups for any indebtedness by the life plan communities. One obligated group within Kintura is jointly obligated for the indebtedness of the Glenaire, River Landing at Sandy Ridge and Scotia Village life plan communities. The second obligated group is jointly obligated to pay the indebtedness of The Village at Brookwood and Well-Spring Retirement Community life plan communities. The two obligated groups are not combined and are not obligated to pay the indebtedness of the other.

All resident care contracts and agreements are made between the individual Kintura life plan community and the resident(s).



II. FACILITY INTRODUCTION AND INFORMATION

The Village at Brookwood campus is approximately 47 acres located generally between Rockwood Avenue to the west, Hermitage Road to the east, Woodland Avenue and Arbor Drive to the north, and Edgewood Avenue to the south.

Construction of The Village at Brookwood began in November 2001, with occupancy of the retirement community on July 21, 2003.

The Community consists of 110 apartments in a five-story building; 66 one-story garden homes; a community center; and a health care center with 48 rooms of licensed Assisted Living, Memory Care, and Skilled Nursing care. In May 2009, The Village opened a Wellness Center with exercise rooms, swimming pool, Jacuzzi, and locker rooms.

The common areas are the center of activities for The Village and include a formal dining room, a café, a tavern, a private dining room, a living room and social lounge, a covered patio, a fire pit, an arts and crafts studio, a paint studio, an auditorium, a club room, a library, a beauty and barber shop, carpentry shop, a billiards room, a pickleball court, raised garden plots, an outdoor pavilion, a putting green, and a dog park. Residents have the choice of using the community center amenities for everyday needs or travelling outside The Village at Brookwood to the greater Burlington community.

The Health Care Center consists of an outpatient clinic, 24 Assisted Living rooms which are licensed as Adult Care (Home for the Aged), with 12 of these rooms dedicated to dementia-memory care, and 24 Skilled Nursing rooms, licensed as Nursing Care.

Legal Description

The Village at Brookwood is a division of Well Spring Services, Inc.

Organization

Well Spring Services, Inc. manages The Village at Brookwood subject to the direction of the Board of Directors.

Mr. Stephen P. Fleming is currently the Co-Chief Executive Officer and Co-President of Kintura. Prior to the affiliation in 2024, Mr. Fleming served as the President and Chief Executive Officer of the Well-Spring Group. Mr. Fleming joined Well-Spring Retirement as Executive Director in July 2000. Prior to joining Well-Spring Retirement, Mr. Fleming served as a Chief Operating Officer of a multi-facility corporation, as an Executive Director of a continuing care retirement community in New Hampshire and as an Administrator of a continuing care retirement community in North Carolina. Mr. Fleming holds an undergraduate degree in Public Health, Health Policy and Administration as well as a master's degree in business administration.

Mr. Timothy J. Webster is currently the Co-CEO and Co-President of Kintura. Prior to the affiliation, Mr. Webster served as the President and Chief Executive Officer, and Assistant Secretary of The Presbyterian Homes, Inc. dba Brightspire. He has been with the company since April of 1994. During his tenure he has held the positions of Assistant Controller, Controller, Director of Finance, Director of Operations, and Vice President and Chief Operating Officer. Mr. Webster is a Certified Public Accountant.

Mr. Hank Lovvorn is currently the Executive Vice President and Chief Operating Officer of Kintura. Prior to the affiliation, Mr. Lovvorn served as the Vice President and Director of Operations of The Presbyterian Homes, Inc. dba Brightspire. He has been with the Company since June 2008. Prior to joining The Presbyterian Homes, Inc. dba Brightspire he served as Regional Vice President of Operations for a multi-community retirement organization in Florida.

Mr. K. Alan Tutterow is currently the Executive Vice President and Co-Chief Financial Officer of Kintura. Prior to the affiliation in 2024, Mr. Tutterow served as the Secretary, Treasurer and Chief Financial Officer of the Well-Spring Group. Mr. Tutterow joined Well-Spring in 1993. Mr. Tutterow is a Certified Public Accountant, a licensed North Carolina Nursing Home Administrator, and a Certified Aging Services Professional.

Mrs. Julia F. Hanover is currently the Executive Vice President and Co-CFO of Kintura. Prior to the affiliation, Mrs. Hanover served as the Vice President and Chief Financial Officer, and Assistant Treasurer of The Presbyterian Homes, Inc. dba Brightspire. She has been with the company since March of 1998. She has served as Director of Finance and Controller since her tenure with the corporation. Mrs. Hanover is a Certified Public Accountant.

Mr. Mark Collins is currently the Executive Vice President of Human Resources of Kintura. Prior to the affiliation, Mr. Collins served as the Vice President, Director of Human Resources of The Presbyterian Homes, Inc. dba Brightspire. He has been with the company since September 2012.

Ms. April Mayberry, NHA is currently the Executive Director & Director of Healthcare. Ms. Mayberry holds a bachelor's degree in Recreational Therapy from Western Carolina University and has been serving older adults for over 25 years. Her career in healthcare began in the for-profit industry with Genesis Healthcare which included Recreation Therapy Director, Behavioral Health Director, and Associate Administrator before becoming a Licensed Nursing Home Administrator in 2011. In 2019 April began working for The Well-Spring Group as the Director of Health Services at The Village at Brookwood in Burlington, NC and in 2022 was named Executive Director.

Kintura
BOARD OF DIRECTORS
2025

Cantey Alexander
5603 New Garden Village Drive
Greensboro, NC 27410

Jane Baker
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Greensboro, NC 27410

Kathryn "Cookie" Billings (Vice-Chair)
5603 New Garden Village Drive
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Bob Chandler
5603 New Garden Village Drive
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Tim Clontz (Treasurer)
5603 New Garden Village Drive
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David Coulter
5603 New Garden Village Drive
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Greensboro, NC 27410

David Sprinkle
5603 New Garden Village Drive
Greensboro, NC 27410

Ben Zuraw
5603 New Garden Village Drive
Greensboro, NC 27410

Retired – Triad Regional President
Truist Financial Corporation

Retired – Executive Director
NC Board of Examiners for Nursing Homes Administrators

Retired – Town Manager
City of Jamestown

Vice President
Chandler Concrete Company, Inc.

Retired
CEO and Executive Director, Community Care Center
Senior Vice President, Cone Health

Retired
WakeMed, Senior VP, Administrator at Cary Hospital

Senior Vice President
US Trust, Bank of American Private Wealth Management

Retired
CFO and Executive Vice President for Office Depot
Partner at Grant Thornton, international CPA firm

Managing Partner at Midtown Financial Advisors

CFO/COO
PACE Communications

Chancellor Emeritus - North Carolina Agricultural and Technical
State University

Attorney, Partner
Ramseur Maulsby, LLP

Retired / District Court Judge

Retired
Representative for Northwestern Mutual Life Insurance
President and CEO of The Todd Organization

Retired
Civic educator and law firm partner

None of the Directors are employed by either Well Spring Services, Inc. or by The Village at Brookwood. The services as Director are without remuneration.

No member of the Board of Directors or the management staff has been convicted of a felony or pleaded nolo contendere to a felony charge, or been held liable or enjoined in a civil action by final judgment, if the felony or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property; or is subject to a currently effective injunctive or restrictive court order; or within the past five years, had any State or Federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, if the order or action arose out of or related to business activity of health care, including actions affecting a license to operate a foster care community, nursing home retirement home, home for aged, or community subject to this Article 58-64 or a similar law in another state.

No member of the Board of Directors or the named management staff has a ten percent or greater interest in any professional service firm, association, trust, partnership, or corporation which is presently or expects to provide goods, leases or services to the community or to Residents of the community of an aggregate value of \$500 or more within any year. No entity that provides or will provide goods or services to the community of \$500 or more has a ten percent or greater interest in any members of the Board of Directors or management staff.

Annually each member of the Board of Directors shall state in writing that they are free of a Conflict of Interest and comply with the Code of Conduct. A copy of the Conflict of Interest Statement is included as Exhibit E.

III. POLICIES

A. Residency – Health and Financial Criteria

Generally, all Residents of Residential Living at The Village at Brookwood are required to live independently at the time of residency and/or settlement and have the financial resources to pay the Entrance and Monthly Service Fees. Residents are also encouraged to subscribe to Medicare Parts A and B and any other hospital or medical insurance benefit program which supplements Medicare or other comparable insurance accepted by Provider. The Resident shall provide Provider with evidence of such coverage or of an acceptable substitute insurance plan, and the Resident shall pay all premiums.

The process for residency and the financial and medical requirements is specifically outlined in the forms for residency given to every person interested in joining The Village.

The Resident may become a part of the Future Residents Program (FRP) by payment of a \$1,200 application fee. Of that fee, all \$1,200 will be credited toward the entry fee. Members of the Future Residents Program will receive advance notice of openings and will have priority in residence choices over all other prospective residents.

When a desired residence is available, the resident shall enter into the Reservation Agreement and place a 10% reservation fee on the residence that has been chosen. This will reserve the residence during the application approval process.

The Resident shall submit for approval by the Provider, an Application for Residency, which includes a confidential personal and health history and a financial disclosure, all on forms furnished by The Village. The application forms will be submitted to The Village within fourteen (14) days after the execution of the Reservation Agreement.

Upon receipt of the completed application forms, the Provider will review the forms submitted by the Resident for initial acceptance to The Village. Based on entrance criteria and policies established by the Board of Directors of the Provider, the Provider will approve or deny the application for initial acceptance within fourteen (14) days of receipt of the completed application forms. The Resident will be promptly notified of the decision of the Provider.

Provider will notify the Resident forty-five (45) days in advance of the date on which the Residence is available for occupancy. The Balance of the Entrance Fee and the first month's Monthly Fee are payable by the date of occupancy.

Prior to admission to The Village, the Provider requires the Resident to receive a health assessment conducted by our healthcare team. The Resident shall also submit a report of a physical examination of the Resident made by a physician selected by the Resident within Sixty (60) Days prior to occupancy. The report shall include a statement by the physician that the Resident is in good health and is capable of independent living (able to provide self-care in activities of daily living). The Resident shall be responsible for the cost of such physical examinations. If the health of the Resident as disclosed by such physical examination differs materially from that disclosed in the Resident's Application for Admission and Personal Health History, Provider shall have the right to decline admission of the Resident to the Residence and may offer occupancy in the Health Care Center as described below.

The Resident must have assets and income which will be sufficient to pay the financial obligations of the Resident under the Residence and Services Agreement and to meet their ordinary living expenses. Provider, at its discretion, may require the Resident(s) to furnish additional, current financial information.

The Resident affirms that the representations made in the Application for Residency, which include a confidential personal and health history and a financial disclosure, are true and correct and may be relied upon by the Provider as a basis for entering into the Residence and Services Agreement.

If it is determined by the Provider that the Resident is unable to live independently in the residence, such resident may be offered direct admission to the Health Care Center. Such Resident shall pay the current Direct Admission Entrance Fee and shall pay monthly fees equal to the current private pay rate (per diem market rate) in the Health Care Center (for the required level of care: Assisted Living, Skilled Care or Memory Care). Residents directly admitted to the Health Care Center shall complete a separate Direct Admission Agreement and applications as required by the Provider and North Carolina licensure statutes. The Co-Resident or spouse of a Resident who qualifies for direct admission shall continue to be governed by the terms of the Residence and Services Agreement as a single occupant of the Residence.

If the Resident experiences a subsequent change in health status that would allow the Resident to again qualify for admission to an independent residence, the Resident shall be allowed to apply for admission into any vacant independent residence that the Resident qualifies for. If the resident has a spouse or significant other, the resident will then pay the second person fee for the residence occupied. If the resident is single and there are no residences available that the resident qualifies for, the resident will be put on a wait list for admission to such residence according to the Priority Number assigned to the Resident upon entering the Residence and Services Agreement.

B. Cancellation/Termination

1. Cancellation of Contract Prior to Occupancy: The 10% deposit under the Residence and Services Agreement, Section VI., makes the following provisions regarding cancellation:

a. Termination by Resident Prior to Occupancy. The Residence and Services Agreement may be terminated by the Resident for any reason prior to occupancy by giving written notice to Provider. In the event of such termination, the Resident shall receive a refund of the 10% Deposit paid by the Resident, less any expenses incurred by The Village and less a nonrefundable fee equal to 2% of the total amount of the selected Entrance Fee option.

If a resident dies before occupying the Residence, or if, on account of illness, injury, or incapacity, a resident would be precluded from occupying the Residence under the terms of the Residence and Services Agreement, the Residence and Services Agreement is automatically canceled. The nonrefundable fee (equal to 2% of the total amount of the selected Entrance Fee option) will not be charged, however, if such termination is because of death of a Resident, or because the Resident's physical, mental or financial condition makes the Resident ineligible for entrance to The Village.

Any such refund shall be paid by The Village within sixty (60) days following receipt of notification of such termination. Provider requires that such notification be in writing.

- b. Termination by The Village.** The Village at Brookwood may terminate the Residence and Services Agreement prior to occupancy if there has been a material misrepresentation or omission made by the Resident in the Resident's information provided prior to Residency, within the Personal Health History, or the Confidential Financial Statement; or if the Resident's financial status changes such that Resident no longer meets The Village's financial requirements for residency. In the event of termination for any such causes, the refund of the Entrance Fee paid by the Resident shall be determined in the manner described in Section III.C. below (Entrance Fee Plans).
- 2. Cancellation of Contract Pursuant to Occupancy and Termination Other Than Death:** The Residence and Service Agreement, in, Section VI., makes provisions for cancellations and terminations after the Resident occupies a residence, as follows:
 - a. Voluntary Termination after Occupancy.** At any time after occupancy, the Resident may terminate the Residence and Services Agreement by giving Provider thirty (30) days written notice of such termination. Such notice effectively releases the Residence to The Village. Any refunds of the Entrance Fee due to the Resident shall be calculated based upon the Entrance Fee option chosen by the Resident and as described in Section III.C. Any refund due the Resident under this paragraph will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.
 - b. Termination upon Death.** In the event of death of the Resident at any time after occupancy, the Residence and Services Agreement shall terminate, and the refund of the Entrance Fee paid by the Resident shall be calculated based upon the Entrance Fee option chosen by the Resident and as described in Section III.C. Any refund due to the Resident's estate will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.

- c. **Termination by The Village.** The Village may terminate this Agreement at any time if there has been a material misrepresentation or omission made by the Resident in the Resident's Application for Admission, Personal Health History, or Confidential Financial Statement; if the Resident fails to make payment to Provider of any fees and charges due The Village within sixty (60) days of the date when due; or if the Resident does not abide by the rules and regulations adopted by Provider or breaches any of the terms and conditions of this Agreement. Any refunds of the Entrance Fee due to the Resident shall be calculated based upon the Entrance Fee option chosen by the Resident and as described in Section II.A. Any refund due the Resident under this paragraph will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.
- 3. Rescission Period.** Notwithstanding anything herein to the contrary, this Agreement may be rescinded by the Resident giving written notice of such rescission to The Village within thirty (30) days following the later of the execution of this Agreement or the receipt of the Disclosure Statement that meets the requirements of Section 58-64-25, et.seq. of the North Carolina General Statutes. In the event of such rescission, the Resident shall receive a refund of the Entrance Fee paid by the Resident, less 2%. The Resident shall not be required to move into The Village before the expiration of such thirty (30) day period. Any such refund shall be paid by The Village within sixty (60) days following receipt of written notice of rescission pursuant to this paragraph.

C. Entrance Fee Plans

Two Entrance Fee Plans are available to the Resident according to the terms listed below. The Entrance Fee Refund Plan is chosen by the Resident and may be changed up to the date of payment of the final balance.

- 1. Standard Life Care.** Entrance Fee (less an initial 6% nonrefundable fee) accrues to The Village at a rate of 2% per month of occupancy or portion thereof for 47 months. The Resident will be due a refund of the Entrance Fee less: 2% thereof for each month of occupancy, plus any costs owed to The Village by the Resident, plus the amount necessary to restore the Residence to an acceptable condition except for reasonable wear and tear to the Residence. Refunds will be payable to the Resident at such time as such Resident's Residence shall have been reserved by a prospective Resident and such prospective Resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs.

2. **Standard Fee for Service.** The Entrance Fee (less an initial 6% nonrefundable fee) accrues to The Village at a rate of 2% per month of occupancy or portion thereof for 47 months. The Resident will be due a refund of the Entrance Fee less: 2% thereof for each month of occupancy, plus any costs owed to The Village by the Resident, plus the amount necessary to restore the Residence to an acceptable condition except for reasonable wear and tear to the Residence. Refunds will be payable to the Resident at such time as such Resident's Residence shall have been reserved by a prospective Resident and such prospective Resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. The Residence and Services Agreement for this type of contract outlines the services that are included in the fees (Section V. of the Disclosure Statement applies to this type of contract). All Healthcare Services are provided at the prevailing per diem rate. Medicare and approved insurances may be used to pay for these services, however, when Medicare and insurances do not provide coverage, the resident will be charged the per diem rate.

D. Moves and Transfers

The Residence and Services Agreement outlines the policies for transfers in Section V, "Transfers or Changes in Levels of Care," and should be consulted for a complete description of the policy concerning moves and transfers. The Resident may transfer from one Independent Living Residence to another or from an Independent Living Residence to the Health Care Center for Assisted Living, Memory Care or Nursing Services. Section V. of the Residence and Services Agreement makes the following provisions:

Voluntary Transfer between Independent Residences. The Resident may transfer from one independent Residence to another. The Resident shall comply with The Village's current Friends Advantage Program for selection of such Residence. There may be a refurbishment fee (for the residence being vacated) charged for such a transfer.

1. **Transfer of Resident to a Larger Residence.** If the Resident elects to transfer to a larger Residence, an additional Entrance Fee (according to the Entrance Fee option selected with the Date of Occupancy) equal to the difference between the Entrance Fee for the smaller Residence and the Entrance Fee for the larger Residence will be due to The Village. The Resident will also pay the Monthly Service Fee associated with the larger Residence.
2. **Transfer of Resident to a Smaller Residence.** The Resident may elect to transfer to a smaller Residence and pay the current monthly service fee for that Residence. The transfer to a smaller Residence shall not result in any entrance fee refund.

3. **Transfer to the Health Care Center.** The Resident agrees that Provider shall have authority to determine that the Resident be transferred from one level of care to another level of care within The Village. Such a determination shall be based on the professional opinion of the Medical Director and shall be made after reasonable efforts to consult with the Resident or the Resident's chosen and legal representative.
4. **Transfer to Hospital or Other Facility.** If it is determined by Provider that the Resident needs care beyond that which can be provided by The Village, the Resident may be transferred to a hospital or institution equipped to give such care; such care will be at the expense of the Resident. Such transfer of the Resident will be made only after consultation to the extent possible with the Resident, or a representative of the Resident's family or legal representative.
5. **Surrender of Residence.** If a determination is made by Provider that any transfer as described above is likely to be permanent in nature, the Resident agrees to surrender the Residence upon such transfer. Following a two-week grace period for the residence to be vacated, the Provider shall charge the monthly fees until such time that the unit is vacated. If Provider subsequently determines that the Resident can resume occupancy in a Residence or accommodation comparable to that occupied by the Resident prior to such transfer, the Resident shall have priority to such residence as soon as it becomes available.

E. Addition of a Co-Resident or Marriage

When a single Resident occupies a Residence in which The Village policy permits double occupancy, the Resident can allow another person to share occupancy of the Residence. The Village requires the new Resident to qualify for acceptance under the current Residence and Services Agreement type and refund option as the primary Resident.

F. Financial Assistance

Section VIII. of the Residence and Services Agreement makes the following provision for financial assistance:

Provider declares that it is the intent of The Village to permit a Resident to continue to reside at The Village if the Resident is no longer capable of paying the prevailing fees and charges of The Village as a result of financial reversals occurring after occupancy, provided such reversals, in Provider's judgment, are not the result of willful or unreasonable dissipation of the Resident's assets. In the event of such circumstances, Provider will give careful consideration to subsidizing the fees and charges payable by the Resident so long as such subsidy can be made without impairing the ability of Provider to operate on a sound financial basis. Any determination by Provider with regard to the granting of financial assistance shall be within the sole discretion of Provider.

IV. SERVICES - Life Care

A. Standard Services Available

The Village at Brookwood is a full-service Continuing Care Retirement Community. Residents will pay a one-time Entrance Fee and a Monthly Service Fee. The fees are designed to cover virtually all living expenses incurred by Residents of The Village. The Monthly Service Fee covers the following basic services:

- one meal, per person, per day (at the choice of Resident during the month)
- weekly housekeeping
- maintenance of the residence
- maintenance of grounds and landscaping
- regularly scheduled local transportation including local medical appointments
- planned social and recreational activities
- all utilities (electric, gas, water, and sewer)
- cable television (basic)
- high speed internet services (WIFI)
- 24-hour emergency call service and response
- 24-hour security services in a gated community
- personal emergency pendants
- electronic check-in
- trash removal
- parking
- assistance with filing insurance claims
- assistance with transfer to hospitals or other special care facilities
- life care health care services

B. Services for an Extra Charge

Services that may require additional payment include:

- additional meals
- packaging and meal delivery to residence
- charges for special activities or trips
- personal parties or group events in the Community Center
- special, personal, or group trip transportation
- beauty salon and barber shop services
- guest accommodations
- telephone including long distance
- expanded cable television
- charges for selected clinic health care services and wellness program activities
- charges for temporary health care services (more than 14 days a year in a healthcare accommodation) not covered by Medicare or other insurance.

C. Absences

Residents away from The Village at Brookwood for fourteen (14) consecutive days or more, and who make arrangements in advance with The Village (excluding hospitalizations), will be credited with a current published dining services credit determined by The Village.

D. Health Care Services Available

Section I.G.13 of the Residence and Services Agreement outlines the services available in The Village at Brookwood Health Care Center. The payment for such services will be found in Section II of the Residence and Services Agreement.

The Health Care Center includes licensed Assisted Living, Assisted Living Memory Care, and Skilled Nursing accommodations. A health care clinic is located on site for use by Residents during scheduled hours.

The Life Care Benefit is the rate paid for residency in the Health Care Center. The rate at the time of transfer will apply to Assisted Living, Assisted Living Memory Care and Skilled Nursing accommodations.

The clinic will provide services such as certain examinations, consultations, checks, treatments, and tests, as authorized by the staff and the Medical Director, and the cost of certain services may be the responsibility of the Resident as described in Section I.G.13(b) of the Residence and Services Agreements.

SERVICES – Fee for Service

A. Standard Services Available

The Village at Brookwood is a full-service Continuing Care Retirement Community. Residents will pay a one-time Entrance Fee and a Monthly Service Fee. The Monthly Service Fee covers the following basic services:

- 15 meals per person, per month
- housekeeping every other week
- maintenance of the residence
- maintenance of grounds and landscaping
- regularly scheduled local transportation
- planned social and recreational activities
- all utilities (electric, gas, water, and sewer)
- cable television (basic)
- high speed internet service (WIFI)
- 24-hour emergency call service and response
- 24-hour security services in a Gated Community
- personal emergency pendants

- electronic check-in
- trash removal
- parking
- assistance with filing insurance claims
- assistance with transfer to hospitals or other special care facilities
- health care services at the per diem rate

B. Services for an Extra Charge

Services that will require additional payment include:

- additional meals
- packaging and meal delivery to residence
- additional housekeeping services
- charges for special activities or trips
- personal parties or group events in the Community Center
- special, personal or group trip transportation
- beauty salon and barber shop services
- guest accommodations
- telephone including long distance
- expanded cable television
- charges for selected clinic health care services and wellness program activities
- charges for temporary health care services not covered by Medicare or Long-Term Care Insurance

C. Health Care Services Available

Section I.G.13 of the Residence and Services Agreement (Fee for Service) outlines the services available in The Village at Brookwood Health Care Center, and payment for such services is set forth in Section II. F.1-2.

The Health Care Center includes licensed Assisted Living, Memory Care, and Skilled Nursing accommodations. A health clinic is located on-site for use by Residents during scheduled hours. All charges for health care related services will be at the per diem rate.

The clinic will provide services such as certain examinations, consultations, checks, treatments, and tests, as authorized by the staff and the Medical Director, and the cost of certain services may be the responsibility of the Resident as described in Section I.G.13(b) of the Residence and Services Agreement.

VI. FEES

A. Residency Fees

Persons applying for residency will choose a type of residence and make a 10% deposit of the Entrance Fee (the amount of which is determined by both the residence type and the Entrance Fee option). Applications for residency will be provided and completed to determine eligibility. Once approved for residency, a Resident will be guaranteed admission to The Village regardless of change in their health status. If a Resident requires nursing services prior to being able to live independently in a Residence, as determined by The Village, they will be subject to the terms outlined in Section III.D of the Residence and Services Agreement, "Direct Admission to Health Care Center." The monthly fee is the prevailing Fee for Service per diem rate.

All funds are held in escrow and are refundable under the terms outlined in the Residence and Services Agreement.

| 2025 Life Care Entrance Fees & Monthly Service Fees | | | | |
|--|-------------------------------------|------------------|---------------------|--------------------|
| Style | Description | Occupancy | Entrance Fee | Monthly Fee |
| Azalea | 826 sq. ft. one bedroom | Single | 237,500 | 3,492 |
| Azalea | 826 sq. ft. one bedroom | Double | 280,100 | 5,202 |
| Birch | 1,113 sq. ft. one bedroom and den | Single | 291,900 | 3,798 |
| Birch | 1,113 sq. ft. one bedroom and den | Double | 334,400 | 5,508 |
| Camellia | 1,206 sq. ft., two bedrooms | Single | 310,100 | 4,151 |
| Camellia | 1,206 sq. ft., two bedrooms | Double | 352,700 | 5,861 |
| Dogwood | 1,352 sq. ft., two bedrooms and den | Single | 346,600 | 4,505 |
| Dogwood | 1,352 sq. ft., two bedrooms and den | Double | 389,200 | 6,215 |
| Elm | 1,596 sq. ft., two bedrooms and den | Single | 384,300 | 4,885 |
| Elm | 1,596 sq. ft., two bedrooms and den | Double | 426,800 | 6,595 |
| Holly | 1,692 sq. ft., two bedrooms | Single | 393,000 | 5,334 |
| Holly | 1,692 sq. ft., two bedrooms | Double | 435,400 | 7,044 |
| Juniper | 1,772 sq. ft., two bedrooms | Single | 451,900 | 5,402 |
| Juniper | 1,772 sq. ft., two bedrooms | Double | 500,700 | 7,112 |
| Maple/Magnolia | 1,892 sq. ft., three bedrooms | Single | 422,500 | 5,581 |
| Maple/Magnolia | 1,892 sq. ft., three bedrooms | Double | 465,000 | 7,291 |
| Oak | 1,965 sq. ft., three bedrooms | Single | 440,300 | 5,743 |
| Oak | 1,965 sq. ft., three bedrooms | Double | 482,700 | 7,453 |
| Pine | 2,160 sq. ft., three bedrooms | Single | 506,400 | 5,813 |
| Pine | 2,160 sq. ft., three bedrooms | Double | 555,100 | 7,523 |

| 2025 Fee for Service Entrance Fees & Monthly Service Fees | | | | |
|--|-------------------------------------|------------------|---------------------|--------------------|
| Style | Description | Occupancy | Entrance Fee | Monthly Fee |
| Azalea | 826 sq. ft. one bedroom | Single | 149,700 | 2,934 |
| Azalea | 826 sq. ft. one bedroom | Double | 176,500 | 4,027 |
| Birch | 1,113 sq. ft. one bedroom and den | Single | 189,800 | 3,237 |
| Birch | 1,113 sq. ft. one bedroom and den | Double | 217,500 | 4,330 |
| Camellia | 1,206 sq. ft., two bedrooms | Single | 217,100 | 3,591 |
| Camellia | 1,206 sq. ft., two bedrooms | Double | 246,900 | 4,684 |
| Dogwood | 1,352 sq. ft., two bedrooms and den | Single | 242,700 | 3,978 |
| Dogwood | 1,352 sq. ft., two bedrooms and den | Double | 272,500 | 5,071 |
| Elm | 1,596 sq. ft., two bedrooms and den | Single | 269,100 | 4,362 |
| Elm | 1,596 sq. ft., two bedrooms and den | Double | 298,800 | 5,455 |
| Holly | 1,692 sq. ft., two bedrooms | Single | 298,700 | 4,401 |
| Holly | 1,692 sq. ft., two bedrooms | Double | 331,000 | 5,494 |
| Juniper | 1,772 sq. ft., two bedrooms | Single | 343,500 | 4,473 |
| Juniper | 1,772 sq. ft., two bedrooms | Double | 380,600 | 5,566 |
| Maple/Magnolia | 1,892 sq. ft., three bedrooms | Single | 321,200 | 4,683 |
| Maple/Magnolia | 1,892 sq. ft., three bedrooms | Double | 353,400 | 5,776 |
| Oak | 1,965 sq. ft., three bedrooms | Single | 334,600 | 4,842 |
| Oak | 1,965 sq. ft., three bedrooms | Double | 366,900 | 5,935 |
| Pine | 2,160 sq. ft., three bedrooms | Single | 384,900 | 4,916 |
| Pine | 2,160 sq. ft., three bedrooms | Double | 421,900 | 6,009 |

B. Entrance Fee and Monthly Service Fee

The Village requires that two fees be paid for residency: an Entrance Fee and a Monthly Service Fee. These fees are reviewed annually to ensure the financial viability of the organization.

C. Health Care Center Fees – Life Care

Health Care Center revenues are generated from services to Residents transferring from residential living areas, or Residents admitted directly into a nursing bed due to health condition changes since approved for residency in Independent Living.

Residents transferring from residential living areas to the Health Care Center on a permanent or temporary basis will be charged the Life Care Benefit rate at the time of transfer.

Fourteen (14) days of qualified respite care are available to Life Care Residents on an annual basis. This benefit applies to skilled nursing only.

D. Health Care Center Fees – Fee for Service

Charges for Health Care Services will be billed at the per diem rate. In addition to the Health Care fee and ancillary charges as described in Section II.F.1 of the Residence and

Services Agreement, the resident will be charged the rate for the healthcare residence they occupy.

E. Fee Change Policies

The Residence and Services Agreement, Section II.D., makes the following provisions regarding the periodic adjustment of fees:

“The Monthly Fee provides for the facilities, programs, and services described in this Agreement and is intended to meet the cost of the expenses associated with the operation and management of The Village. The Village shall have the authority and discretion to adjust the Monthly Fee during the term of this Agreement to reflect increases and changes in costs of providing the facilities, programs, and services described herein consistent with operating on a sound financial basis and maintaining the quality of services provided to Residents. At least a thirty (30) day notice will be given to the Resident before any adjustment in fees or charges.”

Changes in fees for the previous five years

During the past five years TVAB has increased service fees as follows:

| | <u>Independent Living</u> <u>LifeCare or Fee-for-service</u> | | <u>Assisted Living</u> <u>Per Diem</u> | | <u>Skilled Care</u> <u>Per Diem</u> | |
|----------------|---|---|---|------------|--|------------|
| Effective Date | % Per Month (Weighted average across all unit types) | \$ Per Month (Weighted average across all unit types) | % Per Day | \$ Per Day | % Per Day | \$ Per Day |
| 10/1/2020 | 3% | \$108 | 3% | \$8 | 3% | \$10 |
| 10/1/2021 | 5% | \$113 | 5% | \$13 | 5% | \$17 |
| 10/1/2022 | 7% | \$117 | 7% | \$14 | 7% | \$25 |
| 1/1/2024 | 6% | \$124 | 7% | \$19 | 7% | \$25 |
| 1/1/2025 | 5.5% | \$235 | 6.25% | \$22 | 6.25% | \$30 |

F. Changes in Fees for the Previous Five Years

G. Miscellaneous Ancillary Charges

Additional charges may apply depending on the service received or the Residence and Services Agreement that was selected. Each September The Village distributes a Miscellaneous Rate Adjustment Memo to all residents for the following year.

VII. FINANCIAL INFORMATION

A. Debt Overview & Member Substitution Agreement

In conjunction with the Member Substitution Agreement effective July 1, 2022, the Village joined an obligated group with Well Spring Retirement Community, Inc. and borrowed bank debt as follows:

- \$25,000,000 in long term debt, interest only for 1 year followed by a 29-year amortization. The debt is variable based on SOFR and has a 15-year maturity.
 - \$15,000,000 of the debt is fixed at 3.78% with an Interest Rate Swap agreement.
 - \$10,000,000 of the debt is variable rate based on SOFR.

B. Change in Fiscal Year

In order to match the fiscal year of the related organizations and the other member of the obligated group, The Village changed its fiscal year to end on December 31, 2022 and subsequent December 31sts.

C. Residents with Continuing Care Contracts

As of March 31, 2025, there were a total of 273 residents receiving continuing care services. There were 239 residents in Independent Living, 17 in Assisted Living and 17 in Skilled Nursing.

D. Current Financial Statements

The Village at Brookwood began operations on July 21, 2003. Audited financial statements for the year ended December 31, 2024 are included as Attachment A.

E. Five Year Forecasted Statement

See Attachment B for financial projection statements prepared for the fiscal years 2025-2029.

E. Material Differences between Forecasted Financial Data and Actual Results

Narrative describing material differences between forecasted financial data as shown in previous Disclosure Statement and Audited Actual Results.

| | (in thousands of dollars) | 2024 Forecast | 2024 Audit | Difference | Explanation \$1,000/(\$1,000) |
|---|---------------------------|---------------|------------|------------|-------------------------------|
| Statement of Balance Sheets | | | | | |
| Cash and cash equivalents | | 3,233 | 2,905 | (328) | |
| Investments | | 33,767 | 35,690 | 1,923 | Note 1 |
| Accounts receivable, net | | 693 | 515 | (178) | |
| Pledges Receivable - Current & Long-term | | 365 | 100 | (265) | |
| Related Party Receivable | | 744 | 216 | (528) | |
| Other receivables | | 985 | 1,330 | 345 | |
| Other current assets | | 430 | 173 | (257) | |
| Reserves required by state statute | | 12,849 | 13,300 | 451 | |
| Admission Deposits | | 613 | 797 | 184 | |
| Refundable Entrance Fees | | 356 | 356 | - | |
| Externally restricted under Donors Restrictions | | 1,451 | 1,451 | - | |
| Board Designated | | 3,957 | 3,900 | (57) | |
| Interest rate swap agreement | | 4,960 | 6,008 | 1,048 | Note 2 |
| Other Assets | | 241 | 206 | (35) | |
| Land, buildings and equipment, net | | 134,650 | 129,862 | (4,788) | Note 9 |
| Accrued interest | | 198 | 191 | 7 | |
| Accounts payable and accrued expenses | | 5,956 | 4,783 | 1,173 | Note 6 |
| Intercompany Payables | | 4,536 | 4,076 | 460 | |
| Deferred revenue from entrance fees | | 1,157 | 1,513 | (356) | |
| Current Portion of long-term Debt | | 2,412 | 2,415 | (3) | |
| Other Liabilities | | 727 | 419 | 308 | |
| Working capital term loan | | 5,000 | - | 5,000 | Note 4 |
| Admission deposits | | 2,481 | 1,095 | 1,386 | Note 6 |
| Deferred revenue - nonrefundable fees | | 73,008 | 67,656 | 5,352 | Note 7 |
| Refundable entrance fees | | 4,222 | 9,081 | (4,859) | Note 7 |
| Long-term debt | | 62,736 | 62,478 | 258 | |
| Unamortized Def Finance Cost | | (258) | - | 258 | |
| Assets without donor restrictions | | 35,705 | 41,438 | 5,733 | Note 3 |
| Assets with donor restrictions | | 1,414 | 1,664 | 250 | |
| Statements of Operations | | | | | |
| Resident fees earned | | 43,778 | 43,346 | 432 | |
| Amortization of advance fees | | 8,708 | 9,661 | (953) | |
| Support from Affiliates, net | | 553 | | 553 | |
| Healthcare Endowment Income | | 183 | | 183 | |
| Investment Income | | 1,561 | 4,490 | 2,929 | Note 1 |
| Assets released from restrictions | | 221 | 891 | (670) | |
| Other Revenue | | 2,637 | 1,882 | 755 | |
| Healthcare expenses | | 14,534 | 14,498 | 36 | |
| Resident services expenses | | 2,648 | - | 2,648 | Note 8 |
| Dietary Expense | | 9,445 | 8,528 | 917 | |
| Housekeeping Expense | | 2,965 | 2,388 | 577 | |
| Plant Operations Expense | | 7,105 | 7,060 | 45 | |
| General & Admin Expense | | 9,913 | 13,255 | (3,342) | Note 8 |
| Depreciation | | 10,657 | 10,419 | 238 | |
| Interest and Amortization | | 2,436 | 2,384 | 52 | |
| Transfer of net assets | | - | 884 | (884) | |
| Accreted Interest | | (119) | (118) | (1) | |
| Change in Value of Swap | | | 1,049 | (1,049) | Note 2 |
| Donor restricted Contributions | | | 922 | (922) | |
| Net assets released from Restrictions | | (221) | (891) | 670 | |

| | (in thousands of dollars) | 2024 Forecast | 2024 Audit | Difference | Explanation \$1,000/(\$1,000) |
|---|---------------------------|---------------|------------|------------|-------------------------------|
| Statement of Cash Flows | | | | | |
| Change in net assets | | (2,402) | 3,582 | 5,984 | Note 3 |
| Depreciation | | 10,657 | 10,419 | (238) | |
| Amortization of entrance fees | | (8,709) | (9,661) | (952) | |
| Amortization of deferred financing costs | | 105 | 110 | 5 | |
| Entrance fees received | | 16,494 | 16,581 | 87 | |
| Accredited Interest | | 119 | 118 | (1) | |
| Decrease in admission deposits | | - | (1,385) | (1,385) | Note 6 |
| Unrealized and realized gains | | | 895 | 895 | |
| Change in value of interest rate swaps | | | (1,049) | (1,049) | Note 2 |
| Prov for credit losses | | | (20) | (20) | |
| Change is assets and liabilities | | | | | |
| Trade and other receivables | | (249) | 274 | (523) | |
| Pledges Receivable | | - | (400) | 400 | |
| Other Receivables | | 152 | 243 | (91) | |
| Other current assets | | (14) | 472 | (486) | |
| Decrease in accounts payable and accrued expenses | | | (2,349) | 2,349 | Note 6 |
| Accrued Interest Payable | | (657) | (13) | (644) | |
| Accrued Salaries & Wages | | 67 | 242 | (175) | |
| Other Current Liabilities | | 191 | (116) | 307 | |
| Change in Investments | | 895 | (1,028) | 1,923 | Note 1 |
| Change is Assets Limited as to Use | | (978) | (1,557) | 579 | |
| Capital Expenditures | | (16,559) | (12,196) | (4,363) | Note 9 |
| Principal Payments on Long - term debt | | (2,454) | (2,453) | (1) | |
| Increase in working capital loan | | 5,115 | - | 5,115 | Note 4 |
| Entrance Fees Refunded | | (1,284) | (543) | (741) | |
| Increase in cash and Cash Equivalents | | 489 | 166 | 323 | |

Variances

Note 1 - Due to gains on investments and we do not forecast investment realized or unrealized gains or losses.

Note 2 - Do not forecast for adjustment in the interest rate swap.

Note 3 - Factor of differences in other categories.

Note 4 - No amounts have been drawn down on the working capital loan

Note 5 - Intercompany transactions eliminated in the audited statements

Note 6 - Accounts payable, accrued expenses, and admission deposits forecasted to remain relatively flat in the forecast

Note 7 -Function of entry fees received or refunded, amortization of fees, and timing of resident move-ins.

Note 8 - In the audit the resident services are grouped in general and administration expense

Note 9 - The construction at the Village of Brookwood was not complete at year-end and not as many unit turnovers / refurbs of units.

VIII. RESERVES, ESCROW AND TRUSTS

A. Trustee-Held Funds

There are no Trustee-held funds.

B. Operating Reserves

According to the provisions of G.S. 58-64-33, Well Spring Services, Inc is required to have operating reserves equal to 25% of its operating costs projected for the first fiscal year of the forecast, if occupancy levels remain in excess of 90%. Well Spring Life Plan Community and The Village at Brookwood have and expect to maintain an occupancy rate in excess of 90%.

The required reserve for 2025 based on the forecasted operating costs is \$13,218,000 and is shown on the balance sheet as Reserves Required by State Statute. These assets are managed by Mercer. The current investment manager is Mr. Chris Milionis, Principal Senior Investment Consultant, Not-for-profit Southeast.

C. Board Designated Funds

The Board has established a resident assistance fund to be used at the discretion of the Executive Director and the Board of Directors to provide financial assistance to Residents who are unable to meet their financial responsibilities.

D. Investment Accounts

The Village maintains an investment account with Mercer of \$4,000,000. These funds were transferred as a loan from Well Spring Life Plan Community. The Village has a liability recorded on its financial statements for the funds received.

IX. FACILITY DEVELOPMENT OR EXPANSION

The initial construction of The Village at Brookwood consisted of 155 residential living residences (110 apartments and 45 garden homes) and 48 health care residences. The Wellness Center that includes exercise rooms, pool, Jacuzzi, and locker rooms opened in May 2009. Today the community contains 176 residential living residences and 48 health care residences.

The community is currently working on a master plan which would add additional residential living units and common space amenities

X. RESIDENCE AND SERVICES AGREEMENTS

The Residence and Services Agreements (Standard Life Care and Standard Fee for Service) are attached (Attachments D and E). All persons interested in residency at The Village at Brookwood should carefully review the selected Agreement.

The Village at Brookwood continually monitors the trends and new developments related to Residence and Services Agreements in the market. As new options become available and reviewed by management and approved by the Board of Directors, they will be submitted to the Department of Insurance for approval.

XI. MISCELLANEOUS

A. Marketing Incentives

Throughout the marketing of The Village at Brookwood, various incentives have been employed at times. Some of the initial Residents (referred to as “Founders’ Club”) were provided with financial (in the form of credits) and other incentives at the time of move-in to the Community. Other Residents were encouraged to reserve their residence with a Ten Percent (10%) Deposit even if they were uncertain as to their being ready at the time of opening (the “Ready List”); they were assured that they could leave their deposit with the Community and obtain a priority for future move-in when they decide to move in. There are several Residence and Services Agreements that are no longer offered.

The Village at Brookwood reserves the right to offer at any time the same or similar incentives or any other incentives it may decide.

B. Wait List

The Wait List is called the Future Residents Program (FRP). Prospective residents will sign an agreement and make a \$1,200 deposit (\$200 of which is non-refundable) that will initiate the assignment of a reservation priority number for the purpose of holding a place in line for future availability of any residence that is not then-currently available. The Village will contact the prospective resident by order of reservation priority number and according to the choice of residence preferred when such a residence becomes available. Once notified of availability and the prospective resident has accepted the residence, then the Reservation Agreement must be completed, and a 10% entry fee deposit must be made.

C. Edgewood Place Divestiture

Alamance Extended Care (AEC) is an organization that includes Edgewood Place Skilled Nursing Facility and The Village at Brookwood Continuing Care Retirement Community. In early 2020, AEC announced its intent to sell the licenses for the 81 Edgewood Place Nursing beds housed on the AEC campus. Of the 81 beds, 54 were sold to two (2) local institutions that aim to keep these beds in Alamance County.

**WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2024 AND 2023



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAconnect.com

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

| | |
|---|-----------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| CONSOLIDATED FINANCIAL STATEMENTS | |
| CONSOLIDATED BALANCE SHEETS | 4 |
| CONSOLIDATED STATEMENTS OF OPERATIONS | 6 |
| CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS | 7 |
| CONSOLIDATED STATEMENTS OF CASH FLOWS | 8 |
| NOTES TO CONSOLIDATED FINANCIAL STATEMENTS | 10 |
| SUPPLEMENTARY CONSOLIDATING INFORMATION | |
| CONSOLIDATING BALANCE SHEETS | 39 |
| CONSOLIDATING STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS | 43 |



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Well•Spring Services, Inc.
(An Affiliate of Kintura)
Greensboro, North Carolina

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Well•Spring Services, Inc. (an affiliate of Kintura) (Services) (a North Carolina nonprofit corporation), and its subsidiaries which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Services as of December 31, 2024 and 2023, and the results of their operations, changes in their net assets, 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 section of our report. We are required to be independent of Services 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 Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated 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 Services' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Services' 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.

Board of Trustees
Well•Spring Services, Inc.
(An Affiliate of Kintura)

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating schedules are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Charlotte, North Carolina
April 24, 2025

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2024 AND 2023

| ASSETS | <u>2024</u> | <u>2023</u> |
|--|------------------------------|------------------------------|
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 6,678,233 | \$ 4,720,695 |
| Investments | 37,014,781 | 37,148,946 |
| Resident and Client Accounts Receivable | 705,766 | 633,729 |
| Less: Allowance for Credit Losses | <u>(43,572)</u> | <u>(64,453)</u> |
| Resident and Client Accounts Receivable, Net | 662,194 | 569,276 |
| Pledges Receivable | 300,000 | 320,870 |
| Other Receivables | 1,611,045 | 729,909 |
| Other Current Assets | <u>1,114,148</u> | <u>860,595</u> |
| Total Current Assets | 47,380,401 | 44,350,291 |
| ASSETS LIMITED AS TO USE | | |
| Statutory Operating Reserves | 13,300,000 | 11,928,000 |
| Health Care Endowment | 2,308,414 | 2,267,104 |
| Wellness Center Operational Endowment | 150,052 | 137,758 |
| Admissions Deposits | 797,660 | 612,890 |
| Refundable Entrance Fees | 355,996 | 355,996 |
| Benevolence Assistance | 4,678,034 | 5,103,043 |
| Charitable Gift Annuity | - | 345,315 |
| Future Expansion of Well•Spring Retirement Community, Inc. | - | 477,298 |
| Endowment for the Arts | 2,319,931 | 2,124,338 |
| Community Benefit Reserve | 560,904 | 514,947 |
| Externally Restricted - Donor Restricted | <u>1,451,079</u> | <u>1,451,079</u> |
| Total Assets Limited as to Use | 25,922,070 | 25,317,768 |
| PROPERTY AND EQUIPMENT | | |
| Property and Equipment | 213,626,144 | 232,551,532 |
| Accumulated Depreciation | <u>(82,350,593)</u> | <u>(102,284,612)</u> |
| Total Property and Equipment, Net | 131,275,551 | 130,266,920 |
| ASSETS UNDER INTEREST RATE SWAP AGREEMENTS | 6,008,151 | 4,959,195 |
| PLEDGES RECEIVABLE, NET OF CURRENT PORTION | 200,000 | 751,000 |
| OTHER ASSETS | | |
| Investment in Joint Ventures | 14,606,372 | 9,361,038 |
| Other | <u>205,782</u> | <u>241,036</u> |
| Total Other Assets | 14,812,154 | 9,602,074 |
| Total Assets | <u><u>\$ 225,598,327</u></u> | <u><u>\$ 215,247,248</u></u> |

See accompanying Notes to Consolidated Financial Statements.

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2024 AND 2023

| | <u>2024</u> | <u>2023</u> |
|---|---------------------------|---------------------------|
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accrued Interest Payable | \$ 191,527 | \$ 204,201 |
| Accounts Payable and Other Accrued Expenses | 2,536,360 | 4,528,435 |
| Accrued Salaries and Wages | 3,460,977 | 2,785,616 |
| Deferred Resident Fee Revenue | 248,150 | 256,971 |
| Deferred Revenue from Entrance Fees | 1,265,000 | 1,050,000 |
| Current Portion of Long-Term Debt | 2,415,452 | 2,453,477 |
| Other Liabilities | 1,487,875 | 1,576,380 |
| Total Current Liabilities | <u>11,605,341</u> | <u>12,855,080</u> |
| LONG-TERM LIABILITIES | | |
| Admission Deposits | 1,095,006 | 2,480,456 |
| Charitable Gift Annuity Payment Liability | - | 156,860 |
| Deferred Revenue from Entrance Fees, Net of Current Portion | 67,656,223 | 66,290,221 |
| Refundable Entrance Fees | 9,081,101 | 4,167,497 |
| Long-Term Debt, Net | 62,478,547 | 64,784,437 |
| Total Long-Term Liabilities | <u>140,310,877</u> | <u>137,879,471</u> |
| Total Liabilities | 151,916,218 | 150,734,551 |
| NET ASSETS | | |
| Net Assets Without Donor Restrictions | 66,451,289 | 57,259,093 |
| Net Assets With Donor Restrictions: | | |
| Purpose Restrictions | 4,385,622 | 4,408,406 |
| Perpetual in Nature | 2,845,198 | 2,845,198 |
| Total Net Assets | <u>73,682,109</u> | <u>64,512,697</u> |
| Total Liabilities and Net Assets | <u>\$ 225,598,327</u> | <u>\$ 215,247,248</u> |

See accompanying Notes to Consolidated Financial Statements.

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2024 AND 2023

| | <u>2024</u> | <u>2023</u> |
|--|----------------------|---------------------|
| REVENUE, GAINS, AND OTHER SUPPORT | | |
| Resident Fees Earned and Client Fees, Including Amortization of Deferred Revenue from Nonrefundable Entrance Fees of \$9,661,132 in 2024 and \$7,707,102 in 2023 | \$ 56,484,843 | \$ 51,159,885 |
| Investment Income, Net | 4,954,230 | 7,321,741 |
| Change in Value of Charitable Gift Annuities | - | (16,275) |
| Net Assets Released from Restrictions for Use in Operations | 1,392,559 | 1,052,002 |
| Contributions of Nonfinancial Assets | 31,200 | 31,200 |
| Other Revenue | 3,138,765 | 5,276,795 |
| Total Revenue, Gains, and Other Support | <u>66,001,597</u> | <u>64,825,348</u> |
| EXPENSES | | |
| Resident Care | 17,549,495 | 17,446,519 |
| Dietary | 8,528,636 | 8,156,422 |
| Housekeeping | 2,388,196 | 2,278,844 |
| Plant Operations | 7,060,111 | 7,281,829 |
| General and Administrative | 14,114,570 | 15,287,081 |
| Depreciation | 10,505,562 | 10,335,062 |
| Interest and Amortization | 2,383,700 | 2,468,098 |
| Total Expenses | <u>62,530,270</u> | <u>63,253,855</u> |
| OPERATING INCOME | 3,471,327 | 1,571,493 |
| OTHER INCOME (LOSS) | | |
| Change in Value of Interest Rate Swap Agreements | 1,048,956 | (835,927) |
| Loss on Disposal of Property and Equipment | - | (13,198) |
| Accreted Interest | (118,421) | (239,340) |
| Provision for Gains of Membership Interests | 5,790,334 | 2,220,566 |
| Total Other Income | <u>6,720,869</u> | <u>1,132,101</u> |
| EXCESS OF REVENUE, GAINS, AND OTHER SUPPORT OVER EXPENSES | <u>\$ 10,192,196</u> | <u>\$ 2,703,594</u> |

See accompanying Notes to Consolidated Financial Statements.

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2024 AND 2023

| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total Net Assets |
|--|---|--|----------------------|
| BALANCE - DECEMBER 31, 2022 | \$ 54,545,144 | \$ 7,010,764 | \$ 61,555,908 |
| Excess of Revenue, Gains, and Support Over Expenses | 2,703,594 | - | 2,703,594 |
| Donor Restricted Contributions | - | 781,996 | 781,996 |
| Net Assets Released from Restricted for Use in Operations | - | (1,052,002) | (1,052,002) |
| Net Assets Released from Restricted for Purchases of Property and Equipment | 10,355 | (10,355) | - |
| Unexpended Earnings on Perpetual in Nature Restricted Net Assets | - | 523,201 | 523,201 |
| Increase in Net Assets | <u>2,713,949</u> | <u>242,840</u> | <u>2,956,789</u> |
| BALANCE - DECEMBER 31, 2023 | 57,259,093 | 7,253,604 | 64,512,697 |
| Excess of Revenue, Gains, and Support Over Expenses | 10,192,196 | - | 10,192,196 |
| Donor Restricted Contributions | - | 923,494 | 923,494 |
| Net Assets Released from Restricted for Use in Operations | - | (1,392,559) | (1,392,559) |
| Capital Contribution to Kintura | (1,000,000) | - | (1,000,000) |
| Unexpended Earnings on Perpetual in Nature Restricted Net Assets | - | 446,281 | 446,281 |
| Increase in Net Assets | <u>9,192,196</u> | <u>(22,784)</u> | <u>9,169,412</u> |
| BALANCE - DECEMBER 31, 2024 | <u>\$ 66,451,289</u> | <u>\$ 7,230,820</u> | <u>\$ 73,682,109</u> |

See accompanying Notes to Consolidated Financial Statements.

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023

| | <u>2024</u> | <u>2023</u> |
|---|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase in Net Assets | \$ 9,169,412 | \$ 2,956,789 |
| Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation | 10,505,562 | 10,335,062 |
| Amortization of Deferred Financing Costs | 109,563 | 95,425 |
| Amortization of Deferred Revenues | (9,661,132) | (7,707,102) |
| Nonrefundable Entrance Fees Received | 11,066,880 | 10,525,104 |
| Accreted Interest | 118,421 | 239,340 |
| Decrease in Charitable Gift Annuity Liability | (156,860) | (22,400) |
| Increase (Decrease) in Admission Deposits | (1,385,450) | 1,309,386 |
| Net Unrealized and Realized Gains on Investments | (2,562,466) | (5,638,712) |
| Loss on Disposal of Property and Equipment | - | 13,198 |
| Change in Value of Interest Rate Swap Agreements | (1,048,956) | 835,927 |
| Provision for Gains of Membership Interests | (5,790,334) | (2,220,566) |
| Provision for Credit Losses | (20,881) | 51,121 |
| Increase in Resident and Client Accounts Receivable, Other Receivables and Deferred Resident Fees | (961,994) | (76,534) |
| Decrease in Pledges Receivable | 571,870 | 455,217 |
| Increase in Other Current Assets | (253,553) | (531,461) |
| (Increase) Decrease in Other Assets | 35,254 | (19,144) |
| Increase (Decrease) in Accounts Payable and Other Accrued Expense | (1,310,064) | 822,189 |
| Increase in Accrued Salaries and Wages | 675,361 | 534,933 |
| Increase (Decrease) in Accrued Interest Payable | (12,674) | 14,965 |
| Increase (Decrease) in Other Liabilities | (88,505) | (315,924) |
| Net Cash Provided by Operating Activities | <u>8,999,454</u> | <u>11,656,813</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Change in Investments and Assets Limited as to Use | 3,759,244 | (700,172) |
| Capital Expenditures | (12,196,204) | (10,062,666) |
| Proceeds from Membership Interests | 545,000 | - |
| Net Cash Used by Investing Activities | <u>(7,891,960)</u> | <u>(10,762,838)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Principal Payments on Long-Term Debt | (2,453,478) | (1,884,685) |
| Refundable and First Generation Entrance Fees Received | 5,513,600 | 355,996 |
| Capital Contribution to Kintura | (1,000,000) | - |
| Entrance Fees Refunded | (543,163) | (1,149,659) |
| Net Cash Provided (Used) by Financing Activities | <u>1,516,959</u> | <u>(2,678,348)</u> |
| NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH | <u>2,624,453</u> | <u>(1,784,373)</u> |
| Cash, Cash Equivalents, and Restricted Cash - Beginning of Year | <u>6,905,865</u> | <u>8,690,238</u> |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR | <u><u>\$ 9,530,318</u></u> | <u><u>\$ 6,905,865</u></u> |

See accompanying Notes to Consolidated Financial Statements.

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2024 AND 2023

| | <u>2024</u> | <u>2023</u> |
|--|----------------------------|----------------------------|
| Cash and Cash Equivalents | \$ 6,678,233 | \$ 4,720,695 |
| Cash and Cash Equivalents Included in Assets Limited as to Use | <u>2,852,085</u> | <u>2,185,170</u> |
| Total | <u><u>\$ 9,530,318</u></u> | <u><u>\$ 6,905,865</u></u> |
| SUPPLEMENTAL CASH FLOW INFORMATION | | |
| Cash Paid During the Year for Interest, Net of Amounts Capitalized | <u><u>\$ 2,286,811</u></u> | <u><u>\$ 2,357,708</u></u> |
| Purchases of Capital Assets in Accounts Payable | <u><u>\$ 1,279,979</u></u> | <u><u>\$ 1,961,990</u></u> |

See accompanying Notes to Consolidated Financial Statements.

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The accompanying consolidated financial statements are of Well•Spring Services, Inc. (an affiliate of Kintura) (Services). Services was incorporated in 2012 as a nonprofit corporation to provide support and to serve as the sole member of Well•Spring Retirement Community, Inc. (the Community). The accompanying consolidated financial statements include the accounts of the affiliates of Services, which includes the Community, Well•Spring Foundation (the Foundation), Adult Center for Enrichment, Inc. (ACE), Well•Spring Management and Development, Inc. (Management & Development), and Alamance Extended Care, Inc. dba The Village at Brookwood (the Village) (collectively, the Organization). Services is the sole member of each of these affiliates.

The Community is a nonstock, nonprofit organization established to develop and operate a continuing care retirement community and to provide housing, health care, and related services to older adults. The Community offers two residence and care agreement options: Lifecare Residence and Care and Modified Lifecare Residence and Care. Both of these options require payment of a one-time entrance fee and monthly service fees. Generally, payment of these fees entitles residents to the use and privileges of the facility for life. The occupancy agreement does not entitle the residents to an interest in the real estate or other property owned by the Community. On a limited basis, a per-diem option in health care may be available. All residents are fully responsible for payment of the above fees.

The Community consists of approximately 90 acres in Greensboro, North Carolina, and Guilford County, North Carolina; a mid-rise apartment building containing 123 residential units, 50 one-story garden apartment residential units, 88 one-story villa residential units, and 24 hybrid apartments, for a total of 285 residential units; a health care center consisting of 71 assisted living units and 70 skilled nursing units; an aquatic and fitness center; a central services building, and a resident activities center which includes a 340 seat state of the art theatre and multiple resident art, craft and hobby stations.

The Foundation was incorporated in 2000 as an organization to serve exclusively as a supporting organization for the benefit of the Community. The mission of the Foundation is to strengthen the quality and expand the quantity of life-enriching programs for all residents of the Community.

Management & Development was incorporated in 2012 as a management company, organized to provide management services to the Community and other health care organizations.

ACE is a private nonprofit agency whose mission is to exceed the needs of a diverse and evolving population of older adults through innovative and supportive home and community based services. ACE offers one adult day center, three group respite sites, and Caregiver Education. Services became the sole member of ACE in 2013 to establish a collaborative arrangement for the creation, development, and management of an aging services continuum centered around adult day care in Guilford County, North Carolina. In 2016, the Community transferred its Home Care operations to Well•Spring Home Care, LLC (WSHC). WSHC is a single member LLC with ACE being the sole member. Assets of the home care operation were transferred to WSHC at net book value, which approximated fair market value at the time of transfer.

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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

Organization (Continued)

In 2017, Services and the related organizations went through an organization-wide rebranding effort. As a result of the rebranding effort, the Community is now doing business as Well•Spring, A Life Plan Community. Services is now doing business as The Well•Spring Group. ACE is now doing business as Well•Spring Solutions. WSHC is now doing business as Home Care From Well•Spring Solutions.

In July 2022, Well•Spring Services became the sole member of the Village through a member substitution agreement (the Member Substitution Agreement) with ARMC and The Moses H. Cone Memorial Hospital (Cone Health). The Member Substitution Agreement was entered into January 26, 2022, and the member substitution was finalized on July 1, 2022. The Village owns and manages a life plan community situated on approximately 76 acres located in Burlington, North Carolina. The Village consists of 110 independent living apartment units and 66 independent living cottage units; a 24-unit assisted living facility, which contains 12 tradition assisted living units and 12 memory support units; a 24-bed sheltered nursing unit; a community center; and a wellness center.

In 2024, the Well•Spring Group and Brightspire (formerly The Presbyterian Homes) signed a binding definitive agreement to move forward with an affiliation of the two organizations. A new parent entity called Kintura was created as the sole controlling corporate member of both Well•Spring Group and Brightspire. Kintura began operations October 1, 2024. The newly formed organization includes five life plan communities serving more than 2,000 residents and employs more than 2,100 team members over its communities and additional services and programs provided. To support the formation and operation of Kintura, the Well•Spring Group made a capital contribution of \$1,000,000 to Kintura during the year ended December 31, 2024.

All transactions between Services, the Community, the Foundation, ACE, Management & Development, and the Village are eliminated in the accompanying consolidated financial statements.

Basis of Accounting

The Organization classifies its funds for accounting and reporting purposes as either without donor restrictions or with donor restrictions. Under these provisions, net assets, revenue, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Include net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. At times, the governing board can designate, from net assets without donor restrictions, net assets for a board-designated endowment or other purposes.

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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

Basis of Accounting (Continued)

Net Assets With Donor Restrictions – Include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

Use of Estimates

The preparation of consolidated 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 amounts reported as assets and liabilities and disclosure of contingent assets and liabilities in the consolidated financial statements and accompanying notes. Estimates also affect the reported amount of revenues and expenses during the reporting period. Estimates made by the Organization relate primarily to the collectability of accounts and pledges receivable, the obligation to provide future services, the life expectancy used to amortize deferred revenue from entrance fees and the portion of entrance fees to be refunded. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments, other than those included in assets limited as to use, with a maturity of three months or less when purchased, to be cash equivalents.

Restricted cash included in assets limited as to use represents funds held by the trustee for use on expansion expenditures as required under the Community's bond agreements.

Investments

Investments are measured at fair market value in the accompanying consolidated balance sheets based on quoted market values. The Organization considers its investment portfolio to be a trading portfolio and, accordingly, all investment income or loss (including realized gains and losses on investments) is included in the excess of revenue, gains, and other support over expenses, unless the income is restricted by donor or by law.

Assets Limited as to Use

Assets limited as to use include assets held by a trustee under the terms of the loan and trust agreements whose use is specified in such agreements, amounts set aside for statutory operating reserves, amounts permanently restricted through endowments, amounts held as admission deposits, amounts held as refundable entrance fees, amounts set aside for benevolence assistance, amounts set aside for future community benefit and expansion, and other amounts designated by the board of trustees.

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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

Property and Equipment

Property and equipment are recorded at cost. All items with a cost of over \$1,000 and an estimated useful life of three years or more are capitalized. Donated property and equipment are recorded as an addition to net assets when received, based on the fair value of the asset on the date contributed. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the costs of acquiring these assets.

The following estimated useful lives are used to calculate depreciation:

| | |
|-------------------------|----------------|
| Land Improvements | 3 to 25 Years |
| Buildings | 20 to 40 Years |
| Building Improvements | 3 to 40 Years |
| Furniture and Equipment | 3 to 20 Years |

The Organization periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Impairment is determined to exist for assets to be held and used if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. Impairment is determined to exist for assets to be disposed of if estimated net realizable value is less than the carrying amount. Management has determined that no such impairment exists at December 31, 2024 and 2023.

Pledges Receivable

Pledges are recognized as revenue in the period in which the unconditional pledge is made. Conditional pledges to give are recognized when the conditions on which they depend are substantially met. Pledges receivable that are restricted by the donor for the acquisition of long-term assets or other purposes are classified as long-term assets. A current portion of the pledge receivable is included in the accompanying consolidated balance sheet for the amount that is scheduled to be received within the next year. The Community had \$500,000 and \$1,134,676 of pledges receivable at December 31, 2024 and 2023, respectively.

Pledges receivable have been recorded at net present value as of December 31, 2024 as follows:

| | |
|---------------------------|--------------------------|
| Due in Less Than One Year | \$ 300,000 |
| Due in Two Years or More | 200,000 |
| Total | <u>500,000</u> |
| Less: Current Portion | <u>(300,000)</u> |
| Pledges Receivable, Net | <u><u>\$ 200,000</u></u> |

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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

Accounts Receivable and Allowance for Credit Losses

Resident receivables are reported net of an allowance for credit losses to represent the Organization's estimate of expected losses at the consolidated balance sheet date. The Organization separates resident receivables into risk pools based on payors and aging. In determining the amount of the allowance as of the consolidated balance sheet date, the Organization develops a loss rate for each risk pool. This loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions. Allowances for credit losses were approximately \$44,000 and \$64,000 at December 31, 2024 and 2023, respectively.

Charitable Gift Annuity Liability

Under a program established in 2007, the Organization receives charitable gift annuities when a donor contributes assets to the Organization in exchange for the Organization paying a fixed annuity through the remainder of the donor's lifetime. The Organization calculates the present value of expected future annuity payments and records a liability, which are reassessed on an annual basis. The discount rate used during fiscal years 2024 and 2023 was 3.75%. The difference between the fair value of the charitable gift asset and the present value of the liability for future annuity payments is recorded as either a contribution with or without restrictions, depending upon the donor's specifications. As of December 31, 2023, the charitable gift assets at fair value and the present value of future payments were \$345,515 and \$156,860, respectively. As of December 31, 2024, the Organization held no charitable gift assets or liabilities.

Deferred Revenue from Entrance Fees and Refundable Entrance Fees

Entrance fees from the Organization's residency and care agreements, excluding the portion thereof that is estimated to be refundable to the resident, are recorded as deferred revenue from nonrefundable entrance fees and recognized as income over the estimated life expectancy, adjusted annually, for each resident.

A portion of the entrance fee may be refundable when the residency is terminated. In accordance with the continuing care contract, the nonrefundable portion is reduced each month, commencing with the date of occupancy and recognized as income over the estimated life expectancy, annually, for each resident. Under certain contracts, a minimum of 90% of the original entrance fee will be refunded. Such minimum refundable amounts are shown as refundable entrance fees in the accompanying consolidated balance sheets. Total contractual refund obligations for the Community and the Village in the event of move-out, death, or termination at December 31, 2024 and 2023 were approximately \$21,092,000 and \$15,927,000, respectively. Management's estimate of the portion of these amounts that will actually be refunded in addition to the minimum amount is recorded as deferred revenue from entrance fees within current liabilities in the accompanying consolidated balance sheets.

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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

Deferred Financing Costs

Deferred Financing Costs include costs incurred in connection with the bond financing and issuance of bank-qualified debt. Such costs are amortized using the straight-line method, which approximates the effective interest method, over the term of the bonds and the term of the bank-qualified debt. Amortization of \$109,563 and \$95,425 in 2024 and 2023, respectively, is included with interest expense in the accompanying consolidated financial statements.

Assets Under Interest Rate Swap Agreements

The Organization entered into interest rate swap agreements to limit the effect of increases in the interest rates of variable rate debt. These interest rate swap agreements are reported in the accompanying balance sheets at the estimated fair value at December 31, 2024 and 2023. The Organization does not hold derivative instruments for any purpose other than limiting the effects of interest rate fluctuations and does not hold interest rate swap agreements for speculative or investment purposes.

Obligation to Provide Future Services

The Organization annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services). The obligation is discounted at 5.5%. The Organization recorded no net obligation associated with Lifecare or Modified Lifecare contract holders for the years ended December 31, 2024 and 2023.

Consolidated Statements of Operations

Provision of resident care and client services are the sole functions of the Community, the Village, and ACE. For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provision of resident care services are reported within revenues, gains, and other support over expenses.

Benevolent Assistance

The Organization has a benevolent assistance policy to identify residents who are unable to pay and uses certain funds designated for benevolent assistance to subsidize the charges for entrance fees and services provided to those residents. Such residents are identified based on financial information obtained from the resident and subsequent review and analysis. Since the Organization does not charge the residents for services provided, estimated charges for benevolent assistance are not included in revenue.

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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

Benevolent Assistance (Continued)

The Organization has estimated its direct and indirect costs of providing benevolent assistance under its benevolent assistance policy. In order to estimate the cost of providing such care, management calculated a cost-to-charge ratio by comparing the cost to provide services to residents and amount charged to residents. The cost-to-charge ratio is applied to the charges foregone to calculate the estimated direct and indirect cost of providing benevolent assistance. Using this methodology, the Organization has estimated the costs for services under the Organization's benevolent assistance policy to be approximately \$1,289,000 and \$1,025,000 for the years ended December 31, 2024 and 2023, respectively.

The Organization received approximately \$1,650,000 and \$1,414,000 to subsidize the costs of providing benevolent assistance under its benevolent assistance policy for the years ended December 31, 2024 and 2023, respectively.

Contributions

The Organization reports contributions of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the accompanying consolidated statements of operations and changes in net assets as Net Assets Released from Restrictions.

The Organization reports contributions of property and equipment as support without restriction unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restriction. Absent explicit donor stipulations about how long these must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed Nonfinancial Assets

The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with various projects. The Organization receives more than 6,000 volunteer hours per year. The Organization did not record any contributed nonfinancial assets related to these volunteer services for the years ended December 31, 2024 and 2023.

Various sites are used by the Organization on a part-time basis for the ACE respite programs. No rent was paid for use of the respite sites. For consolidated financial statements reporting purposes, a fair market value of \$31,200 for the years ended December 31, 2024 and 2023 has been calculated for donated facilities and reported on the consolidated statements of operations and changes in net assets as contributions of nonfinancial assets and related expenses. The fair market rental value is determined through inquiries of real-estate professionals and compared to rental rates for similar locations and facilities.

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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

Advertising

Advertising costs are expensed as incurred. Advertising expenses were approximately \$438,000 and \$373,000 for the years ended December 31, 2024 and 2023, respectively.

Excess of Revenue, Gains, and Other Support Over Expenses

The consolidated statements of operations and changes in net assets include excess of revenue, gains, and other support over expenses, which the Organization uses as its measure of operations. Changes in net assets without donor restrictions which are excluded from the operating measure, consistent with industry practice, are net assets released from restrictions for purchases of property, plant, and equipment, 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 transfers of net assets between affiliates.

Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash and cash equivalents. The Organization places its cash and cash equivalents with federally insured financial institutions, the balances of which exceed the federally insured limits from time to time. Management believes the risk of loss associated with these excess funds to be remote.

Income Tax Status

Services, the Community, ACE, the Foundation, and the Village are nonprofit organizations exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3).

Management & Development was a for-profit taxable corporation. During the year ended December 31, 2023, Management & Development converted from a for-profit taxable corporation to a nonprofit, single-member LLC of Services.

Services, the Community, the Foundation, ACE, the Village, and Management & Development file as tax-exempt organizations. Should any status be challenged in the future, Services, the Community, the Foundation, ACE, the Village, and Management & Development are open for examination by federal, state, and local authorities. Management is not aware of any activities that would jeopardize the tax-exempt status of Services, the Community, the Foundation, ACE, the Village, or Management & Development. Management is not aware of any significant activities that are subject to tax on unrelated business income or excise or other taxes for Services, the Community, the Foundation, ACE, or the Village.

Services, the Community, the Foundation, ACE, Management & Development, and the Village follow guidance on the income tax standard regarding the recognition and measurement of uncertain tax positions. The guidance has had no impact on the Organization's consolidated financial statements.

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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

Fair Value Measurements

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Organization 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 clients would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization 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. Assets and liabilities valued using Level 2 inputs include charitable gift annuities and interest rate swap agreements. The Organization does not hold any assets or liabilities that are valued using Level 3 inputs.

The Organization also follows guidance that allows reporting certain financial instruments at fair value. The 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 Organization 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.

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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

Membership Interest in PACE Programs

In 2010, the Community contributed \$76,500 to PACE of Guilford & Rockingham Counties, Inc. (PGRC), a nonprofit aging services provider, and became a member of PGRC. PGRC provides services in the community under the Program of All Inclusive Care for the Elderly (PACE), a risk-based long-term care program. The Community's membership interest in PGRC provided substantial benefits; however, the Community did not have a majority voting interest. The membership in PGRC was accounted for under the equity method due to the close affiliation between the Community and PGRC. During 2012, the Community transferred its membership interests in PGRC to Services. As a result of the membership interest being transferred to Services, the liability representing the Community's share of the cumulative change in net assets of PGRC was transferred to Services. During the years ended December 31, 2024 and 2023, Services recorded an increase in net assets of approximately \$5,790,000 and \$2,221,000, respectively, representing Service's share of the change in net assets of PGRC. No distribution was received in 2024 and 2023.

In February 2020, Services entered into a membership interest purchase and sale agreement for the purchase of an additional membership interest in PGRC. Effective June 1, 2020, the Community received an additional membership interest in PGRC of 3.5% for a total purchase price of \$329,613. The additional membership interest did not impact Services' voting interest or the accounting of Services' membership interests with PGRC.

The following are condensed financial statements of PGRC as of December 31:

Condensed Statements of Financial Position

| | <u>2024</u> | <u>2023</u> |
|------------------------------|----------------------|----------------------|
| Assets | \$ 23,550,616 | \$ 22,865,297 |
| Liabilities | 4,662,490 | 5,089,728 |
| Net Assets | 18,888,126 | 17,775,569 |
| Total Liabilities and Equity | <u>\$ 23,550,616</u> | <u>\$ 22,865,297</u> |

Condensed Statements of Operations

| | <u>2024</u> | <u>2023</u> |
|---|---------------------|---------------------|
| Total Operating Revenues | \$ 34,724,335 | \$ 28,699,628 |
| Total Operating Expenses | (25,811,780) | (23,698,246) |
| Change in Net Assets without Donor Restrictions | <u>\$ 8,912,555</u> | <u>\$ 5,001,382</u> |

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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

Membership Interest in PACE Programs (Continued)

Assets of approximately \$14,606,000 and \$9,361,000 are shown as an Investment in Joint Ventures on the consolidated balance sheets at December 31, 2024 and 2023, respectively. Services does not anticipate any material commitments or contingencies arising from its membership interest in PGRC.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 24, 2025, the date the consolidated financial statements were available to be issued.

NOTE 2 RESIDENT FEES EARNED AND CLIENT FEES

Resident fees earned and client fees are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing resident care, home care services, and adult day programs. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the residents and third-party payors several days after the services are performed. 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 Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization 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 in the facilities receiving skilled nursing services or residents receiving residential services in the facilities or clients receiving adult day or home care services. The Organization considers daily services provided to residents of the skilled nursing facilities, adult day clients and home care recipients, and monthly rental for residential services as a separate performance obligation and measures this 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 our residents and customers in a retail setting (for example, gift shop and cafeteria meals) and the Organization does not believe it is required to provide additional goods or services related to that sale.

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 2 RESIDENT FEES EARNED AND CLIENT FEES (CONTINUED)

Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization 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 Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policy, and/or implicit price concessions provided to residents. The Organization determines its estimates of contractual adjustments based on contractual agreements, its policy, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience and expectations about current and future economic conditions.

Agreements with third-party payors typically provide for payments at amounts less than established charges. Payment agreements with government assistance programs provide for payment using prospectively determined daily rates.

Generally, clients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization estimates the transaction price for clients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent charges to the estimate of the transaction price are generally recorded as adjustments to client fees in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended December 31, 2024 and 2023. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as credit losses.

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

The composition of resident fees earned and client fees by primary payor for the years ended December 31 is as follows:

| | 2024 | 2023 |
|--------------------------------|----------------------|----------------------|
| Private | \$ 55,407,887 | \$ 50,031,585 |
| Government Assistance Programs | 1,076,956 | 1,128,300 |
| Total | <u>\$ 56,484,843</u> | <u>\$ 51,159,885</u> |

Revenue from resident's deductibles and coinsurance are included in the categories presented above based on the primary payor.

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 2 RESIDENT FEES EARNED AND CLIENT FEES (CONTINUED)

The composition of resident fees earned and client fees is based on the Organization's lines of business, method of reimbursement, and timing of revenue recognition for the years ended December 31 are as follows:

| | 2024 | 2023 |
|--|----------------------|----------------------|
| Service Lines: | | |
| Independent Living | \$ 35,861,733 | \$ 31,432,566 |
| Assisted Living | 5,671,077 | 5,015,995 |
| Health Care Services | 11,473,755 | 11,528,199 |
| Adult Day | 1,456,540 | 1,407,576 |
| Home Care | 2,021,738 | 1,775,549 |
| Total | <u>\$ 56,484,843</u> | <u>\$ 51,159,885</u> |
| Method of Reimbursement: | | |
| Monthly Service Fees | \$ 38,517,572 | \$ 35,014,986 |
| Amortization of Entrance Fees | 9,661,132 | 5,432,437 |
| Fee for Service | 8,306,139 | 10,712,462 |
| Total | <u>\$ 56,484,843</u> | <u>\$ 51,159,885</u> |
| Timing of Revenue and Recognition: | | |
| Health Care Services Transferred Over Time | <u>\$ 56,484,843</u> | <u>\$ 51,159,885</u> |

Financing Component

The Organization has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due to its expectation that the period between the time the service is provided to a resident and the time that the resident or a third-party payor pays for that service will be one year or less. However, the Organization does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

The opening and closing contract balances were as follows:

| | Accounts Receivable | Deferred Revenue From Entrance Fees |
|-------------------|------------------------|---|
| January 1, 2023 | \$ 577,840 | \$ 64,902,284 |
| December 31, 2023 | 569,276 | 67,340,221 |
| December 31, 2024 | 662,194 | 68,921,223 |

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 3 INVESTMENTS AND ASSETS LIMITED AS TO USE

Investments and assets limited as to use, which are primarily cash, money market funds, mutual funds, and equities, are carried at market value. The following table summarizes the investments and assets limited as to use of the Organization:

| | 2024 | 2023 |
|---|----------------------|----------------------|
| Investments and Assets Limited as to Use: | | |
| Cash and Money Market | \$ 2,852,085 | \$ 2,185,170 |
| Equities | 1,395,024 | 1,320,243 |
| Mutual Funds - Fixed Income | 21,371,991 | 22,673,017 |
| Mutual Funds - Equities | 37,263,153 | 36,231,460 |
| Limited Partnership | 54,598 | 56,824 |
| Total | <u>\$ 62,936,851</u> | <u>\$ 62,466,714</u> |

Investment Income

Investment income for the years ended December 31 is comprised of the following:

| | 2024 | 2023 |
|--------------------------------|---------------------|---------------------|
| Interest and Dividends | \$ 2,391,764 | \$ 1,683,029 |
| Net Realized Gains | 817,854 | 90,239 |
| Subtotal | <u>3,209,618</u> | <u>1,773,268</u> |
| Net Change in Unrealized Gains | 1,744,612 | 5,548,473 |
| Total | <u>\$ 4,954,230</u> | <u>\$ 7,321,741</u> |

The Organization's investment portfolio is managed by an outside investment advisor and management does not maintain control over individual investments decisions. Although the Organization provides overall directions to the investment advisor, the determination as to when to buy or sell a specific investment is made by the outside investment advisor. Therefore, the Organization has classified its investment portfolio as a trading investment portfolio and all investment income, including unrealized gains and losses on investments, is included in the excess of revenue, gains, and other support over expenses.

Statutory Operating Reserve

Under regulations of the North Carolina Insurance Commission, the Organization is required to maintain an operating reserve equal to 25% of the total occupancy costs projected for the 12-month period following the period covered by the most recent statements filed with the Department of Insurance. The operating reserve of 25% is based upon an occupancy percentage of 90% or more.

At December 31, 2024 and 2023, management has estimated that approximately \$13,300,000 and \$11,928,000, respectively, would be necessary to meet the operating reserve requirements for the Community and the Village. Investments and assets limited as to use for statutory operating reserves are both available to fund the operating reserve requirement. The Organization has adequate reserves to meet this requirement.

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 3 INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

Health Care, Wellness Center, and the Arts Endowment

The Organization has received donations that were used to establish a health care endowment to underwrite the cost of additional staff to provide increased care to health care and assisted living residents. The Organization has received donations that were used to establish an endowment to underwrite the cost of operating the Organization's wellness center. Additionally, the Organization has received donations that were used to establish an endowment for the arts to fund performances and other events for the Organization's residents.

Admission Deposits

Admission deposits consist of future occupancy list fees and reservations fees. The Organization collects an admission deposit of \$1,000 and \$1,200, at the Community and the Village, respectively, to secure a space on the future occupancy list for a residential unit. A reservation fee of 10% of the entrance fee is received when a unit is available and a reservation agreement is executed. When a 10% reservation fee is received, a residential unit is considered reserved.

When the applicant takes occupancy of a unit and becomes a resident, the entire admission deposit of \$1,000 and \$1,200, at the Community and Village, respectively, is applied toward the entrance fee due. In the event of withdrawal from the future occupancy list or termination of the reservation, the applicant receives a refund of the admission deposit paid, less an administrative fee of \$250 and \$200, at the Community and Village, respectively. If the Organization terminates agreement, or the applicant is not accepted for admission, the entire admission deposit of \$1,000 and \$1,200, at the Community and Village, respectively, is refunded.

Benevolent Assistance and Other Assets Limited as to Use

Included in these amounts are funds that have been designated for benevolent assistance and other uses to benefit the residents and the Community.

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 4 PROPERTY AND EQUIPMENT

A summary of property and equipment for the years ended December 31 is as follows:

| | 2024 | 2023 |
|--------------------------------|------------------------------|------------------------------|
| Land | \$ 10,823,661 | \$ 10,823,661 |
| Land Improvements | 7,396,960 | 10,605,018 |
| Buildings | 139,092,332 | 121,916,370 |
| Building Improvements | 34,777,843 | 38,533,159 |
| Furniture and Equipment | 21,362,103 | 23,970,006 |
| Subtotal | <u>213,452,899</u> | <u>205,848,214</u> |
| Less: Accumulated Depreciation | <u>(82,350,593)</u> | <u>(78,828,828)</u> |
| Subtotal | 131,102,306 | 127,019,386 |
| Construction-In-Progress | 173,245 | 3,247,534 |
| Total | <u><u>\$ 131,275,551</u></u> | <u><u>\$ 130,266,920</u></u> |

The Organization had remaining commitments of approximately \$1,373,000 and \$7,429,000 related to certain capital projects at the Community and the Village that were in progress as of December 31, 2024 and 2023, respectively. Construction in progress at December 31, 2024 is related to general construction and renovations. Construction in progress at December 31, 2023 is related to general construction, renovations, and the Village's Garden Homes expansion project. The Community capitalized approximately \$79,000 and \$42,000 of interest during the years ended December 31, 2024 and 2023, respectively.

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 5 LONG-TERM DEBT

A summary of long-term debt outstanding at December 31 is as follows:

| <u>Description</u> | <u>2024</u> | <u>2023</u> |
|--|----------------------|----------------------|
| Series 2016A-2, bank qualified debt. Monthly payment of principal began November 25, 2016. All unpaid principal and interest is due January 1, 2027. Interest is payable monthly at a variable interest rate (4.958% at December 31, 2024). | \$ 1,750,417 | \$ 2,532,501 |
| Series 2016B; interest only through January 2019. Monthly payment of principal began January 25, 2019. All unpaid principal and interest is due January 1, 2041. Interest is payable monthly at a variable rate (5.190% at December 31, 2024). | 26,045,834 | 26,716,667 |
| Series 2020A-1; interest only through April 2023. Monthly payment of principal began April 1, 2023. All unpaid principal and interest is due April 1, 2048. Interest is payable monthly at a variable rate (4.750% at December 31, 2024). | 13,425,000 | 13,845,000 |
| 2022 Bank Loan; interest only through June 2023. Monthly payment of principal began July 1, 2023. All unpaid principal and interest is due June 1, 2037. Interest is payable monthly at a variable rate (5.80% at December 31, 2024). | <u>24,276,837</u> | <u>24,857,398</u> |
| Total | 65,498,088 | 67,951,566 |
| Less: Current Maturities | (2,415,452) | (2,453,477) |
| Less: Unamortized Deferred Financing Costs | <u>(604,089)</u> | <u>(713,652)</u> |
| Total | <u>\$ 62,478,547</u> | <u>\$ 64,784,437</u> |

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 5 LONG-TERM DEBT (CONTINUED)

In October 2016, the Community issued two loan agreements totaling \$40,000,000 in relation to the Public Finance Authority Retirement Facilities Revenue Refunding Bonds (Series 2016A Bonds) and the Public Finance Authority Retirement Facilities Revenue Bonds (Series 2016B). Proceeds of the Series 2016A Bonds, broken into two parts, Series 2016A-1 and Series 2016A-2, were used to refund the then outstanding Series 2003 Bonds and taxable variable rate debt. The bonds are secured by a lien on substantially all of the real and personal property comprising the Community and by a security interest in the Community's revenues without donor restrictions.

Effective January 1, 2018, interest rates changed on the Community's debt related to provisions in the debt agreements triggered by a decrease in the corporate tax rate. The Series 2016A-1, 2016A-2 and 2016B Bonds now bear interest at an adjustable rate which is 82.646% of One-Month LIBOR, as adjusted monthly with changes in One-Month LIBOR, plus 0.869%, 1.106% and 1.343% per annum, respectively. Effective January 1, 2023, these interest rates changed on the Community's debt related to Interest Rate reform to replace one-month LIBOR with one-month CME Term SOFR.

In March 2020, the Community issued a loan agreement totaling \$22,410,000 in relation to the Public Finance Authority Retirement Facilities Revenue Bonds (Series 2020A Bonds). Proceeds of the Series 2020A Bonds, broken into two parts, Series 2020A-1 and Series 2020A-2, were to be used to fund the construction of 24 new hybrid apartments. The bonds were secured by a lien on substantially all of the real and personal property comprising the Community. The Series 2020A-2 bond, amounting to \$8,250,000, was repaid during 2022 with entrance fees received on the initial occupants of the apartments. The remaining bond proceeds of \$14,160,000 relate to the Series 2020A-1 bond. The first 36-months of the Series 2020A-1 bond requires payments of interest only, with principal payable monthly starting April 2023. The Series 2020A-1 bond matures in April 2048. The Series 2020A-1 bond accrues interest at 79% of 1-Month LIBOR plus 1.0665%. Effective January 1, 2023, these interest rates changed on the Community's debt related to Interest Rate reform to replace one-month LIBOR with one-month CME Term SOFR.

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 5 LONG-TERM DEBT (CONTINUED)

On July 1, 2022, the Village entered into a loan agreement totaling \$25,000,000 with a financial institution (2022 Acquisition Loan). Proceeds of the 2022 Acquisition Loan were used to finance the acquisition of the membership interest of the Village in order to integrate the assisting living and health care facilities of the Village into the Well•Spring system. The Acquisition Loan is secured by a lien on substantially all of the real and personal property comprising the Village and by a security interest in the Village's unrestricted revenues. The Acquisition Loan bears interest at an adjustable rate of One-Month SOFR plus 1.25%. The first 12 months of the Acquisition Loan requires payments of interest only, with principal payable monthly starting July 2023.

On July 1, 2022, the Village entered into a loan agreement totaling \$5,000,000 with a financial institution (2022 Working Capital Term Loan). Proceeds of the 2022 Working Capital Term Loan are to be used to finance working capital expense and/or capital improvements. The Working Capital Term Loan is secured by a lien on substantially all of the real and personal property comprising the Village and by a security interest in the Village's unrestricted revenues. The Working Capital Term Loan bears interest at an adjustable rate of One-Month SOFR plus 1.25%. The first 12 months of the Working Capital Term Loan requires payments of interest only, with principal payable monthly starting July 2023. The Working Capital Term Loan matures in June 2037. No amounts have been drawn down on this loan as of December 31, 2024 and 2023.

In conjunction with the Member Substitution Agreement effective July 1, 2022, the Village joined an Obligated Group with the Community, who is a co-borrower on the 2022 Acquisition Loan and the 2022 Working Capital Term Loan. As part of the Obligated Group, the Village is required to adhere to covenant requirements per the Community's debt agreements.

The Amended and Restated Master Trust Indenture and Continuing Covenants Agreements require the maintenance of a long-term debt service coverage ratio in excess of 1.20 and 1.25, respectively. In addition, they contain other covenants restricting, among other things, incurrence of indebtedness, existence of liens on property, consolidation, and merger, and disposition of assets. At December 31, 2024 and 2023, management was not aware of any noncompliance with such restrictions and measures of financial performance.

The maturities of the long-term debt for the years subsequent to December 31, 2024 are as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---------------------------------|----------------------|
| 2025 | \$ 2,415,452 |
| 2026 | 2,505,697 |
| 2027 | 2,580,882 |
| 2028 | 2,639,430 |
| 2029 | 2,704,017 |
| Thereafter | 52,652,610 |
| Total | <u>\$ 65,498,088</u> |

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 5 LONG-TERM DEBT (CONTINUED)

Interest Rate Swap Agreements

During 2016, the Community entered into three variable-to-fixed interest rate swap agreements to manage the interest rate risk on the variable rate indebtedness on the Series 2016A and Series 2016B Bonds. Under the first swap agreement (Series 2016A-1 Swap), the Community's variable rate on the Series 2016A-1 borrowings was effectively converted to 1.435%. The Series 2016A-1 Swap had an effective date of October 18, 2016, and terminated on January 1, 2021. Under the second swap agreement (Series 2016A-2 Swap), the Community's variable rate on the Series 2016A-2 borrowings is effectively converted to 1.905% on a notional amount of \$4,647,500. The Series 2016A-2 Swap has an effective date of October 18, 2016, and terminates on January 1, 2027. Under the third swap agreement (Series 2016B Swap), the Community's variable rate on the Series 2016B borrowings is effectively converted to 2.385% on the assumed notional amount of \$30,795,000. The Series 2016B Swap was a forward swap on the Series 2016B Bonds (as defined above). The Community entered into the Series 2016B Swap on October 12, 2016, to secure a favorable fixed rate and received no benefits of the Series 2016B Swap until the effective date of July 1, 2018, and terminates on November 1, 2031. The Series 2016A-1 Swap, Series 2016A-2 Swap and Series 2016B Swap will be collectively referred to as the "2016 Swap Agreements."

In January of 2018, the 2016 Swap Agreements were amended due to an interest rate reset on the Community's debt related to provisions in the debt agreements triggered by a decrease in the corporate tax rate. The Series 2016A-2 Swap now has an effective date of January 1, 2018. The Community now pays a fixed rate of 2.479% on a current notional amount of \$1,750,417. The Series 2016B Swap now has an effective date of July 1, 2018. The Community now pays a fixed rate of 3.024% on a current notional amount of \$27,045,833.

In February of 2020, the Community entered into an additional variable-to-fixed interest rate swap agreement to manage the interest rate risk on the variable rate indebtedness on the Series 2020A-1 Bonds. Under the swap agreement (Series 2020A-1 Swap), the Community's variable rate on the Series 2020A-1 borrowings is effectively converted to 2.213% on a notional amount of \$13,425,000. The Series 2020A-1 Swap has an effective date of September 1, 2021, and terminates on March 1, 2035.

During 2022, the Village entered into a variable-to-fixed interest rate swap agreement to manage the interest rate risk on the variable rate indebtedness on a portion of the 2022 Acquisition Loan. Under the swap agreement, the Village's variable rate on the 2022 Acquisition Loan is effectively converted to 3.78% on a national amount of \$14,563,920. The swap has an effective date of July 1, 2022, and terminates on June 1, 2037.

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 5 LONG-TERM DEBT (CONTINUED)

Interest Rate Swap Agreements (Continued)

The total estimated fair value of the Swap Agreements as of December 31, 2024 and 2023, were assets of \$6,008,151 and \$4,959,195, respectively. The amounts are included on the consolidated balance sheets as Assets Under Interest Rate Swap Agreements. The change in fair value was a gain of \$1,048,956 and loss of \$835,927 and is included in Other Income (Loss) in the consolidated statements of operations for the years ended December 31, 2024 and 2023, respectively.

NOTE 6 COMMITMENTS AND CONTINGENCIES

Self-Insured Health Plan

Effective January 1, 2018, the Organization changed from a fully insured health insurance plan for its employees to a self-insured employee health plan. The Organization has purchased specific stop-loss protection for all claims over \$130,000 and aggregate stop-loss protection for total claims which exceed \$2,645,659. An accrual for the self-insurance program was established to estimate claims incurred through December 31, 2024 and 2023, but not reported. This accrual totaled approximately \$355,000 and \$309,000 at December 31, 2024 and 2023, respectively, and is included in Accounts Payable and Other Accrued Expenses on the consolidated balance sheets.

Professional Malpractice Liability Insurance

The Organization maintains insurance coverage for general and professional liability on an occurrence basis. Management is not aware of any claims, asserted or unasserted. Excess coverage is provided by an umbrella insurance policy.

NOTE 7 RETIREMENT PLAN

The Organization has multiple tax-deferred retirement savings plans that cover substantially all employees age 21 and over who have completed at least one year of service. The plans provide for a tax-deferred contribution by the Organization and an employee elective contribution. The Organization's total tax-deferred contribution was approximately \$316,000 and \$514,000 in 2024 and 2023, respectively. Assets of the plans are held in trust by the Variable Annuity Life Insurance Company and CUNA Mutual Group. Administrative expenses are paid from the assets of the plans.

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31 are available for the following purposes:

| | 2024 | 2023 |
|---|---------------------|---------------------|
| Subject to Expenditure for Specific Purpose: | | |
| Resident Activity Center / Dining Expansion | \$ 554,098 | \$ 512,199 |
| Residents Gratitude Fund | 52,423 | 55,917 |
| Employee Financial Assistance | 60,936 | 61,436 |
| Medical Director | 150,432 | 150,432 |
| Blessing Fund | 215,381 | 249,729 |
| Resident Financial Assistance | 96,789 | 130,731 |
| Health Care Fund | 39,330 | 1,023 |
| Counseling Fund | 54,630 | 54,630 |
| Wait Staff Scholarship | 92,268 | 99,258 |
| Art Gallery Fund | 50,175 | 50,175 |
| Entertainment Booster Fund | 175,303 | 105,227 |
| Other | 349,754 | 250,316 |
| Subject to the Organization's Spending Policy and Appropriation: | | |
| Investment in Perpetuity (including Amounts Above Original Gift Amount of \$2,845,198 in 2024 and 2023), the Income from which is Expendable to Support: | | |
| Health Center Staffing | 2,061,933 | 2,581,618 |
| Endowment for the Arts | 2,319,931 | 2,124,338 |
| Nursing Scholarship | 246,481 | 173,870 |
| Wellness Center | 150,052 | 137,758 |
| Community Benefit | 560,904 | 514,947 |
| Total | <u>\$ 7,230,820</u> | <u>\$ 7,253,604</u> |

During the years ended December 31, 2024 and 2023, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

| | 2024 | 2023 |
|------------------------------------|---------------------|---------------------|
| Purpose Restrictions Accomplished: | | |
| Residents Gratitude Fund | \$ 538,333 | \$ 336,984 |
| Adult Day and Care Partners | 1,620 | 36,000 |
| Benevolence Assistance | 265,315 | 2,171 |
| Other | 587,291 | 687,202 |
| Total | <u>\$ 1,392,559</u> | <u>\$ 1,062,357</u> |

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 9 ENDOWMENT FUNDS

The Organization's endowment funds consist of five (5) individual funds established for a variety of purposes, including benevolent assistance, health care staff, wellness center operations, community benefit, and the arts. Its endowments include both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of trustees of Services has interpreted the North Carolina Prudent Management of Institutional Funds Act (the Act) 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, Services classifies as net assets with donor restrictions that are perpetual in nature (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 in net assets with donor restrictions that are perpetual in nature is classified as net assets with donor restrictions that have purpose restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Act.

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

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Funds with Deficiencies

It is the Organization's policy to maintain the corpus amounts of each individual Donor-Restricted Endowment Fund received. If the fair value of assets associated with Individual Donor-Restricted Endowment Funds were to fall below the level that the donor or the Act requires the Organization to retain as a fund of perpetual duration, in accordance with GAAP, deficiencies of this nature are reported in net assets without donor restrictions.

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 9 ENDOWMENT FUNDS (CONTINUED)

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to preserve and grow capital, strive for consistent absolute returns, preserve purchasing power by striving for long-term returns which either match or exceed the set payout, fees and inflation without putting the principal value at imprudent risk, and diversify investments consistent with commonly accepted industry standard to minimize the risk of large losses.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Management targets a diversified asset allocation that meets the Organization's long-term rate of return objectives while avoiding undue risk from imprudent concentration in any single asset class or investment vehicle.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization's spending policy is consistent with its objective of preservation of the fair value of the original gift of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Endowment funds represented the following net asset categories:

| <u>December 31, 2024</u> | Without Donor Restrictions | Purpose Restricted | Perpetual in Nature | Total |
|---|----------------------------------|-----------------------|------------------------|----------------------|
| Donor-Restricted Endowment | | | | |
| Funds: Original Donor-Restricted Gift Amount and Amounts Required to be Retained by Donor | \$ - | \$ 2,659,246 | \$ 2,845,198 | \$ 5,504,444 |
| Board-Designated Endowment Funds | 4,537,891 | - | - | 4,537,891 |
| Total | <u>\$ 4,537,891</u> | <u>\$ 2,659,246</u> | <u>\$ 2,845,198</u> | <u>\$ 10,042,335</u> |
| <u>December 31, 2023</u> | | | | |
| Donor-Restricted Endowment | | | | |
| Funds: Original Donor-Restricted Gift Amount and Amounts Required to be Retained by Donor | \$ - | \$ 2,712,333 | \$ 2,845,198 | \$ 5,557,531 |
| Board-Designated Endowment Funds | 5,091,957 | - | - | 5,091,957 |
| Total | <u>\$ 5,091,957</u> | <u>\$ 2,712,333</u> | <u>\$ 2,845,198</u> | <u>\$ 10,649,488</u> |

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 9 ENDOWMENT FUNDS (CONTINUED)

Changes in endowment net assets for the fiscal year ended December 31, 2024 are as follows:

| | 2024 | | | |
|---|----------------------------------|-----------------------|------------------------|----------------------|
| | Without Donor Restrictions | Purpose Restricted | Perpetual in Nature | Total |
| Endowment Net Assets - Beginning of Year | \$ 5,091,957 | \$ 2,712,333 | \$ 2,845,198 | \$ 10,649,488 |
| Investment Return | 464,086 | 446,281 | - | 910,367 |
| Contributions | 586,212 | 50 | - | 586,262 |
| Appropriation of Endowment Assets for Expenditure | (1,604,364) | (499,418) | - | (2,103,782) |
| Endowment Net Assets - End of Year | <u>\$ 4,537,891</u> | <u>\$ 2,659,246</u> | <u>\$ 2,845,198</u> | <u>\$ 10,042,335</u> |

Changes in endowment net assets for the fiscal year ended December 31, 2023 are as follows:

| | 2023 | | | |
|---|----------------------------------|-----------------------|------------------------|----------------------|
| | Without Donor Restrictions | Purpose Restricted | Perpetual in Nature | Total |
| Endowment Net Assets - Beginning of Year | \$ 4,800,379 | \$ 2,121,351 | \$ 3,230,198 | \$ 10,151,928 |
| Investment Return | 731,263 | 523,201 | - | 1,254,464 |
| Contributions | 487,223 | 45,952 | 15,000 | 548,175 |
| Donor Redesignation of Endowment | - | 400,000 | (400,000) | - |
| Appropriation of Endowment Assets for Expenditure | (926,908) | (378,171) | - | (1,305,079) |
| Endowment Net Assets - End of Year | <u>\$ 5,091,957</u> | <u>\$ 2,712,333</u> | <u>\$ 2,845,198</u> | <u>\$ 10,649,488</u> |

NOTE 10 LIQUIDITY

The Organization invests cash in excess of short-term requirements in short-term investments. The Organization has long-term mutual funds and equity investments which are liquid within one week. As of December 31, 2024 and 2023, the Organization had working capital of \$35,775,060 and \$31,495,211, respectively.

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 10 LIQUIDITY (CONTINUED)

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:

| | 2024 | 2023 |
|-------------------------------------|----------------------|----------------------|
| Cash and Cash Equivalents | \$ 6,678,233 | \$ 4,720,695 |
| Investments | 37,014,781 | 37,148,946 |
| Statutory Operating Reserves | 13,300,000 | 11,928,000 |
| Board Designated Investments | 560,904 | 992,245 |
| Receivables, Net | 2,573,239 | 1,620,055 |
| Less: Purpose Restricted Net Assets | (4,385,622) | (4,408,406) |
| Total | <u>\$ 55,741,535</u> | <u>\$ 52,001,535</u> |

NOTE 11 FAIR VALUE MEASUREMENTS

The Organization 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 Organization measures fair value refer to Note 1 – Organization and Summary of Significant Accounting Policies. The following table presents the fair value hierarchy for the consolidated balances of the assets and liabilities of the Organization measured at fair value on a recurring basis as of December 31:

| | 2024 | | | |
|---|----------------------|---------------------|-------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Investments and Assets Limited as to Use | | | | |
| Mutual Funds - Fixed Income | \$ 21,371,991 | \$ - | \$ - | \$ 21,371,991 |
| Equities | 1,395,024 | - | - | 1,395,024 |
| Mutual Funds - Equities | 37,263,153 | - | - | 37,263,153 |
| Assets Under Interest Rate Swap Agreements | - | 6,008,151 | - | 6,008,151 |
| Total Investments and Assets Limited as to Use Measured at Fair Value | <u>\$ 60,030,168</u> | <u>\$ 6,008,151</u> | <u>\$ -</u> | <u>\$ 66,038,319</u> |

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)

| | 2023 | | | |
|---|----------------------|---------------------|-------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Investments and Assets Limited as to Use | | | | |
| Mutual Funds - Fixed Income | \$ 22,673,017 | \$ - | \$ - | \$ 22,673,017 |
| Equities | 1,320,243 | - | - | 1,320,243 |
| Mutual Funds - Equities | 36,231,460 | - | - | 36,231,460 |
| Assets Under Interest Rate Swap Agreements | - | 4,959,195 | - | 4,959,195 |
| Total Investments and Assets Limited as to Use Measured at Fair Value | <u>\$ 60,224,720</u> | <u>\$ 4,959,195</u> | <u>\$ -</u> | <u>\$ 65,183,915</u> |
| Liabilities: | | | | |
| Charitable Gift Annuities | \$ - | \$ 156,860 | \$ - | \$ 156,860 |
| Total Liabilities Measured at Fair Value | <u>\$ -</u> | <u>\$ 156,860</u> | <u>\$ -</u> | <u>\$ 156,860</u> |

During 2014, the Community entered into a subscription agreement (the Agreement) to purchase units of limited partnership interests (Units) from a limited partnership (the Fund). Under the terms of the Agreement, the Community has committed to purchasing one-half of a Unit, representing a commitment of \$125,000. The Fund was created for the purpose of making equity investments in companies that provide health care services and health care technology focused on the senior living and aging population market. Under the terms of the Agreement the Fund may make calls for payment of capital commitments at any time and from time to time after the closing date until the fourth anniversary of the closing date. Each call period shall be 12 months in length with each call not to exceed 35% of total capital commitments. As of December 31, 2024 and 2023, the carrying value of the Fund is \$54,598 and \$56,824, respectively, which represents the Community's capital commitments net of return of capital distributions. As of December 31, 2024 and 2023, these amounts are being carried at cost and are shown as Investments within the consolidated balance sheets.

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 12 FUNCTIONAL EXPENSES

Program, management, and fundraising expenses for the years ended December 31 are summarized as follows:

| | 2024 | | | | | |
|----------------------------------|------------------------|-------------------|--------------|------------------------|-------------|---------------|
| | Program Services | | | | | |
| | Life Plan | | | Management and General | | |
| | Retirement Communities | Adult Day Centers | Home Care | Total | Fundraising | Total |
| Salaries | \$ 19,647,906 | \$ 1,043,510 | \$ 1,077,518 | \$ 21,768,934 | \$ - | \$ 23,403,211 |
| Payroll Tax | 1,597,474 | 84,693 | 101,983 | 1,784,150 | - | 2,025,051 |
| Employee Benefits | 3,233,790 | 258,180 | 139,811 | 3,631,781 | - | 4,088,368 |
| Management Services | - | - | - | - | 78,414 | 3,420,072 |
| Legal Fees | - | - | - | - | - | 40,022 |
| Accounting Fees | - | - | - | - | - | 167,547 |
| Outside Services | 2,510,132 | 58,920 | 4,560 | 2,573,612 | 5,253 | 2,578,865 |
| Community Outreach | - | - | - | - | - | 696,325 |
| Advertising and Marketing | 50,564 | 40,014 | 135 | 90,713 | - | 819,983 |
| Office Expenses | 2,005,110 | 77,789 | 22,751 | 2,105,650 | - | 2,122,631 |
| Occupancy | 2,210,836 | 23,144 | - | 2,233,980 | - | 2,251,996 |
| Travel and Transportation | 33,984 | - | - | 33,984 | - | 39,608 |
| Conferences and Meetings | 56,997 | 6,745 | 372 | 64,114 | - | 74,725 |
| Interest | 2,262,974 | 26,540 | - | 2,289,514 | - | 2,289,514 |
| Depreciation | 10,334,248 | 85,971 | - | 10,420,219 | - | 10,505,562 |
| Insurance | 1,059,912 | 18,996 | 4,559 | 1,083,467 | - | 1,092,203 |
| Food | 3,030,408 | - | - | 3,030,408 | - | 3,030,408 |
| Equipment Rental and Maintenance | 2,322,908 | - | - | 2,322,908 | - | 2,322,908 |
| Resident Activities | 309,511 | - | - | 309,511 | - | 309,511 |
| Maintenance and Horticultural | 628,129 | - | - | 628,129 | - | 628,129 |
| Miscellaneous | 148,449 | - | 61,379 | 209,828 | - | 623,631 |
| Total Expenses by Function | \$ 51,443,332 | \$ 1,724,502 | \$ 1,413,068 | \$ 54,580,902 | \$ 83,667 | \$ 62,530,270 |

**WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 12 FUNCTIONAL EXPENSES (CONTINUED)

| | 2023 | | | | | |
|----------------------------------|------------------------|--------------|-------------------|------------------------|-------------|---------------|
| | Program Services | | | | | |
| | Life Plan | | Adult Day Centers | | Home Care | |
| | Retirement Communities | | Total | Management and General | Fundraising | Total |
| Salaries | \$ 18,955,185 | \$ 758,118 | \$ 1,529,676 | \$ 2,672,753 | \$ 20,876 | \$ 23,936,608 |
| Payroll Tax | 1,190,217 | 41,229 | 77,938 | 334,541 | 1,392 | 1,645,317 |
| Employee Benefits | 2,956,998 | 119,259 | 174,479 | 906,028 | 3,430 | 4,160,194 |
| Management Services | - | - | - | 1,368,474 | 65,238 | 1,433,712 |
| Legal Fees | - | - | - | 80,646 | - | 80,646 |
| Accounting Fees | - | - | - | 185,530 | - | 185,530 |
| Outside Services | 2,579,923 | 31,660 | 11,992 | 73,397 | 4,484 | 2,701,456 |
| Community Outreach | - | - | - | 365,719 | - | 365,719 |
| Advertising and Marketing | 19,866 | 59,289 | 515 | 385,430 | - | 465,100 |
| Office Expenses | 1,397,089 | 38,697 | 39,747 | 341,538 | 370 | 1,817,441 |
| Occupancy | 2,117,264 | 59,859 | 12,667 | 34,215 | - | 2,224,005 |
| Travel and Transportation | 11,784 | 1,204 | - | 1,950 | - | 14,938 |
| Conferences and Meetings | 51,224 | - | - | 8,478 | - | 59,702 |
| Interest | 2,599,847 | - | - | 2,599,847 | - | 2,599,847 |
| Depreciation | 10,195,138 | 78,257 | 275 | 61,392 | - | 10,335,062 |
| Insurance | 810,061 | 30,444 | 30,444 | 2,862 | - | 873,811 |
| Food | 2,222,072 | 94,558 | - | - | - | 2,316,630 |
| Equipment Rental and Maintenance | 3,022,390 | 31,708 | 1,222 | 31,667 | - | 3,086,987 |
| Resident Activities | 122,893 | - | - | 88,336 | - | 211,229 |
| Maintenance and Horticultural | 476,823 | - | - | - | - | 476,823 |
| Miscellaneous | 525,829 | 55,350 | 1,364 | 3,679,893 | 662 | 4,263,098 |
| Total Expenses by Function | \$ 49,254,603 | \$ 1,399,632 | \$ 1,880,319 | \$ 10,622,849 | \$ 96,452 | \$ 63,253,855 |

The consolidated 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. Expenses for the Life Plan Retirement Communities are specifically identified in their code to break out by program, management, and fundraising classifications. Expenses for Adult Day Centers and Home Care are allocated on the following methods. Salaries for management and fundraising were specifically identified and the following expenses were allocated based on those salaries as a percent of total salaries: payroll tax, employee benefits, other employee expenses, office supplies, dues, and subscriptions and miscellaneous. Depreciation for management was specifically identified. The following expenses were allocated based on that depreciation as a percent of total depreciation: telephone, utilities, and repairs and maintenance.

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2024
(SEE INDEPENDENT AUDITORS' REPORT)

| | Well-Spring Retirement Community, Inc. | The Village at Brookwood | Eliminating Entries | Obligated Group | Well-Spring Foundation | Well-Spring Services, Inc. | Well-Spring Management and Development, Inc. | Adult Center for Enrichment, Inc. | Eliminating Entries | Consolidated |
|--|--|--------------------------|---------------------|-----------------|------------------------|----------------------------|--|-----------------------------------|---------------------|----------------|
| CURRENT ASSETS | | | | | | | | | | |
| Cash and Cash Equivalents | \$ 2,824,608 | \$ 80,230 | \$ - | \$ 2,904,838 | \$ 720,487 | \$ 1,383,678 | \$ 769,082 | \$ 900,168 | \$ - | \$ 6,678,233 |
| Investments | 35,690,305 | - | - | 35,690,305 | - | 1,324,476 | - | - | - | 37,014,781 |
| | | | | | | | | | | |
| Resident and Client Accounts Receivable | 297,874 | 259,980 | - | 557,854 | - | - | - | 147,912 | - | 705,766 |
| Allowance for Credit Losses | (225) | (43,347) | - | (43,572) | - | - | - | - | - | (43,572) |
| Resident and Client Accounts Receivable, Net | 297,649 | 216,633 | - | 514,282 | - | - | - | 147,912 | - | 662,194 |
| | | | | | | | | | | |
| Pledges Receivable | 200,000 | - | - | 200,000 | 100,000 | - | - | - | - | 300,000 |
| Intercompany Receivables | 215,323 | 285 | - | 215,608 | 650 | - | 32,971 | 86,280 | (335,509) | - |
| Other Receivables | 795,079 | 334,833 | - | 1,129,912 | - | - | 481,133 | - | - | 1,611,045 |
| Other Current Assets | 140,887 | 32,291 | - | 173,178 | - | - | - | 940,970 | - | 1,114,148 |
| Total Current Assets | 40,183,851 | 664,272 | - | 40,828,123 | 821,117 | 2,708,154 | 1,283,186 | 2,075,330 | (335,509) | 47,380,401 |
| ASSETS LIMITED AS TO USE | | | | | | | | | | |
| Statutory Operating Reserves | 9,400,000 | 3,900,000 | - | 13,300,000 | - | - | - | - | - | 13,300,000 |
| Health Care Endowment | - | - | - | - | 2,308,414 | - | - | - | - | 2,308,414 |
| Wellness Center Operational Endowment | - | - | - | - | 150,052 | - | - | - | - | 150,052 |
| Admissions Deposits | 797,660 | - | - | 797,660 | - | - | - | - | - | 797,660 |
| Refundable Entrance Fees | 355,996 | - | - | 355,996 | - | - | - | - | - | 355,996 |
| Benevolent Assistance | - | - | - | - | 4,678,034 | - | - | - | - | 4,678,034 |
| Endowment for the Arts | - | - | - | - | 2,319,931 | - | - | - | - | 2,319,931 |
| Community Benefit Reserve | - | - | - | - | 560,904 | - | - | - | - | 560,904 |
| Externally Restricted - Donor Restricted | 1,451,079 | - | - | 1,451,079 | - | - | - | - | - | 1,451,079 |
| Board Designated | 3,900,000 | - | (3,900,000) | - | - | - | - | - | - | - |
| Total Assets Limited as to Use | 15,904,735 | 3,900,000 | (3,900,000) | 15,904,735 | 10,017,335 | - | - | - | - | 25,922,070 |
| PROPERTY AND EQUIPMENT | | | | | | | | | | |
| Property and Equipment | 141,812,251 | 69,871,969 | - | 211,684,220 | - | - | - | 1,941,924 | - | 213,625,144 |
| Accumulated Depreciation | (63,331,801) | (18,489,687) | - | (81,821,488) | - | - | - | (529,105) | - | (82,350,593) |
| Total Property and Equipment, Net | 78,480,450 | 51,382,282 | - | 129,862,732 | - | - | - | 1,412,819 | - | 131,273,551 |
| ASSETS UNDER INTEREST RATE SWAP AGREEMENTS | | | | | | | | | | |
| | | | | | | | | | | |
| PLEDGES RECEIVABLES, NET OF CURRENT PORTION | | | | | | | | | | |
| | | | | | | | | | | |
| OTHER ASSETS | | | | | | | | | | |
| Investment in Joint Ventures | - | - | - | - | - | 14,606,372 | - | - | - | 14,606,372 |
| Beneficial Interest in Net Assets of Affiliates | - | - | - | - | - | 57,436,052 | - | - | (57,436,052) | - |
| Other | 205,782 | - | - | 205,782 | - | - | - | - | - | 205,782 |
| Total Other Assets | 205,782 | - | - | 205,782 | - | 72,042,424 | - | - | (57,436,052) | 14,812,154 |
| Total Assets | \$ 139,126,189 | \$ 57,663,334 | \$ (3,900,000) | \$ 192,908,523 | \$ 10,938,452 | \$ 74,750,578 | \$ 1,283,186 | \$ 3,488,149 | \$ (57,771,561) | \$ 225,598,327 |

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2024
(SEE INDEPENDENT AUDITORS' REPORT)

| | Well-Spring Retirement Community, Inc. | The Village at Brookwood | Eliminating Entries | Obligated Group | Well-Spring Foundation | Well-Spring Services, Inc. | Well-Spring Management and Development, Inc. | Adult Center for Enrichment, Inc. | Eliminating Entries | Consolidated |
|---|---|-----------------------------|------------------------|--------------------|---------------------------|-------------------------------|---|---|------------------------|----------------|
| CURRENT LIABILITIES | | | | | | | | | | |
| Accrued Interest Payable | \$ 95,379 | \$ 96,148 | \$ - | \$ 191,527 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 191,527 |
| Accounts Payable and Accrued Expenses | 1,029,838 | 1,458,199 | - | 2,488,037 | - | - | - | 48,323 | - | 2,536,360 |
| Accrued Salaries and Wages | 1,545,856 | 745,624 | - | 2,291,480 | - | - | 950,565 | 218,932 | - | 3,460,977 |
| Intercompany Payables | 86,265 | 90,854 | - | 177,119 | 73,124 | - | 30,117 | 55,149 | (335,509) | - |
| Deferred Resident Fee Revenue | 248,150 | - | - | 248,150 | - | - | - | - | - | 248,150 |
| Deferred Revenue from Entrance Fees | 65,000 | 1,200,000 | - | 1,265,000 | - | - | - | - | - | 1,265,000 |
| Current Portion of Long-Term Debt | 1,907,083 | 508,369 | - | 2,415,452 | - | - | - | - | - | 2,415,452 |
| Other Liabilities | 419,406 | - | - | 419,406 | - | 1,068,469 | - | - | - | 1,487,875 |
| Total Current Liabilities | 5,396,977 | 4,099,194 | - | 9,496,171 | 73,124 | 1,068,469 | 980,682 | 322,404 | (335,509) | 11,605,341 |
| LONG-TERM LIABILITIES | | | | | | | | | | |
| Admission Deposits | 797,660 | 297,346 | - | 1,095,006 | - | - | - | - | - | 1,095,006 |
| Deferred Revenue from Entrance Fees, Net of Current Portion | 47,852,282 | 19,803,941 | - | 67,656,223 | - | - | - | - | - | 67,656,223 |
| Refundable Entrance Fees | 355,996 | 8,725,105 | - | 9,081,101 | - | - | - | - | - | 9,081,101 |
| Long-Term Intercompany Payables | - | 3,900,000 | (3,900,000) | - | - | - | - | - | - | - |
| Long-Term Debt, Net | 39,074,006 | 23,404,541 | - | 62,478,547 | - | - | - | - | - | 62,478,547 |
| Total Long-Term Liabilities | 88,079,944 | 56,130,933 | (3,900,000) | 140,310,877 | - | - | - | - | - | 140,310,877 |
| Total Liabilities | 93,476,921 | 60,230,127 | (3,900,000) | 149,807,048 | 73,124 | 1,068,469 | 980,682 | 322,404 | (335,509) | 151,916,218 |
| NET ASSETS (DEFICIT) | | | | | | | | | | |
| Net Assets Without Donor Restrictions | 44,145,875 | (2,707,839) | - | 41,438,036 | 5,385,884 | 66,301,289 | 302,504 | 2,928,808 | (49,905,232) | 66,451,289 |
| Net Assets With Donor Restrictions: | | | | | | | | | | |
| Purpose Restrictions | 1,503,393 | 161,046 | - | 1,664,439 | 2,659,246 | 4,535,622 | - | 211,937 | (4,685,622) | 4,385,622 |
| Perpetual in Nature | - | - | - | - | 2,820,198 | 2,845,198 | - | 25,000 | (2,845,198) | 2,845,198 |
| Total Net Assets (Deficit) | 45,649,268 | (2,546,793) | - | 43,102,475 | 10,865,328 | 73,682,109 | 302,504 | 3,165,745 | (57,436,052) | 73,682,109 |
| Total Liabilities and Net Assets (Deficit) | \$ 139,126,189 | \$ 57,683,334 | \$ (3,900,000) | \$ 192,909,523 | \$ 10,938,452 | \$ 74,750,578 | \$ 1,283,186 | \$ 3,488,149 | \$ (57,771,561) | \$ 225,598,327 |

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

| | Well-Spring Retirement Community, Inc. | The Village at Brookwood | Eliminating Entries | Obligated Group | Well-Spring Foundation | Well-Spring Services, Inc. | Well-Spring Management and Development, Inc. | Adult Center for Enrichment, Inc. | Eliminating Entries | Consolidated |
|--|---|-----------------------------|------------------------|--------------------|---------------------------|-------------------------------|---|---|------------------------|----------------|
| CURRENT ASSETS | | | | | | | | | | |
| Cash and Cash Equivalents | \$ 1,032,897 | \$ 1,705,960 | \$ - | \$ 2,742,857 | \$ 395,620 | \$ 209,834 | \$ 749,884 | \$ 622,500 | \$ - | \$ 4,720,695 |
| Investments | 34,662,209 | - | - | 34,662,209 | 32,460 | 2,454,257 | - | - | - | 37,148,946 |
| Resident and Client Accounts Receivable | 284,936 | 223,601 | - | 508,537 | - | - | - | 125,192 | - | 633,729 |
| Allowance for Credit Losses | (21,106) | (43,347) | - | (64,453) | - | - | - | - | - | (64,453) |
| Resident and Client Accounts Receivable, Net | 263,830 | 180,254 | - | 444,084 | - | - | - | 125,192 | - | 569,276 |
| Pledges Receivable | 220,870 | - | - | 220,870 | 100,000 | - | - | - | - | 320,870 |
| Intercompany Receivables | 604,133 | 140,175 | - | 744,308 | - | - | 348,824 | 299,099 | (1,392,231) | - |
| Other Receivables | 421,190 | 308,516 | - | 729,706 | 87 | - | 116 | - | - | 729,909 |
| Other Current Assets | 320,919 | 94,875 | - | 415,794 | - | - | 24,180 | 420,621 | - | 860,595 |
| Total Current Assets | 37,526,048 | 2,433,780 | - | 39,959,828 | 528,187 | 2,664,091 | 1,123,004 | 1,467,412 | (1,392,231) | 44,350,291 |
| ASSETS LIMITED AS TO USE | | | | | | | | | | |
| Statutory Operating Reserves | 8,028,000 | 3,900,000 | - | 11,928,000 | - | - | - | - | - | 11,928,000 |
| Health Care Endowment | - | - | - | - | 2,267,104 | - | - | - | - | 2,267,104 |
| Wellness Center Operational Endowment | - | - | - | - | 137,758 | - | - | - | - | 137,758 |
| Admissions Deposits | 612,890 | - | - | 612,890 | - | - | - | - | - | 612,890 |
| Refundable Entrance Fees | 355,996 | - | - | 355,996 | - | - | - | - | - | 355,996 |
| Benevolent Assistance | - | - | - | - | 5,103,043 | - | - | - | - | 5,103,043 |
| Charitable Gift Annuity | - | - | - | - | 345,315 | - | - | - | - | 345,315 |
| Future Expansion of Well-Spring | - | - | - | - | 477,298 | - | - | - | - | 477,298 |
| Endowment for the Arts | - | - | - | - | 2,124,338 | - | - | - | - | 2,124,338 |
| Community Benefit Reserve | - | - | - | - | 514,947 | - | - | - | - | 514,947 |
| Externally Restricted - Donor Restricted | 1,451,079 | - | - | 1,451,079 | - | - | - | - | - | 1,451,079 |
| Board Designated | 3,900,000 | - | (3,900,000) | - | - | - | - | - | - | - |
| Total Assets Limited as to Use | 14,347,965 | 3,900,000 | (3,900,000) | 14,347,965 | 10,969,803 | - | - | - | - | 25,317,768 |
| PROPERTY AND EQUIPMENT | | | | | | | | | | |
| Property and Equipment | 156,064,891 | 74,381,416 | - | 230,446,107 | - | - | 27,534 | 2,077,891 | - | 232,551,532 |
| Accumulated Depreciation | (73,777,681) | (27,920,169) | - | (101,697,850) | - | - | - | (586,762) | - | (102,284,612) |
| Total Property and Equipment, Net | 82,287,210 | 46,461,247 | - | 128,748,257 | - | - | 27,534 | 1,491,129 | - | 130,266,920 |
| ASSET UNDER INTEREST RATE SWAP AGREEMENTS | | | | | | | | | | |
| PLEDGES RECEIVABLE, NET OF CURRENT PORTION | 3,777,609 | 1,181,586 | - | 4,959,195 | - | - | - | - | - | 4,959,195 |
| OTHER ASSETS | 551,000 | - | - | 551,000 | 200,000 | - | - | - | - | 751,000 |
| Investment in Joint Ventures | - | - | - | - | - | - | - | - | - | - |
| Beneficial Interest in Net Assets of Affiliates | - | - | - | - | - | 9,361,038 | - | - | (53,528,372) | 9,361,038 |
| Other | 241,036 | - | - | 241,036 | - | 53,528,372 | - | - | - | 241,036 |
| Total Other Assets | 241,036 | - | - | 241,036 | - | 62,889,410 | - | - | (53,528,372) | 9,602,074 |
| Total Assets | \$ 138,730,668 | \$ 53,976,613 | \$ (3,900,000) | \$ 188,807,281 | \$ 11,697,990 | \$ 65,553,501 | \$ 1,150,538 | \$ 2,958,541 | \$ (54,920,603) | \$ 215,247,248 |

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

| | Well-Spring Retirement Community, Inc. | The Village at Brookwood | Eliminating Entries | Obligated Group | Well-Spring Foundation | Well-Spring Services, Inc. | Well-Spring Management and Development, Inc. | Adult Center for Enrichment, Inc. | Eliminating Entries | Consolidated |
|---|--|--------------------------|---------------------|-----------------|------------------------|----------------------------|--|-----------------------------------|---------------------|----------------|
| CURRENT LIABILITIES | | | | | | | | | | |
| Accrued Interest Payable | \$ 99,069 | \$ 105,132 | \$ - | \$ 204,201 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 204,201 |
| Accounts Payable and Accrued Expenses | 1,551,978 | 2,941,257 | - | 4,493,235 | - | - | - | 35,200 | - | 4,528,435 |
| Accrued Salaries and Wages | 1,372,399 | 677,433 | - | 2,049,832 | - | - | 533,644 | 202,140 | - | 2,785,616 |
| Intercompany Payables | 383,219 | 138,139 | - | 521,358 | 444,890 | - | 311,885 | 114,098 | (1,392,231) | - |
| Deferred Resident Fee Revenue | 256,971 | - | - | 256,971 | - | - | - | - | - | 256,971 |
| Deferred Revenue from Entrance Fees | 150,000 | 900,000 | - | 1,050,000 | - | - | - | - | - | 1,050,000 |
| Current Portion of Long-Term Debt | 1,872,916 | 580,581 | - | 2,453,477 | - | - | - | - | - | 2,453,477 |
| Other Liabilities | 535,576 | - | - | 535,576 | - | 1,040,804 | - | - | - | 1,576,380 |
| Total Current Liabilities | 6,222,128 | 5,342,522 | - | 11,564,650 | 444,890 | 1,040,804 | 845,529 | 351,438 | (1,392,231) | 12,855,080 |
| LONG-TERM LIABILITIES | | | | | | | | | | |
| Admission Deposits | 612,890 | 1,867,566 | - | 2,480,456 | - | - | - | - | - | 2,480,456 |
| Charitable Gift Annuity Payment Liability | - | - | - | - | 156,860 | - | - | - | - | 156,860 |
| Deferred Revenue from Entrance Fees, Net of Current Portion | 48,511,565 | 17,778,656 | - | 66,290,221 | - | - | - | - | - | 66,290,221 |
| Refundable Entrance Fees | 355,996 | 3,811,501 | - | 4,167,497 | - | - | - | - | - | 4,167,497 |
| Long-Term Intercompany Payables | - | 3,900,000 | (3,900,000) | - | - | - | - | - | - | - |
| Long-Term Debt, Less Current Portion | 40,890,526 | 23,883,911 | - | 64,784,437 | - | - | - | - | - | 64,784,437 |
| Total Long-Term Liabilities | 90,370,977 | 51,251,634 | (3,900,000) | 137,722,611 | 156,860 | - | - | - | - | 137,879,471 |
| Total Liabilities | 98,593,105 | 56,594,156 | (3,900,000) | 149,287,261 | 601,750 | 1,040,804 | 845,529 | 351,438 | (1,392,231) | 150,734,551 |
| NET ASSETS (DEFICIT) | | | | | | | | | | |
| Net Assets Without Donor Restrictions | 40,707,798 | (2,822,094) | - | 37,885,704 | 5,563,709 | 57,109,093 | 305,009 | 2,370,346 | (45,974,768) | 57,259,093 |
| Net Assets With Donor Restrictions: | | | | | | | | | | |
| Purpose Restrictions | 1,425,765 | 204,551 | - | 1,634,316 | 2,712,333 | 4,558,406 | - | 211,757 | (4,708,406) | 4,408,406 |
| Perpetual in Nature | - | - | - | - | 2,820,198 | 2,845,198 | - | 25,000 | (2,845,198) | 2,845,198 |
| Total Net Assets (Deficit) | 42,133,563 | (2,617,543) | - | 39,520,020 | 11,096,240 | 64,512,697 | 305,009 | 2,607,103 | (53,528,372) | 64,512,697 |
| Total Liabilities and Net Assets (Deficit) | \$ 138,730,668 | \$ 53,976,613 | \$ (3,900,000) | \$ 188,807,281 | \$ 11,697,990 | \$ 65,553,501 | \$ 1,150,538 | \$ 2,958,541 | \$ (54,920,603) | \$ 215,247,248 |

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2024
(SEE INDEPENDENT AUDITORS' REPORT)

| | Well-Spring Retirement Community, Inc. | The Village at Brookwood | Eliminating Entries | Obligated Group | Well-Spring Foundation | Well-Spring Services, Inc. | Well-Spring Management and Development, Inc. | Adult Center for Enrichment, Inc. | Eliminating Entries | Consolidated |
|---|--|--------------------------|---------------------|-----------------|------------------------|----------------------------|--|-----------------------------------|---------------------|---------------|
| REVENUE, GAINS, AND OTHER SUPPORT | | | | | | | | | | |
| Resident Fees Earned and Client Fees, Including Amortization of Deferred Revenue from Nonrefundable Entrance Fees | \$ 37,832,774 | \$ 15,173,791 | \$ - | \$ 53,006,565 | \$ - | \$ - | \$ - | \$ 3,478,278 | \$ - | \$ 56,484,843 |
| Investment Income | 4,484,867 | 5,277 | - | 4,490,144 | 464,086 | 40,716 | - | - | (40,716) | 4,954,230 |
| Net Assets Released from Restrictions for Use in Operations | 683,465 | 208,056 | - | 891,521 | 489,418 | - | - | 1,620 | - | 1,392,559 |
| Contributions of Nonfinancial Assets | - | - | - | - | - | - | - | 31,200 | - | 31,200 |
| Other Revenue | 467,338 | 1,414,823 | - | 1,882,161 | 586,042 | 2,083 | 2,488,522 | 665,978 | (2,488,021) | 3,138,765 |
| Total Revenue, Gains, and Other Support | 43,468,444 | 16,801,947 | - | 60,270,391 | 1,549,546 | 42,799 | 2,488,522 | 4,177,076 | (2,526,737) | 66,001,597 |
| EXPENSES | | | | | | | | | | |
| Resident Care | 10,817,083 | 3,680,814 | - | 14,497,897 | - | - | - | 3,051,598 | - | 17,549,495 |
| Dietary | 6,052,428 | 2,476,208 | - | 8,528,636 | - | - | - | - | - | 8,528,636 |
| Housekeeping | 1,777,968 | 610,208 | - | 2,388,196 | - | - | - | - | - | 2,388,196 |
| Plant Operations | 5,096,670 | 1,963,441 | - | 7,060,111 | - | - | - | - | - | 7,060,111 |
| General and Administrative | 9,093,770 | 4,161,233 | - | 13,255,003 | 414,155 | 770 | 2,491,027 | 480,352 | (2,526,737) | 14,114,570 |
| Depreciation | 7,329,520 | 3,089,378 | - | 10,418,898 | - | - | - | 86,664 | - | 10,505,562 |
| Interest and Amortization | 1,240,517 | 1,143,183 | - | 2,383,700 | - | - | - | - | - | 2,383,700 |
| Total Expenses | 41,407,976 | 17,124,465 | - | 58,532,441 | 414,155 | 770 | 2,491,027 | 3,618,614 | (2,526,737) | 62,530,270 |
| OPERATING INCOME (LOSS) | 2,060,468 | (322,518) | - | 1,737,950 | 1,135,391 | 42,029 | (2,505) | 558,462 | - | 3,471,327 |
| OTHER INCOME (LOSS) | | | | | | | | | | |
| Change in Value of Interest Rate Swap Agreements | 493,762 | 555,194 | - | 1,048,956 | - | - | - | - | - | 1,048,956 |
| Accrued Interest | - | (118,421) | - | (118,421) | - | - | - | - | - | (118,421) |
| Provision for Gains of Membership Interests | - | - | - | - | - | 5,790,334 | - | - | - | 5,790,334 |
| Total Other Income (Loss) | 493,762 | 436,773 | - | 930,535 | - | 5,790,334 | - | - | - | 6,720,669 |
| EXCESS (DEFICIT) OF REVENUE, GAINS, AND OTHER SUPPORT OVER (UNDER) EXPENSES | 2,554,230 | 114,255 | - | 2,668,485 | 1,135,391 | 5,832,363 | (2,505) | 558,462 | - | 10,192,196 |
| Increase in Beneficial Interest in Net Assets of Affiliates | - | - | - | - | - | 3,930,484 | - | - | (3,930,484) | - |
| Capital Contribution to Kintura | - | - | - | - | (429,369) | (570,631) | - | - | - | (1,000,000) |
| Transfer of Net Assets from Foundation to Well•Spring | 883,847 | - | - | 883,847 | (883,847) | - | - | - | - | - |
| Increase (Decrease) in Net Assets Without Donor Restrictions | 3,438,077 | 114,255 | - | 3,552,332 | (177,825) | 9,192,196 | (2,505) | 558,462 | (3,930,484) | 9,192,196 |
| Donor Restricted Contributions | - | - | - | - | - | - | - | - | - | - |
| Earnings on Permanently Restricted Net Assets | 757,093 | 164,551 | - | 921,644 | 50 | - | - | 1,800 | - | 923,494 |
| Increase in Beneficial Interest in Net Assets of Affiliates | - | - | - | - | 446,281 | - | - | - | - | 446,281 |
| Net Assets Released from Restrictions | (683,465) | (208,056) | - | (891,521) | (499,418) | (22,784) | - | (1,620) | 22,784 | - |
| Increase (Decrease) in Net Assets With Donor Restrictions | 73,628 | (43,505) | - | 30,123 | (53,087) | (22,784) | - | 180 | 22,784 | (1,392,559) |
| INCREASE (DECREASE) IN NET ASSETS | 3,511,705 | 70,750 | - | 3,582,455 | (230,912) | 9,169,412 | (2,505) | 558,642 | (3,907,680) | 9,169,412 |
| Net Assets (Deficit) - Beginning of Year | 42,137,563 | (2,617,543) | - | 39,520,020 | 11,096,240 | 64,512,697 | 305,009 | 2,807,103 | (53,528,372) | 64,512,697 |
| NET ASSETS (DEFICIT) - END OF YEAR | \$ 45,649,268 | \$ (2,546,793) | \$ - | \$ 43,102,475 | \$ 10,865,328 | \$ 73,682,109 | \$ 302,504 | \$ 3,165,745 | \$ (57,436,052) | \$ 73,682,109 |

WELL•SPRING SERVICES, INC.
(AN AFFILIATE OF KINTURA)
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

| | Well-Spring Retirement Community, Inc. | The Village at Brookwood | Eliminating Entries | Obligated Group | Well-Spring Foundation | Well-Spring Services, Inc. | Well-Spring Management and Development, Inc. | Adult Center for Enrichment, Inc. | Eliminating Entries | Consolidated |
|---|--|--------------------------|---------------------|-----------------|------------------------|----------------------------|--|-----------------------------------|---------------------|---------------|
| REVENUE, GAINS, AND OTHER SUPPORT | | | | | | | | | | |
| Resident Fees Earned and Client Fees, Including Amortization of Deferred Revenue from Nonrefundable Entrance Fees | \$ 35,935,053 | \$ 12,041,707 | \$ - | \$ 47,976,760 | \$ - | \$ - | \$ - | \$ 3,183,125 | \$ - | \$ 51,159,885 |
| Investment Income | 6,702,350 | 36,948 | - | 6,739,298 | 582,443 | 53,274 | - | - | (53,274) | 7,321,741 |
| Change in Value of Charitable Gift Annuities | - | - | - | - | (16,275) | - | - | - | - | (16,275) |
| Net Assets Released from Restrictions for Use in Operations | 550,189 | 60,930 | - | 611,119 | 378,171 | - | - | 62,712 | - | 1,052,002 |
| Contributions of Nonfinancial Assets | - | - | - | - | - | - | - | 31,200 | - | 31,200 |
| Other Revenue | 1,115,146 | 1,498,275 | - | 2,611,421 | 487,224 | 9,387 | 3,330,228 | 218,535 | (1,380,000) | 5,276,795 |
| Total Revenue, Gains, and Other Support | 44,302,738 | 13,633,860 | - | 57,938,598 | 1,431,563 | 62,661 | 3,330,228 | 3,495,572 | (1,433,274) | 64,825,348 |
| EXPENSES | | | | | | | | | | |
| Resident Care | 11,126,142 | 3,618,958 | - | 14,745,100 | - | - | - | 2,701,419 | - | 17,446,519 |
| Dietary | 5,959,644 | 2,196,778 | - | 8,156,422 | - | - | - | - | - | 8,156,422 |
| Housekeeping | 1,744,994 | 533,850 | - | 2,278,844 | - | - | - | - | - | 2,278,844 |
| Plant Operations | 5,123,082 | 2,158,747 | - | 7,281,829 | - | - | - | - | - | 7,281,829 |
| General and Administrative | 7,190,427 | 3,782,805 | - | 10,973,232 | 554,148 | 100,840 | 4,279,935 | 812,200 | (1,433,274) | 15,287,061 |
| Depreciation | 7,417,621 | 2,837,225 | - | 10,254,846 | - | 1,084 | - | 79,132 | - | 10,335,062 |
| Interest and Amortization | 1,277,483 | 1,190,615 | - | 2,468,098 | - | - | - | - | - | 2,468,098 |
| Total Expenses | 39,839,393 | 16,318,976 | - | 56,158,371 | 554,148 | 101,924 | 4,279,935 | 3,592,751 | (1,433,274) | 63,253,855 |
| OPERATING INCOME (LOSS) | 4,463,345 | (2,683,116) | - | 1,780,227 | 877,415 | (39,263) | (949,707) | (97,179) | - | 1,571,493 |
| OTHER INCOME (LOSS) | | | | | | | | | | |
| Change in Value of Interest Rate Swap Agreements | (680,794) | (155,133) | - | (835,927) | - | - | - | - | - | (835,927) |
| Loss on Disposal of Property and Equipment | - | - | - | - | - | (13,198) | - | - | - | (13,198) |
| Accreted Interest | - | (239,340) | - | (239,340) | - | - | - | - | - | (239,340) |
| Provision for Gains of Membership Interests | - | - | - | - | - | 2,220,566 | - | - | - | 2,220,566 |
| Total Other Income (Loss) | (680,794) | (394,473) | - | (1,075,267) | - | 2,207,368 | - | - | - | 1,132,101 |
| EXCESS (DEFICIT) OF REVENUE, GAINS, AND OTHER SUPPORT OVER (UNDER) EXPENSES | 3,782,551 | (3,077,591) | - | 704,960 | 877,415 | 2,168,105 | (949,707) | (97,179) | - | 2,703,594 |
| Net Assets Released from Restrictions for Purchase of Property and Equipment | - | 10,355 | - | 10,355 | - | - | - | - | - | 10,355 |
| Decrease in Beneficial Interest in Net Assets of Affiliates | - | - | - | - | - | 1,789,755 | - | - | (1,789,755) | - |
| Transfer of Net Assets from Foundation to Well-Spring | 751,290 | - | - | 751,290 | (751,290) | - | - | - | - | - |
| Transfer of Net Assets from Well-Spring to M&D | (780,000) | - | - | (780,000) | - | - | 780,000 | - | - | - |
| Transfer of Net Assets from Well-Spring to Services | (100,000) | - | - | (100,000) | - | 100,000 | - | - | - | - |
| Transfer of Net Assets from M&D to Services | - | - | - | - | - | (1,343,911) | 1,343,911 | - | - | - |
| Transfer of Net Assets from TVAB to M&D | - | (360,000) | - | (360,000) | - | - | 360,000 | - | - | - |
| Transfer of Net Assets from ACE to M&D | (392,000) | - | - | (392,000) | - | - | 20,000 | (20,000) | - | - |
| Transfer of Net Assets from Well-Spring to ACE | 3,261,841 | (3,427,236) | - | (165,395) | 126,125 | 2,713,949 | 1,554,204 | 274,921 | (1,789,755) | 2,713,949 |
| Increase (Decrease) in Net Assets Without Donor Restrictions | 609,196 | 6,096 | - | 615,292 | 45,952 | - | - | 105,752 | - | 766,996 |
| Donor Restricted Contributions | - | - | - | - | 523,201 | - | - | - | - | 523,201 |
| Earnings on Permanently Restricted Net Assets | - | - | - | - | - | 242,840 | - | - | (242,840) | - |
| Increase in Beneficial Interest in Net Assets of Affiliates | (550,189) | (71,285) | - | (621,474) | (378,171) | - | - | (62,712) | - | (1,082,357) |
| Net Assets Released from Restrictions | 59,007 | (65,189) | - | (6,182) | 190,982 | 242,840 | - | 43,040 | (242,840) | 227,840 |
| Increase (Decrease) in Net Assets With Donor Restrictions | - | - | - | - | - | - | - | - | - | - |
| Permanently Restricted Net Assets - Contributions | - | - | - | - | - | - | - | 15,000 | - | 15,000 |
| Increase in Permanently Restricted Net Assets | - | - | - | - | - | - | - | 15,000 | - | 15,000 |
| INCREASE (DECREASE) IN NET ASSETS | 3,320,848 | (3,492,425) | - | (171,577) | 317,107 | 2,956,789 | 1,554,204 | 332,861 | (2,032,595) | 2,956,789 |
| Net Assets (Deficit) - Beginning of Year | 38,816,715 | 874,882 | - | 39,691,597 | 10,779,133 | 61,555,908 | (1,249,195) | 2,274,242 | (51,495,777) | 61,555,908 |
| NET ASSETS (DEFICIT), END OF YEAR | \$ 42,137,563 | \$ (2,617,543) | \$ - | \$ 39,520,020 | \$ 11,096,240 | \$ 64,512,697 | \$ 305,009 | \$ 2,607,103 | \$ (53,528,372) | \$ 64,512,697 |



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**WELL·SPRING, INC.
(AN AFFILIATE OF KINTURA)**

COMPILATION OF A COMBINED FINANCIAL PROJECTION

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



TABLE OF CONTENTS

| | |
|---|----|
| Independent Accountants' Compilation Report..... | 1 |
| Projected Combined Statements of Operations and Changes in Net Assets Years Ending December 31, 2025 through 2029..... | 2 |
| Projected Combined Statements of Cash Flows Years Ending December 31, 2025 through 2029..... | 3 |
| Projected Combined Balance Sheet At December 31, 2025, 2026, 2027, 2028 and 2029 | 4 |
| Summary of Significant Projection Assumptions and Accounting Policies | |
| Introduction, Background Information and Summary of Significant Projection Assumptions..... | 6 |
| Summary of Significant Accounting Policies..... | 24 |



INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Well-Spring Services, Inc. Obligated Group
(An Affiliate of Kintura)
Greensboro, North Carolina

Management is responsible for the accompanying projected combined financial statements of the Obligated Group of Well-Spring Services, Inc.(an affiliate of Kintura) (the "Obligated Group"), which comprise the projected combined balance sheet as of December 31, 2025, 2026, 2027, 2028 and 2029, and the related projected combined statements of operations and changes in net assets, and cash flows for the years then ending, and the related summaries of significant projection assumptions and accounting policies in accordance with the guidelines for presentation of a financial projection 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 combined projected 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 these combined projected financial statements or the assumptions. Furthermore, even if the Obligated Group is able to achieve the hypothetical assumptions as noted in Management's Summary of Significant Projection Assumptions and Accounting Policies on page 6 (the "Hypothetical Assumptions"), occurs as projected, the projected results may not be achieved as there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

The accompanying projection, and this report, are intended solely for the information and use of management, the Board of Directors, and the North Carolina Department of Insurance (pursuant to the requirements of North Carolina General Statutes, Chapter 58, Article 64 and included in the Obligated Group'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

Charlotte, North Carolina
May 23, 2025

WELL-SPRING SERVICES, INC. OBLIGATED GROUP
(AN AFFILIATE OF KINTURA)
PROJECTED COMBINED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
ASSUMING HYPOTHETICAL ASSUMPTIONS NOTED ON PAGE 7
FOR THE YEARS ENDING DECEMBER 31,
(000s Omitted)

| | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|------|-----------|-----------|-----------|-----------|
| REVENUES, GAINS, AND OTHER SUPPORT | | | | | |
| Resident Fees Earned | \$ | 45,856 \$ | 48,156 \$ | 50,382 \$ | 52,676 \$ |
| Amortization of Entrance Fees | | 9,468 | 10,669 | 11,818 | 12,907 |
| Support from Affiliates, Net | | 982 | 982 | 982 | 982 |
| Investment Income | | 1,423 | 2,313 | 2,402 | 2,524 |
| Net Assets Released from Restrictions - Operations | | 92 | 92 | 92 | 92 |
| Other Revenue | | 1,736 | 1,740 | 1,744 | 1,751 |
| Total Revenues, Gains, and Other Support | | 59,557 | 63,952 | 67,420 | 70,928 |
| EXPENSES | | | | | |
| Health Care | | 12,493 | 12,987 | 13,500 | 14,034 |
| Resident Services | | 1,770 | 1,841 | 1,914 | 2,071 |
| Dietary | | 9,192 | 9,560 | 9,943 | 10,341 |
| Housekeeping | | 2,717 | 2,826 | 2,939 | 3,056 |
| Plant Operations | | 7,497 | 7,796 | 8,109 | 8,432 |
| General and Administrative | | 10,572 | 10,986 | 11,425 | 11,878 |
| Depreciation | | 10,510 | 10,046 | 9,398 | 8,716 |
| Interest and Amortization | | 2,844 | 2,808 | 2,746 | 2,632 |
| Management Services Fees | | 3,264 | 3,236 | 3,421 | 3,607 |
| Other Expenses | | 110 | 105 | 113 | 109 |
| Total Expenses | | 60,969 | 62,191 | 63,508 | 64,799 |
| OPERATING INCOME (LOSS) | | (1,412) | 1,761 | 3,912 | 6,129 |
| OTHER INCOME (LOSS) | | | | | |
| Accreted Interest | | (110) | (110) | (110) | (81) |
| Total Other Loss | | (110) | (110) | (110) | (81) |
| EXCESS (DEFICIT) OF REVENUES, GAINS, AND OTHER SUPPORT OVER (UNDER) EXPENSES | | (1,522) | 1,651 | 3,802 | 6,048 |
| CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS | | | | | |
| Net Assets Released from Restrictions - Operations | | (92) | (92) | (92) | (92) |
| Decrease in Net Assets With Donor Restrictions | | (92) | (92) | (92) | (92) |
| Increase (Decrease) in Net Assets | | (1,614) | 1,559 | 3,710 | 5,956 |
| Net Assets - Beginning of Year | | 43,102 | 41,488 | 43,047 | 46,757 |
| Net Assets - End of Year | \$ | 41,488 \$ | 43,047 \$ | 46,757 \$ | 52,713 \$ |
| | | | | | 60,922 |

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

WELL-SPRING SERVICES, INC. OBLIGATED GROUP
(AN AFFILIATE OF KINTURA)
PROJECTED COMBINED STATEMENTS OF CASH FLOWS
ASSUMING HYPOTHETICAL ASSUMPTIONS NOTED ON PAGE 7
FOR THE YEARS ENDING DECEMBER 31,
(000s Omitted)

| | 2025 | 2026 | 2027 | 2028 | 2029 |
|--|-----------|-----------------|-----------------|-----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Increase (Decrease) in Net Assets | \$ | (1,614) \$ | 1,559 \$ | 3,710 \$ | 5,956 \$ |
| Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities: | | | | | |
| Depreciation | | 10,510 | 10,046 | 9,398 | 8,716 |
| Amortization of Entrance Fees | | (9,468) | (10,669) | (11,818) | (12,907) |
| Entrance fees Received | | 13,792 | 13,792 | 13,792 | 13,792 |
| Amortization of Deferred Issuance Costs | | 105 | 105 | 105 | 71 |
| Accreted Interest | | 110 | 110 | 110 | 81 |
| Changes in Working Capital Components: | | | | | |
| (Increase) Decrease in: | | | | | |
| Accounts Receivable, Net | | 586 | (23) | (20) | (23) |
| Other Current Assets | | (7) | (7) | (7) | (7) |
| Increase (Decrease) in Accounts Payable, Accrued Expenses, and Other Current Liabilities | | 67 | (4) | (5) | 2 |
| Net Cash Provided by Operating Activities | | 14,081 | 14,909 | 15,265 | 15,681 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Purchase of Property and Equipment | | (9,770) | (10,112) | (9,616) | (9,826) |
| Change in Assets Limited As to Use | | 82 | (446) | (509) | (507) |
| Net Change in Investments | | (4,116) | (1,443) | (2,157) | (2,306) |
| Net Cash Used by Investing Activities | | (13,804) | (12,001) | (12,282) | (12,639) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Principal Payments on Long-Term Borrowings | | (2,415) | (2,506) | (2,581) | (2,640) |
| Entrance Fees Refunded | | (402) | (402) | (402) | (402) |
| Net Cash Used by Financing Activities | | (2,817) | (2,908) | (2,983) | (3,042) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | | | |
| | | (2,540) | - | - | - |
| Cash, Cash Equivalents, and Restricted Cash - Beginning of Year | | 3,120 | 580 | 580 | 580 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR | \$ | 580 \$ | 580 \$ | 580 \$ | 580 \$ |
| Supplementary Disclosure: Interest Paid During the Year | \$ | 2,844 \$ | 2,808 \$ | 2,746 \$ | 2,632 \$ |

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

WELL-SPRING SERVICES, INC. OBLIGATED GROUP
(AN AFFILIATE OF KINTURA)
PROJECTED COMBINED BALANCE SHEETS
ASSUMING HYPOTHETICAL ASSUMPTIONS NOTED ON PAGE 7
AT DECEMBER 31,
(000s Omitted)

| | 2025 | 2026 | 2027 | 2028 | 2029 |
|--|------------|------------|------------|------------|------------|
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and Cash Equivalents | | 580 \$ | 580 \$ | 580 \$ | 580 |
| Investments | \$ 35,706 | 37,151 | 39,306 | 41,612 | 45,402 |
| Resident Accounts Receivable, Net | 536 | 557 | 579 | 602 | 626 |
| Pledges Receivable | 200 | 200 | 200 | 200 | 200 |
| Other Receivables | 623 | 623 | 623 | 623 | 623 |
| Other Current Assets | 180 | 185 | 194 | 201 | 209 |
| Total Current Assets | 37,825 | 39,296 | 41,482 | 43,818 | 47,640 |
| ASSETS LIMITED AS TO USE | | | | | |
| Reserves Required by State Statute | 13,218 | 13,664 | 14,173 | 14,680 | 15,216 |
| Admission Deposits | 798 | 798 | 798 | 798 | 798 |
| Refundable Entrance Fees | 356 | 356 | 356 | 356 | 356 |
| Board Designated | 5,451 | 5,451 | 5,451 | 5,451 | 5,451 |
| Total Assets Limited as to Use | 19,823 | 20,269 | 20,778 | 21,285 | 21,821 |
| OTHER ASSETS | | | | | |
| Assets Under Interest Rate Swap Agreements | 6,008 | 6,008 | 6,008 | 6,008 | 6,008 |
| Other Assets | 206 | 206 | 206 | 206 | 206 |
| Total Other Assets | 6,214 | 6,214 | 6,214 | 6,214 | 6,214 |
| PROPERTY AND EQUIPMENT, NET | | | | | |
| Land, buildings and equipment | 221,454 | 231,566 | 241,182 | 251,008 | 259,685 |
| Less accumulated depreciation | 92,332 | 102,378 | 111,776 | 120,493 | 128,540 |
| Total Property and Equipment, Net | 129,122 | 129,188 | 129,406 | 130,515 | 131,145 |
| Total Assets | \$ 192,984 | \$ 194,967 | \$ 197,880 | \$ 201,832 | \$ 206,820 |

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

WELL-SPRING SERVICES, INC. OBLIGATED GROUP
(AN AFFILIATE OF KINTURA)
PROJECTED COMBINED BALANCE SHEETS
ASSUMING HYPOTHETICAL ASSUMPTIONS NOTED ON PAGE 7
AT DECEMBER 31,
(000s Omitted)

| | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|------|------------|------------|------------|---------|
| LIABILITIES AND NET ASSETS | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accrued Interest Payable | \$ | 96 \$ | 92 \$ | 88 \$ | 80 |
| Accounts Payable and Other Accrued Expenses | | 2,728 | 2,728 | 2,728 | 2,728 |
| Accrued Salaries and Wages | | 2,292 | 2,292 | 2,292 | 2,292 |
| Deferred Resident Fee Revenue | | 1,513 | 1,513 | 1,513 | 1,513 |
| Current Portion of Long-Term Debt | | 2,506 | 2,579 | 2,638 | 2,767 |
| Other Current Liabilities | | 419 | 419 | 419 | 417 |
| Total Current Liabilities | | 9,554 | 9,623 | 9,744 | 9,797 |
| LONG-TERM LIABILITIES | | | | | |
| Admission Deposits | | 1,147 | 1,182 | 1,200 | 1,188 |
| Deferred Revenue from Entrance Fees, Net of Current Portion | | 70,948 | 73,167 | 74,360 | 73,770 |
| Refundable Entrance Fees | | 9,769 | 10,346 | 10,816 | 11,176 |
| Long-Term Debt, Less Current Maturities | | 60,078 | 57,602 | 55,068 | 49,739 |
| Total Long-Term Liabilities | | 141,942 | 142,297 | 139,375 | 136,101 |
| Total Liabilities | | 151,496 | 151,920 | 149,119 | 145,898 |
| NET ASSETS | | | | | |
| Net Assets Without Donor Restrictions | | 39,916 | 41,567 | 45,369 | 51,417 |
| Net Assets With Donor Restrictions | | 1,572 | 1,480 | 1,388 | 1,296 |
| Total Net Assets | | 41,488 | 43,047 | 46,757 | 52,713 |
| Total Liabilities and Net Assets | \$ | 192,984 \$ | 194,967 \$ | 197,880 \$ | 206,820 |

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

Introduction, Background Information and Summary of Significant Projection Assumptions

Basis of Presentation

The accompanying financial projection presents, to the best of the knowledge and belief of management (“Management”) of Well·Spring Services, Inc. dba Well·Spring Retirement Community, Inc. (“Well·Spring”) and Alamance Extended Care, Inc. dba The Village at Brookwood (the “Village”) (collectively, the “Communities” or the “Obligated Group”) expected financial position, results of operations and changes in net assets and cash flows as of and for each of the five years ending December 31, 2029 (the “Projection Period”).

Kintura was founded in 2024 through the affiliation of the former organizations The Presbyterian Homes, Inc., (d/b/a Brightspire) and Well·Spring Services, Inc. (d/b/a The Well·Spring Group). Kintura, located in Greensboro, N.C., is a North Carolina not-for-profit corporation chartered by the State of North Carolina in 2024. Kintura is the controlling corporate parent of each Kintura affiliated life plan community. As the corporate parent Kintura shall appoint the board of directors of each Kintura life plan community and shall serve as the sole corporate member of each life plan community.

While each Kintura life plan community has its own board, the common parent Kintura board and its life plan community boards follow a board members-in-common model which means that individuals who sit on the board of directors for the common parent Kintura board also sit on the boards of directors of the individual life plan community boards at the same time, essentially sharing their board membership. Decision-making for each life plan community is made by the life plan community board. The board of directors of the common parent, Kintura, as well as each life plan community board consists of fifteen members, two of which are residents of Kintura life plan communities. A Kintura Board of Directors-appointed Board of Advisors – made up of resident representatives of each Kintura life plan community – provides insight and feedback to help inform Kintura decision-making.

Currently within Kintura, there exists two financially obligated groups for any indebtedness by the life plan communities. One obligated group within Kintura (Well·Spring Services, Inc.) is jointly obligated for the indebtedness of the Village and Well·Spring. The second obligated group within Kintura (Brightspire) is jointly obligated for the indebtedness of the Glenaire, River Landing at Sandy Ridge and Scotia Village life plan communities. The two obligated groups are not combined and are not obligated. The accompanying combined financial projection only includes the Obligated Group and none of the other affiliates.

All resident care contracts and agreements are made between the individual Kintura life plan community and the resident(s).

Accordingly, the combined projection reflects Management’s judgment as of May 23, 2025, the date of this projection, of the expected conditions and its expected course of action. The assumptions disclosed herein are the assumptions which Management believes are significant to the financial projection. There will usually be differences between projected and actual results, and the projected results may not be achieved, because events and circumstances frequently do not occur as expected, and those differences may be material.

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

Basis of Presentation (Continued)

Hypothetical Assumptions – A hypothetical assumption is an assumption used in a financial projection to present a condition or course of action that may not occur as expected, but is consistent with the purpose of presentation.

Management has prepared its financial projection with the following hypothetical assumptions:

- Management is able to achieve the projected occupancies, operating revenue inflationary rate increases and operating expense inflationary increases, as described hereinafter.

This financial projection is intended solely for the information and use of Management, the Board of Directors, and the North Carolina Department of Insurance (pursuant to the requirements of North Carolina General Statutes, Chapter 58, Article 64 and included in the Obligated Group's disclosure statement filing), and is not intended to be and should not be used by anyone other than these specified parties

Background

As of December 31, 2024, Well-Spring consists of approximately 90 acres in Greensboro, North Carolina. The community consists of a mid-rise apartment building containing 102 residential units; 50 one-story garden apartment residential units and 88 one-story villa residential units, and 24 hybrid apartments, for a total of 264 residential units; a health care center consisting of 60 assisted living units and 80 skilled nursing units, with 20 skilled nursing units designated as memory care units; an aquatic and fitness center; a central services building, and a resident activities center which includes a 340-seat state of the art theatre and multiple resident art, craft, and hobby studios.

The Village is situated on approximately 47 acres located in Burlington, North Carolina. The Village consists of 110 independent living apartment units and 66 independent living cottage units; a 24-unit assisted living facility, which contains 12 traditional assisted living units and 12 memory support units; a 24-bed sheltered nursing unit; a community center; and a wellness center.

Well-Spring offers two residence and care agreement options: Lifecare Residence and Care and Modified Lifecare Residence and Care. The Village offers two residence and care agreement options: Lifecare Residence and Care and Fee for Service Plan. Each of these options require payment of a one-time entrance fee and monthly service fees. Generally, payment of these fees entitles residents to the use and privileges of the facility for life. The occupancy agreement does not entitle the residents to an interest in the real estate or other property owned by the Obligated Group. All residents are fully responsible for payment of the above fees.

The following tables summarize the type, number, approximate square footage, monthly service fees and entrance fees for the independent living units, in fiscal year 2025 dollars.

Summary of Significant Projection Assumptions and Accounting Policies

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

Table 1
Well-Spring
Projected Independent Living Units Configuration and Pricing

| | | | Monthly Service Fee | | Entrance Fee | | |
|------------------------------|---------------------------------|-------------|---------------------|---------------|------------------------|---------------|------------------------|
| Type | | Square Feet | Number of Units | Plan A | Plan A | Plan A | Plan A |
| | | | | Lifecare Rate | Modified Lifecare Rate | Lifecare Rate | Modified Lifecare Rate |
| Apartments | | | | | | | |
| Azalea | 1 Bedroom / 1 Bath | 675 | 12 | \$ 4,188 | \$ 3,644 | \$ 175,100 | \$ 127,800 |
| Birch | 1 Bedroom / 1 Bath | 750 | 5 | \$ 4,188 | \$ 3,644 | \$ 175,100 | \$ 127,800 |
| Camellia | 1 Bedroom / 1 Bath Deluxe | 970 | 27 | \$ 5,014 | \$ 4,363 | \$ 232,000 | \$ 169,400 |
| Dogwood | 2 Bedroom / 1 Bath | 1,130 | 11 | \$ 5,372 | \$ 4,674 | \$ 309,700 | \$ 226,100 |
| Elm | 2 Bedroom / 2 Bath | 1,200 | 27 | \$ 5,628 | \$ 4,897 | \$ 335,300 | \$ 244,800 |
| Chestnut | 2 Bedroom / 2 Bath | 1,940 | 20 | \$ 7,107 | \$ 5,807 | \$ 464,100 | \$ 338,800 |
| Wildflower Square Apartments | | | | | | | |
| Rosemary | 2 Bedroom / 2 Bath with Balcony | 1,632 | 12 | \$ 6,753 | \$ 5,876 | \$ 458,400 | \$ 334,600 |
| Sage | 2 Bedroom / 2 Bath with Balcony | 1,998 | 12 | \$ 7,004 | \$ 6,094 | \$ 510,800 | \$ 372,900 |
| Garden Home | | | | | | | |
| Forsythia | 1 Bedroom / 1 Bath | 970 | 26 | \$ 5,148 | \$ 4,479 | \$ 232,000 | \$ 169,400 |
| Gardenia | 2 Bedroom / 2 Bath | 1,215 | 8 | \$ 5,642 | \$ 4,909 | \$ 329,900 | \$ 240,800 |
| Holly | 2 Bedroom / 1.5 Bath | 1,160 | 16 | \$ 5,515 | \$ 4,799 | \$ 318,600 | \$ 232,700 |
| Villa | | | | | | | |
| Ivy | 2 Bedroom / 2 Bath | 1,300 | 22 | \$ 5,867 | \$ 5,105 | \$ 348,300 | \$ 254,300 |
| Juniper | 2 Bedroom / 2 Bath with Study | 1,580 | 18 | \$ 6,540 | \$ 5,690 | \$ 420,200 | \$ 306,800 |
| Laurel | 2 Bedroom / 2 Bath with Sunroom | 2,140 | 15 | \$ 6,896 | \$ 6,000 | \$ 489,200 | \$ 357,100 |
| Maple | 3 Bedroom / 2 Bath with Sunroom | 2,380 | 10 | \$ 7,235 | \$ 6,295 | \$ 599,700 | \$ 437,800 |
| Oak | 2 Bedroom / 2 Bath with Sunroom | 2,115 | 12 | \$ 6,896 | \$ 6,000 | \$ 489,200 | \$ 357,100 |
| Pine | 3 Bedroom / 2 Bath with Sunroom | 2,380 | 11 | \$ 7,235 | \$ 6,295 | \$ 599,700 | \$ 437,800 |
| Total / Weighted Average | | 1,344 | 264 | \$ 5,973 | \$ 5,169 | \$ 368,977 | \$ 269,377 |
| Second Person Fee | | | | \$ 2,412 | \$ 2,099 | \$ 100,000 | \$ 73,100 |

Source: Management

Table 2
The Village
Projected Independent Living Units Configuration and Pricing

| | | | Monthly Service Fee | | Entrance Fee | | |
|--------------------------|------------------------|-----------------|---------------------|--------------|---------------|--------------|------------|
| Type | Square Feet | Number of Units | Fee for | | Fee for | | |
| | | | Lifecare Rate | Service Rate | Lifecare Rate | Service Rate | |
| Apartments | | | | | | | |
| Azalea | 1 Bedroom | 826 | 13 | \$ 3,492 | \$ 2,934 | \$ 237,500 | \$ 149,700 |
| Birch | 1 Bedroom with Den | 1,113 | 27 | \$ 3,798 | \$ 3,237 | \$ 291,900 | \$ 189,800 |
| Camellia | 2 Bedroom | 1,206 | 30 | \$ 4,151 | \$ 3,591 | \$ 310,100 | \$ 217,100 |
| Dogwood | 2 Bedroom with Den | 1,352 | 20 | \$ 4,505 | \$ 3,978 | \$ 346,600 | \$ 242,700 |
| Elm | 2 Bedroom Deluxe | 1,596 | 20 | \$ 4,885 | \$ 4,362 | \$ 384,300 | \$ 269,100 |
| Villa | | | | | | | |
| Holly | 2 Bedroom | 1,692 | 16 | \$ 5,334 | \$ 4,401 | \$ 393,000 | \$ 298,700 |
| Juniper | 2 Bedroom | 1,772 | 10 | \$ 5,402 | \$ 4,473 | \$ 451,900 | \$ 343,500 |
| Magnolia | 3 Bedroom | 1,892 | 23 | \$ 5,581 | \$ 4,683 | \$ 422,500 | \$ 321,200 |
| Oak | 2 Bedroom + Den/Office | 1,965 | 6 | \$ 5,743 | \$ 4,842 | \$ 440,300 | \$ 334,600 |
| Pine | 3 Bedroom | 2,160 | 11 | \$ 5,813 | \$ 4,916 | \$ 506,400 | \$ 384,900 |
| Total / Weighted Average | | 1,476 | 176 | \$ 4,695 | \$ 4,012 | \$ 361,514 | \$ 259,449 |
| Second Person Fee | | | | \$ 1,710 | \$ 1,093 | \$ 43,270 | \$ 28,800 |

Source: Management

The following tables summarize the type, number, approximate square footage, and monthly service fees for assisted living, memory care and skilled nursing, in fiscal year 2025 dollars.

Summary of Significant Projection Assumptions and Accounting Policies

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

Table 3
Well-Spring
Projected Health Care Center Configuration and Pricing

| Level of Care | Type | Square Feet | Number of Units | Per Diem | Monthly Service Fee | |
|-------------------------------|--------------------|-------------|-----------------|-----------|--------------------------|-----------------|
| | | | | | Plan A Modified LifeCare | Plan A LifeCare |
| Assisted Living Apartments | 1 Bedroom / 1 Bath | 475 | 60 | \$ 9,915 | \$ 8,428 | (1) |
| Skilled Nursing / Memory Care | 1 Bedroom / 1 Bath | 273 | 80 | \$ 16,030 | \$ 13,625 | (1) |

Source: Management

Note: (1) Residents under the Lifecare contract requiring skilled nursing and assisted living services receive no increase over their independent living monthly service fee, other than the charge for two additional daily meals not provided for in the monthly service fee and certain other items used for their care such as pharmaceuticals and supplies.

Table 4
The Village
Projected Health Care Center Configuration and Pricing

| Level of Care | Square Feet | Number of Units | Monthly Service Fee | |
|-----------------------------------|-------------|-----------------|------------------------|-------------------------------|
| | | | LifeCare Monthly Rates | Fee-for-Service Monthly Rates |
| Traditional Assisted Living Units | 289 - 367 | 12 | \$ 5,290 | \$ 7,220 |
| Memory Support Units | 289 - 367 | 12 | \$ 5,290 | \$ 9,343 |
| Sheltered Nursing Beds | 205 - 297 | 24 | \$ 5,290 | \$ 12,991 |

Source: Management

Occupancy

Residential Living

Based on the marketing efforts, the move-ins experience to date and historical occupancy experience, utilization of the residential units is projected as noted below. Resident attrition as a result of mortality and permanent transfer to the health center is estimated based on historical experience of operating the Communities. The following tables summarize the projected utilization during the Projection Period.

Table 5
Well-Spring
Projected Utilization of the Independent Living Units

| Year Ending December 31, | Average Available Units | Average Occupied Units | Average Occupancy Percent |
|--------------------------|-------------------------|------------------------|---------------------------|
| 2025 | 264 | 259 | 98.1% |
| 2026 | 264 | 259 | 98.1% |
| 2027 | 264 | 259 | 98.1% |
| 2028 | 264 | 259 | 98.1% |
| 2029 | 264 | 259 | 98.1% |

Source: Management

Summary of Significant Projection Assumptions and Accounting Policies

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

Management has assumed that the number of independent living units to have double occupancy will average approximately 30% for each year in the Projection Period.

Table 6
The Village
Projected Utilization of the Independent Living Units

| Year Ending December 31, | Average Available Units | Average Occupied Units | Average Occupancy Percent |
|---------------------------------|------------------------------------|-----------------------------------|--------------------------------------|
| 2025 | 176 | 168 | 95.4% |
| 2026 | 176 | 168 | 95.4% |
| 2027 | 176 | 168 | 95.4% |
| 2028 | 176 | 168 | 95.4% |
| 2029 | 176 | 168 | 95.4% |

Source: Management

Management has assumed that the number of independent living units to have double occupancy will average approximately 32% for each year in the Projection Period.

Health Care Center

Occupancy of the Health Care Center units is estimated as follows:

Assisted Living

Table 7
Well-Spring
Projected Utilization of the Assisted Living Units

| Year Ending December 31, | Average Available Units | Average Assisted Living Residents | Average Per Diem Residents | Average Total Units Occupied | Average Occupancy Percent |
|---------------------------------|--|--|---|---|--|
| 2025 | 60 | 30.2 | 17.8 | 48.0 | 80% |
| 2026 | 60 | 30.2 | 17.8 | 48.0 | 80% |
| 2027 | 60 | 30.2 | 17.8 | 48.0 | 80% |
| 2028 | 60 | 30.2 | 17.8 | 48.0 | 80% |
| 2029 | 60 | 30.2 | 17.8 | 48.0 | 80% |

Source: Management

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

Table 8
The Village
Projected Utilization of the Assisted Living Units and Memory Care Units

| <u>Year Ending December 31,</u> | <u>Average Available Units</u> | <u>Average Units Occupied</u> | <u>Average Occupancy</u> |
|---------------------------------|------------------------------------|-----------------------------------|--------------------------|
| 2025 | 24 | 20 | 83.3% |
| 2026 | 24 | 20 | 83.3% |
| 2027 | 24 | 20 | 83.3% |
| 2028 | 24 | 20 | 83.3% |
| 2029 | 24 | 20 | 83.3% |

Source: Management

Skilled Nursing and Memory Care

Table 9
Well·Spring
Projected Utilization of the Skilled Nursing and Memory Care Units

| <u>Year Ending December 31,</u> | <u>Average Units Available</u> | <u>Average Units Occupied</u> | <u>Average Occupancy</u> |
|---------------------------------|------------------------------------|-----------------------------------|--------------------------|
| 2025 | 80 | 68 | 85.0% |
| 2026 | 80 | 68 | 85.0% |
| 2027 | 80 | 68 | 85.0% |
| 2028 | 80 | 68 | 85.0% |
| 2029 | 80 | 68 | 85.0% |

Source: Management

Table 10
The Village
Projected Utilization of the Skilled Nursing Units

| <u>Year Ending December 31,</u> | <u>Average Units Available</u> | <u>Average Units Occupied</u> | <u>Average Occupancy</u> |
|---------------------------------|------------------------------------|-----------------------------------|--------------------------|
| 2025 | 24 | 22 | 91.7% |
| 2026 | 24 | 22 | 91.7% |
| 2027 | 24 | 22 | 91.7% |
| 2028 | 24 | 22 | 91.7% |
| 2029 | 24 | 22 | 91.7% |

Source: Management

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

Revenues

Entrance fees generated are based on the projected number of independent living units occupied each year. The entrance fees that are earned into revenue over the life expectancy of residents are reflected as amortization of entrance fees. The unearned portion of entrance fees is classified as Deferred Revenue on the accompanying combined projected balance sheets. During the Projection Period, the entrance fees for the Communities are expected to average \$315,000 in 2025 and inflate 3.0% annually thereafter over the Projection Period.

Well Spring

Residents under the lifecare (“Lifecare”) contract requiring skilled nursing, assisted living or memory care services receive priority for admission to the health care center and receive such services at no increase over their independent living monthly service fee, other than the charge for two additional daily meals not provided for in the monthly service fee and certain other items used for their care including pharmaceuticals and supplies. Residents under the modified lifecare (“Modified Lifecare”) contract requiring skilled nursing, assisted living or memory care services also receive priority admission to the health care center but pay a discounted rate based on the current per diem rates in place. The discount currently ranges between 15% and 20% of the per diem rates.

A portion of the entrance fee may be refundable when the residency is terminated based upon the plan selected under either the Lifecare or Modified Lifecare contracts. The refund options available to the Lifecare and Modified Lifecare contracts are:

- One year, four percent per month declining refund option (“Plan A”). If the prospective resident selects this plan, Well·Spring will refund an amount equal to ninety percent of the entrance fee paid in the event that the termination date occurs within sixty days after the occupancy date. If the termination date occurs more than sixty days but less than 12 months after the occupancy date, Well·Spring will refund an amount equal to ninety percent of the entrance fee paid less four percent of the total entrance fee for each calendar month prior to the termination date. However, in no event shall any refund occur if the termination date occurs more than twelve months after the occupancy date.
- 90% refund option (“Plan D”) – Only available to Lifecare contract. If the prospective resident selects this plan an amount equal to ninety percent of the entrance fee paid will be refunded upon contract termination.

Management has projected that 100% of the residents would select Plan A during the Projection Period. Management has not projected any incoming resident selecting Plan D during the Projection Period.

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

The Village

Residents under the Lifecare plans requiring skilled nursing, memory care or assisted living services receive 14 free Health Care Center days per calendar year, and are then required to pay a Lifecare rate if the 14 free days are used within each calendar year. The Lifecare rate is equivalent to the current weighted average Lifecare monthly service fee of a single resident of The Village, as well as the charge for two additional daily meals not provided for in the monthly service fee.

Occupancy of the Assisted living units is projected to be from internal transfers from independent living units. Nursing bed occupancy is projected to be from internal transfers from both independent living units and assisted living units. Internal transfers include both temporary and permanent transfers. Temporary transfers reside in a Health Care Center bed for a short-term stay and pay an added fee, in addition to their monthly service fee, according to their Residence and Services Agreement, as well as the cost of two meals per day. The Independent living unit is held while temporary transfers reside in the Health Care Center. Upon permanent transfer to the Health Care Center, the independent living unit is released and the resident pays the specified Health Care Center fee, according to their Residence and Services Agreement.

Residents under the Fee-for-Service contracts requiring skilled nursing, memory care, or assisted living services pay the current market monthly rate or per diem rate for care.

The Village is also a licensed nursing facility that participates in the Center for the Medicare and Medicaid Services (CMS) Medicare program. Agreements with third-party payors can provide for payments at amounts less than the established charges. The Village has projected funds due from Medicare at the net amounts projected to be received after revenue adjustments and settlement of audits and reviews from CMS.

The following table summarizes entrance fees received and refunds paid during the Projection Period.

Table 11
Projected Entrance Fees Received and Refunded (in \$000s)
For the Year Ending December 31,

| | 2025 | 2026 | 2027 | 2028 | 2029 |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|
| Entrance Fees from Turnover | \$ 13,792 | \$ 13,792 | \$ 13,792 | \$ 13,792 | \$ 13,792 |
| Entrance Fees Refunded | (402) | (402) | (402) | (402) | (402) |
| Total Entrance Fees, Net | \$ 13,390 | \$ 13,390 | \$ 13,390 | \$ 13,390 | \$ 13,390 |

Source: Management

Resident fee revenues are based on the projected utilization and the 2025 fee schedules in the information that follows. Management has assumed that the number of units to have double occupancy is approximately 30-32% for independent living units for all years in the Projection Period.

The following table summarizes the monthly service fee increases during the Projection Period. On a limited basis, the Obligated Group would provide benevolence assistance to residents, who, through no

Summary of Significant Projection Assumptions and Accounting Policies

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

fault of their own, outlive their financial resources, provided that this assistance does not jeopardize the financial stability of the Obligated Group.

Table 12
Well·Spring and The Village
Projected Monthly Service Fee Increases

| | <u>Independent Living</u> | | <u>Assisted Living</u> | | | <u>Nursing</u> | | |
|--------------------|---------------------------|--|------------------------|-----------------|----------|-----------------|-----------------|----------|
| | | | Modified | | | Modified | | |
| | | | LifeCare | LifeCare | Per Diem | LifeCare | LifeCare | Per Diem |
| Well·Spring | | | | | | | | |
| 2026 | 4.75% | | 4.75% | 5.75% | 5.75% | 4.75% | 5.75% | 5.75% |
| 2027 | 4.50% | | 4.25% | 4.75% | 4.75% | 4.25% | 4.75% | 4.75% |
| 2028 | 4.50% | | 4.25% | 4.75% | 4.75% | 4.25% | 4.75% | 4.75% |
| 2029 | 4.50% | | 4.25% | 4.75% | 4.75% | 4.25% | 4.75% | 4.75% |
| | | | | | | | | |
| | <u>Independent Living</u> | | <u>Assisted Living</u> | | | <u>Nursing</u> | | |
| | | | LifeCare | | | Fee For Service | | |
| | | | LifeCare | Fee For Service | | LifeCare | Fee For Service | |
| The Village | | | | | | | | |
| 2026 | 5.00% | | | 5.75% | 5.75% | | 5.75% | 5.75% |
| 2027 | 4.75% | | | 5.50% | 5.50% | | 5.50% | 5.50% |
| 2028 | 4.50% | | | 5.25% | 5.25% | | 5.25% | 5.25% |
| 2029 | 4.50% | | | 5.00% | 5.00% | | 5.00% | 5.00% |

Source: Management

Other revenue relates to both residential living and health care ancillary services and includes income from personal care services, guest meals, rental of retail space, rental income for guest rooms, respite care revenue, and other miscellaneous revenue sources and has been projected based on Management's historical experience and approximates 3.8% of resident fee revenues throughout the Projection Period.

Management has projected the following existing resident mix, by contract type, for the Projection Period.

Table 13
Well·Spring
Projected Community Resident Mix

| | <u>Projected as of December 31,</u> | | | | | | | |
|------|-------------------------------------|-------------------|------------------------|-------------------|----------|---|-------------------|-------------------------|
| | <u>Independent Living</u> | | <u>Assisted Living</u> | | | <u>Skilled Nursing, Memory Support and Rehabilitation</u> | | |
| | LifeCare | Modified LifeCare | LifeCare | Modified LifeCare | Per Diem | LifeCare | Modified LifeCare | Per Diem ⁽¹⁾ |
| 2025 | 39% | 61% | 20% | 40% | 40% | 15% | 55% | 30% |
| 2026 | 39% | 61% | 20% | 40% | 40% | 15% | 55% | 30% |
| 2027 | 39% | 61% | 20% | 40% | 40% | 15% | 55% | 30% |
| 2028 | 39% | 61% | 20% | 40% | 40% | 15% | 55% | 30% |
| 2029 | 39% | 61% | 20% | 40% | 40% | 15% | 55% | 30% |

Source: Management

Note:

(1) Per Diem for Skilled Nursing, Memory Support, and Rehabilitation represents residents who have transferred from assisted living or independent living.

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

Table 14
The Village
Projected Community Resident Mix

| | Projected as of December 31, | | | | | | |
|------|------------------------------|-----------------|-----------------|-----------------|-------------------|----------|-------------|
| | Independent Living | | Assisted Living | | Sheltered Nursing | | |
| | LifeCare | Fee for Service | LifeCare | Fee for Service | LifeCare | Medicare | Private Pay |
| 2025 | 39% | 61% | 30% | 70% | 29% | 9% | 62% |
| 2026 | 39% | 61% | 30% | 70% | 29% | 9% | 62% |
| 2027 | 39% | 61% | 30% | 70% | 29% | 9% | 62% |
| 2028 | 39% | 61% | 30% | 70% | 29% | 9% | 62% |
| 2029 | 39% | 61% | 30% | 70% | 29% | 9% | 62% |

Source: Management

Investment Income

Investment income consists of interest earnings on cash and cash equivalents, investments, and assets limited as to use, as provided by Management. The Obligated Group considers its investment portfolio to be a trading portfolio and, accordingly, all investment income or loss (including realized and unrealized gains and losses on investments) is included in the excess of revenue, gains and other support over expenses, unless the income is restricted by donor or by law.

Management does not assume any changes in the underlying values of investments during the Projection Period that would result in unrealized gains or losses. Investment income (including realized gains and losses on investments, interest, and dividends) included in the accompanying projected combined statements of operations and changes in net assets is based on an assumed blended rate of return of approximately 4.0% to 4.5% annually throughout the Projection Period.

Operating Expenses

Staffing of the Communities is based on the Communities' existing staffing levels and the experience of Management giving effect to the level of services offered at the Communities. Average salary and wage rates are based on current rates paid. Beginning January 1, 2026, on an annual basis, Management is projecting salary and wage rates of the Communities to increase approximately 4.0% for each year within the Projection Period.

The costs of employee's fringe benefits are assumed to approximate 22% of salaries and wages, and include FICA, medical and dental insurance, long-term disability, life insurance, and retirement benefits.

The cost of supplies, utilities and other non-salary expenses of the Communities were based on the experience of the Communities and are projected to increase approximately 4.0% for each year within the Projection Period.

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

Property and Equipment and Depreciation Expense

The projected combined balance sheets reflect the cost of constructing and equipping the Communities. The projected combined statements of operations and changes in net assets include the related depreciation and interest expense. Estimated provisions for depreciation during the Projection Period were computed on the straight-line method using an average 35-year life for construction-related costs and a 7-year life for furniture, fixtures, equipment, and a 10-year life for routine capital equipment additions.

Amortization Expense

Financing expenses incurred in conjunction with issuance of long-term debt are assumed to be amortized over the perspective period the bonds are outstanding and is included as a component of interest expense on the projected combined statements of operations and changes in net assets.

Interest Expense and Long-Term Debt

Long-term debt, totaling \$65,498,088 at December 31, 2024, consisted of the following maturities and annual interest rates:

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

| | | |
|--|----|-------------------|
| Series 2016A-2, bank qualified debt. Monthly payment of principal began November 25, 2016. All unpaid principal and interest is due January 1, 2027. Interest is payable monthly at a variable interest rate (4.958% at December 31, 2024). | \$ | 1,750,417 |
| Series 2016B; interest only through January 2019. Monthly payment of principal began January 25, 2019. All unpaid principal and interest is due January 1, 2041. Interest is payable monthly at a variable rate (5.190% at December 31, 2024). | | 26,045,834 |
| Series 2020A-1; interest only through April 2023. Monthly payment of principal began April 1, 2023. All unpaid principal and interest is due April 1, 2048. Interest is payable monthly at a variable rate (4.750% at December 31, 2024). | | 13,425,000 |
| 2022 Bank Loan; interest only through June 2023. Monthly payment of principal began July 1, 2023. All unpaid principal and interest is due June 1, 2037. Interest is payable monthly at a variable rate (5.80% at December 31, 2024). | | 24,276,837 |
| Total | | <u>65,498,088</u> |
| Less: Current Maturities | | (2,415,452) |
| Less: Unamortized Deferred Financing Costs | | <u>(604,089)</u> |
| Total | \$ | <u>62,478,547</u> |

In October 2016, the Well-Spring issued two loan agreements totaling \$40,000,000 in relation to the Public Finance Authority Retirement Facilities Revenue Refunding Bonds (Series 2016A Bonds) and the Public Finance Authority Retirement Facilities Revenue Bonds (Series 2016B). Proceeds of the Series 2016A Bonds, broken into two parts, Series 2016A-1 and Series 2016A-2, were used to refund the then outstanding Series 2003 Bonds and taxable variable rate debt. The bonds are secured by a lien on substantially all of the real and personal property comprising Well-Spring and by a security interest in Well-Spring's revenues without donor restrictions.

Effective January 1, 2018, interest rates changed on the Well-Spring's debt related to provisions in the debt agreements triggered by a decrease in the corporate tax rate. The Series 2016A-1, 2016A-2 and 2016B Bonds now bear interest at an adjustable rate which is 82.646% of One-Month LIBOR, as adjusted monthly with changes in One-Month LIBOR, plus 0.869%, 1.106% and 1.343% per annum, respectively. Effective January 1, 2023, these interest rates changed on the Well-Spring's debt related to Interest Rate reform to replace one-month LIBOR with one-month CME Term SOFR.

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

In March 2020, the Well-Spring issued a loan agreement totaling \$22,410,000 in relation to the Public Finance Authority Retirement Facilities Revenue Bonds (Series 2020A Bonds). Proceeds of the Series 2020A Bonds, broken into two parts, Series 2020A-1 and Series 2020A-2, were to be used to fund the construction of 24 new hybrid apartments. The bonds were secured by a lien on substantially all of the real and personal property comprising Well-Spring. The Series 2020A-2 bond, amounting to \$8,250,000, was repaid during 2022 with entrance fees received on the initial occupants of the apartments. The remaining bond proceeds of \$14,160,000 relate to the Series 2020A-1 bond. The first 36-months of the Series 2020A-1 bond requires payments of interest only, with principal payable monthly starting April 2023. The Series 2020A-1 bond matures in April 2048. The Series 2020A-1 bond accrues interest at 79% of 1-Month LIBOR plus 1.0665%. Effective January 1, 2023, these interest rates changed on the Well-Spring's debt related to Interest Rate reform to replace one-month LIBOR with one-month CME Term SOFR.

On July 1, 2022, the Village entered into a loan agreement totaling \$25,000,000 with a financial institution (2022 Acquisition Loan). Proceeds of the 2022 Acquisition Loan were used to finance the acquisition of the membership interest of the Village in order to integrate the assisting living and health care facilities of the Village into the Well-Spring system. The Acquisition Loan is secured by a lien on substantially all of the real and personal property comprising the Village and by a security interest in the Village's unrestricted revenues. The Acquisition Loan bears interest at an adjustable rate of One-Month SOFR plus 1.25%. The first 12 months of the Acquisition Loan requires payments of interest only, with principal payable monthly starting July 2023.

On July 1, 2022, the Village entered into a loan agreement totaling \$5,000,000 with a financial institution (2022 Working Capital Term Loan). Proceeds of the 2022 Working Capital Term Loan are to be used to finance working capital expense and/or capital improvements. The Working Capital Term Loan is secured by a lien on substantially all of the real and personal property comprising the Village and by a security interest in the Village's unrestricted revenues. The Working Capital Term Loan bears interest at an adjustable rate of One-Month SOFR plus 1.25%. The first 12 months of the Working Capital Term Loan requires payments of interest only, with principal payable monthly starting July 2023. The Working Capital Term Loan matures in June 2037. No amounts have been drawn down on this loan as of December 31, 2024.

In conjunction with the Member Substitution Agreement effective July 1, 2022, the Village joined an Obligated Group with Well-Spring, who is a co-borrower on the 2022 Acquisition Loan and the 2022 Working Capital Term Loan. As part of the Obligated Group, the Village is required to adhere to covenant requirements per the Obligated Group's debt agreements.

Projected principal payments on the Obligated Group's total long-term debt is presented in the following table, which is presented on a December 31, fiscal year basis.

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

Table 15
Projected Principal Payments (in \$000s)

| Year Ending December 31, | Series 2016A-2 | Series 2016B | Series 2020A-1 | Series 2022 Acquisition Loan | Total |
|--------------------------|----------------|--------------|----------------|---------------------------------|----------|
| 2025 | \$822 | \$665 | \$420 | \$508 | \$2,415 |
| 2026 | 857 | 660 | 461 | 528 | 2,506 |
| 2027 | 71 | 1,481 | 480 | 549 | 2,581 |
| 2028 | - | 1,592 | 480 | 568 | 2,640 |
| 2029 | - | 1,632 | 480 | 592 | 2,704 |
| Thereafter | - | 20,016 | 11,104 | 21,532 | 52,652 |
| Total | \$1,750 | \$26,046 | \$13,425 | \$24,277 | \$65,498 |

Source: Management

Interest Rate Swap Agreements

During 2016, Well-Spring entered into three variable-to-fixed interest rate swap agreements to manage the interest rate risk on the variable rate indebtedness on the Series 2016A and Series 2016B Bonds. Under the first swap agreement (Series 2016A-1 Swap), Well-Spring's variable rate on the Series 2016A-1 borrowings was effectively converted to 1.435%. The Series 2016A-1 Swap had an effective date of October 18, 2016, and terminated on January 1, 2021. Under the second swap agreement (Series 2016A-2 Swap), Well-Spring's variable rate on the Series 2016A-2 borrowings is effectively converted to 1.905% on a notional amount of \$4,647,500. The Series 2016A-2 Swap has an effective date of October 18, 2016, and terminates on January 1, 2027. Under the third swap agreement (Series 2016B Swap), Well-Spring's variable rate on the Series 2016B borrowings is effectively converted to 2.385% on the assumed notional amount of \$30,795,000. The Series 2016B Swap was a forward swap on the Series 2016B Bonds (as defined above). Well-Spring entered into the Series 2016B Swap on October 12, 2016, to secure a favorable fixed rate and received no benefits of the Series 2016B Swap until the effective date of July 1, 2018, and terminates on November 1, 2031. The Series 2016A-1 Swap, Series 2016A-2 Swap and Series 2016B Swap will be collectively referred to as the "2016 Swap Agreements."

In January of 2018, the 2016 Swap Agreements were amended due to an interest rate reset on Well-Spring's debt related to provisions in the debt agreements triggered by a decrease in the corporate tax rate. The Series 2016A-2 Swap now has an effective date of January 1, 2018. Well-Spring now pays a fixed rate of 2.479% on a current notional amount of \$1,750,417. The Series 2016B Swap now has an effective date of July 1, 2018. Well-Spring now pays a fixed rate of 3.024% on a current notional amount of \$27,045,833.

In February 2020, Well-Spring entered into a variable-to-fixed interest rate swap agreement to manage the interest rate risk on the variable rate indebtedness on the Series 2020A1 Bonds (the "Series 2020A-1 Swap Agreement"). Under terms of the Series 2020A-1 Swap Agreement, Well-Spring's variable rate on the Series 2020A1 Bonds is effectively converted to a fixed interest rate of 2.213% on a notional amount of \$13,845,000, with an effective date of September 1, 2021 and a termination date of March 1, 2035.

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

During 2022, the Village entered into a variable-to-fixed interest rate swap agreement to manage the interest rate risk on the variable rate indebtedness on a portion of the 2022 Acquisition Loan. Under the swap agreement, the Village's variable rate on the 2022 Acquisition Loan is effectively converted to 3.78% on a national amount of \$14,563,920. The swap has an effective date of July 1, 2022, and terminates on June 1, 2037. Collectively, the 2016 Swap Agreements, the Series 2020A-1 Swap Agreement and the 2022 Acquisition Loan Swap Agreement are referred to as the "Swap Agreements".

The total estimated fair value of the Swap Agreements as of December 31, 2024 was an asset of \$6,008,151. The amount is included on the projected combined balance sheet as Assets Under Interest Rate Swap Agreements. Management has not projected any change in the Interest Ratio Swap Agreements during the Projection Period

Current Assets and Current Liabilities

Cash

Cash balances for the Projection Period are projected based upon balances Management has projected carrying during the Projection Period for each member of the Obligated Group.

Investments

Investment balances are projected based upon the results of the projected combined cash flow statements.

Resident Accounts Receivable, Net

Resident accounts receivable, net of allowance for expected credit losses, are projected based on historical levels and are inflated by 4.0%, starting in 2026, and each year thereafter during the Projection Period.

Pledges Receivable

Pledges receivable are projected based upon historical levels.

Other Receivables

Other receivables are projected based upon historical levels.

Other Current Assets

Other current assets are projected based upon historical levels and are inflated by 4.0%, starting in 2026, and each year thereafter during the Projection Period.

Accrued Interest Payable

Accrued interest payable has been calculated based on interest expense requirements of outstanding debt.

Accounts Payable and Other Accrued Expenses

Accounts payable and other accrued expenses are projected based on historical levels.

Accrued Salaries and Wages

Accrued salaries and wages are projected based on historical levels.

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

Deferred Resident Fee Revenue

Deferred resident fee revenue are projected based upon historical levels.

Other Current Liabilities

Other current liabilities are projected based upon historical levels.

Assets Limited as to Use

A narrative description of the assets limited as to use follows.

Admissions Deposits – Consists of future occupancy list fees and reservations fees. The Communities collect an admission deposit of \$1,000 to secure a space on the future occupancy list for a residential unit. A reservation fee of 10% of the entrance fee is received when a unit is available and a reservation agreement is executed. When a 10% reservation fee is received, a residential unit is considered reserved.

When the applicant takes occupancy of a unit and becomes a resident, the entire admission deposit of \$1,000 and \$1,200, at the Well-Spring and Village, respectively, is applied toward the entrance fee due. In the event of withdrawal from the future occupancy list or termination of the reservation, the applicant receives a refund of the admission deposit paid, less an administrative fee of \$250 and \$200, at the Well-Spring and Village, respectively. If the Communities terminates agreement, or the applicant is not accepted for admission, the entire admission deposit of \$1,000 and \$1,200, at the Well-Spring and Village, respectively, is refunded.

Refundable Entrance Fees – Under certain contracts, a minimum of 90% of the original entrance fee will be refunded. Such minimum refundable amounts are shown as refundable entrance fees in the projected combined balance sheets.

Board Designated- Consists of assets set aside by the Board over which the Board retains control and may, at its discretion, subsequently use for another purpose.

Statutory Operating Reserves – Assets limited as to use includes amounts set aside for statutory operating reserves.

Under regulations of the North Carolina Insurance Commission, the Obligated Group is required to maintain an operating reserve equal to 25% of the total occupancy costs projected for the current 12-month period. The operating reserve of 25% is based upon an occupancy percentage of 90% or more for independent living, assisted living and memory care occupancy.

Statutory Operating Reserve on the accompanying projected combined balance sheets incorporated the assumptions set forth following:

Summary of Significant Projection Assumptions and Accounting Policies

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

Table 16
Projected Statutory Operating Reserve Calculation
For the Years Ending December 31,
(in \$000s)

| | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|-----------|-----------|-----------|-----------|-----------|
| Total Operating Expenses | \$ 60,969 | \$ 62,191 | \$ 63,504 | \$ 64,799 | \$ 66,206 |
| Include: | | | | | |
| Bond Principal Payments | \$ 2,415 | \$ 2,506 | \$ 2,581 | \$ 2,640 | \$ 2,704 |
| Exclude: | | | | | |
| Depreciation and Amortization of Deferred Financing Costs | (10,510) | (10,046) | (9,398) | (8,716) | (8,047) |
| Total Operating Costs | \$ 52,874 | \$ 54,651 | \$ 56,687 | \$ 58,723 | \$ 60,863 |
| Operating Reserve Percentage ⁽¹⁾ | 25% | 25% | 25% | 25% | 25% |
| Operating Reserve at 12/31 | \$ 13,218 | \$ 13,664 | \$ 14,173 | \$ 14,680 | \$ 15,216 |
| Notes: | | | | | |
| (1) Occupancy Percentage at Year-End | | | | | |
| | 2025 | 2026 | 2027 | 2028 | 2029 |
| Available Units | | | | | |
| Independent Living | 440 | 440 | 440 | 440 | 440 |
| Assisted Living | 84 | 84 | 84 | 84 | 84 |
| Total Available Units | 524 | 524 | 524 | 524 | 524 |
| Occupied Units | | | | | |
| Independent Living | 427 | 427 | 427 | 427 | 427 |
| Assisted Living | 68 | 68 | 68 | 68 | 68 |
| Total Occupied Units | 495 | 495 | 495 | 495 | 495 |
| Occupancy at Year-End | 94.5% | 94.5% | 94.5% | 94.5% | 94.5% |

Source: Management

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

Other Items

Net Assets

Net Assets Without Donor Restriction – reflects those resources that are not restricted by donors or grantors as to use of purpose and include amounts generated from operations, undesignated gifts, and the investment in property and equipment. Changes to net assets without donor restrictions during the Projection Period are the results of the excess of revenues, gains, and other support over expenses as projected on the projected combined statement of operations and changes in net assets during the Projection Period.

Net Assets With Donor Restrictions – reflects those resources that carry a donor-imposed restriction that permits the Communities to use or expend the donated assets as specified, is satisfied by the passage of time or by actions of the Communities, or that the assets be maintained in perpetuity. Changes to net assets with donor restrictions during the Projection Period are the results of any donor restricted activity as projected on the projected combined statement of operations and changes in net assets during the Projection Period.

Summary of Significant Accounting Policies

Basis of Accounting

The Obligated Group maintains its accounting and financial records according to the accrual basis of accounting. The Obligated Group classifies its funds for accounting and reporting purposes as without donor restrictions or with donor restriction:

Without Donor Restrictions – Resources of the Obligated Group that are not restricted by donors or grantors as to use or purpose. These resources include amounts generated from operations, undesignated gifts, and the investment in property and equipment.

With Donor Restrictions – Resources that carry a donor-imposed restriction that permits the Obligated Group to use or expend the donated assets as specified, is satisfied by the passage of time or by actions of the Communities, or that the assets be maintained in perpetuity. Donor restricted net assets are available primarily to fund certain resident care expenses.

Use of Estimates

The preparation of projected 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 amounts reported as assets and liabilities and disclosure of contingent assets and liabilities in the projected financial statements and accompanying notes. Estimates also affect the reported amount of revenues and expenses during the reporting period. Estimates made by the Obligated Group relate primarily to the collectability of accounts and pledges receivable, the obligation to provide future services, the life expectancy used to amortize deferred revenue from entrance fees and the portion of entrance fees to be refunded. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Obligated Group considers all highly liquid investments, other than those included in assets limited as to use, with a maturity of three months or less when purchased, to be cash equivalents.

Investments

Investments are measured at fair market value based on quoted market values. The Obligated Group considers its investment portfolio to be a trading portfolio and, accordingly, all investment income or loss (including realized and unrealized gains and losses on investments) is included in the excess of revenue, gains and other support over expenses, unless the income is restricted by donor or by law.

Assets Limited as to Use

Assets limited as to use includes amounts externally restricted under donor restrictions, Board restricted assets and amounts set aside for North Carolina statutory operating reserves, amounts held as admission deposits, and amounts held as refundable entrance fees. Any portion of assets limited as to use that is estimated to be utilized in the following period is shown as current on the projected combined balance sheets. Management has not projected any assets limited as to use as current during the Projection Period.

Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are recorded at cost. All items with a cost of over \$1,000 and an estimated useful life of three years or more are capitalized. Donated property and equipment are recorded as an addition to net assets when received, based on the fair value of the asset on the date contributed. Depreciation is provided over the estimated useful life of each class of depreciable asset, and is computed using the straight-line method. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the costs of acquiring these assets.

The following estimated useful lives are used to calculate depreciation:

| | |
|------------------------|---------------|
| Land Improvements | 3 - 25 years |
| Buildings | 20 - 40 years |
| Building Improvements | 3 - 40 years |
| Furniture and Fixtures | 3 - 20 years |

The Obligated Group periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Impairment is determined to exist for assets to be held and used if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. Impairment is determined to exist for assets to be disposed of if the estimated net realizable value is less than the carrying amount.

The following table reflects the major categories of property and equipment throughout the Projection Period:

| Table 17 | | | | | |
|--|------------------------|-------------|-------------|-------------|-------------|
| Projected Property and Equipment, Net (in \$000s) | | | | | |
| For the Years Ending December 31, | | | | | |
| | (000's Omitted) | | | | |
| | 2025 | 2026 | 2027 | 2028 | 2029 |
| Land | \$ 10,824 | \$ 10,824 | \$ 10,824 | \$ 10,824 | \$ 10,824 |
| Land Improvements | 7,478 | 7,651 | 7,774 | 9,282 | 9,730 |
| Buildings | 147,308 | 152,536 | 156,880 | 160,844 | 164,983 |
| Building Improvements | 34,093 | 38,094 | 41,931 | 45,303 | 48,180 |
| Furniture & Equipment | 21,751 | 22,461 | 23,773 | 24,754 | 25,968 |
| | \$ 221,454 | \$ 231,566 | \$ 241,182 | \$ 251,008 | \$ 259,685 |
| Less Accumulated Depreciation | (92,332) | (102,378) | (111,776) | (120,493) | (128,540) |
| Property & Equipment, Net | \$ 129,122 | \$ 129,188 | \$ 129,406 | \$ 130,515 | \$ 131,145 |

Source: Management

Pledges Receivable

Pledges are recognized as revenue in the period in which the unconditional pledge is made. Conditional pledges to give are recognized when the conditions on which they depend are substantially met. Pledges receivables that are restricted by the donor for the acquisition of long-term assets or other purposes are

Summary of Significant Accounting Policies (Continued)

classified as long-term assets. A current portion of the pledge receivable is included in the accompanying projected combined balance sheets for the amount that is projected to be received within the next year. Pledges are projected to remain the same throughout the Projected Period.

Residents Accounts Receivable and Allowance for Credit Loss

Resident receivables are reported net of an allowance for credit losses to represent the Obligated Group's estimate of expected losses at the balance sheet date. The Obligated Group separates resident receivables into risk pools based on payors and aging. In determining the amount of the allowance as of the balance sheet date, the Obligated Group develops a loss rate for each risk pool. This loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions.

Deferred Financing Costs

Deferred financing costs include costs incurred in connection with Series 2016 Bonds, Series 2020 Bonds and Series 2022 Acquisition Loan. Such costs are amortized using the effective interest method over the term of the Series 2016 Bonds, Series 2020 Bonds and 2022 Acquisition Loan. The Obligated Group presents debt issuance costs as a direct deduction from the face amount of the related borrowings, amortizes debt issuance costs using the straight line method, which approximates the effective interest method, over the term of the debt, and records the amortization as a component of interest expense.

Deferred Revenue from Entrance Fees and Accreted Interest and Refundable Entrance Fees

Entrance fees from the Communities' residency and care agreements, excluding the portion that is estimated to be refundable to the resident, are recorded as deferred revenue from entrance fees, nonrefundable and recognized as income over the estimated life expectancy, adjusted annually, for each resident.

A portion of the entrance fee may be refundable when the residency is terminated. In accordance with the continuing care contract, the refundable portion is reduced each month, commencing with the date of occupancy and recognized as income over the estimated life expectancy, annually, for each resident. Under certain contracts, a minimum of 90% of the original entrance fee will be refunded. Such minimum refundable amounts are shown as Refundable Entrance Fees in the accompanying projected balance sheets and are not amortized into income.

The residency agreements acquired upon acquisition of the Village are projected at their estimated fair value. The fair value of those refundable entrance fees are accreted to face value using the effective interest method over the estimated life expectancy of the residents at acquisition. The discount rate assumed is 3.78%. At the date of the Member Substitution Agreement, the unamortized discount approximated \$973,000 and as of December 31, 2024, the remaining unamortized portion was approximately \$507,000. Management has projected the accreted interest upon amortization of these agreements on the projected statement of operations and changes in net assets.

Summary of Significant Accounting Policies (Continued)

Obligation to Provide Future Services

The Obligated Group calculates the present value of the estimated 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 revenue from entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability (obligation to provide future services) is recorded. No liability has been recorded for the year ended December 31, 2024, because the present value of the estimated net cost of future services and use of facilities is less than deferred revenue from entrance fees. Management has not projected a future service obligation during the Projection Period.

Projected Statements of Operations and Changes in Net Assets

Provision of resident care services is the sole function of the Obligated Group. For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of resident care services are reported as revenues, gains and other support and expenses. Peripheral or incidental transactions are reported as non-operating gains and losses.

Resident Fees Earned

Resident fees earned are reported at the amount that reflects the consideration to which the Obligated Group expects to be entitled in exchange for providing resident care. These amounts are due from residents. 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 Obligated Group. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Obligated Group 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 in the facilities receiving skilled nursing services or residents receiving residential services in the facilities. The Obligated Group considers daily services provided to residents of the skilled nursing facilities, and monthly rental for residential services as a separate performance obligation and measures this 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 our residents and customers in a retail setting (for example, gift shop and cafeteria meals) and the Obligated Group does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Obligated Group has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a)

Summary of Significant Accounting Policies (Continued)

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 Obligated Group determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided to uninsured patients in accordance with the Obligated Group's policy, and/or implicit price concessions provided to residents. The Communities determines its estimate of implicit price concessions based on its historical collection experience.

All resident fees earned are from private pay individuals. The Obligated Group has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: service line, method of reimbursement, and timing of when revenue is recognized.

Financing Component

The Obligated Group has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents for the effects of a significant financing component due to its expectation that the period between the time the service is provided to a resident and the time that the resident pays for that service will be one year or less. However, the Obligated Group does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Benevolent Assistance

The Obligated Group has a benevolent assistance policy to identify residents who are unable to pay and uses the Obligated Group's funds designated by the Board for benevolent assistance to subsidize the charges for services provided to those residents. Such residents are identified based on financial information obtained from the resident and subsequent review and analysis. Since the Obligated Group does not charge the residents for services provided, estimated charges for benevolent assistance are not included in revenue. Well-Spring Foundation has a Benevolence Assistance fund to support this program.

Contributions

The Obligated Group reports contributions of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying projected statements of operations and changes in net assets as net assets released from restrictions.

The Obligated Group reports contributions of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent

Summary of Significant Accounting Policies (Continued)

explicit donor stipulations about how long these assets must be maintained, the Obligated Group reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Advertising

Advertising costs are expensed as incurred.

Excess of Revenue, Gains and Other Support Over Expenses

The projected statements of operations and changes in net assets include excess (deficit) of revenue, gains, and other support over (under) expenses, which the Obligated Group uses as its measure of operations. Changes in net assets without donor restrictions, which are excluded from the operating measure, consistent with industry practice, are net assets released from restrictions for purchase of property, plant and equipment, 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).

Income Tax Status

Well-Spring Services, Inc. is organized as a non-profit, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and under similar state statutes. In addition, the Obligated Group qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and is classified as an organization that is not a private foundation under Section 509(a)(2). Accordingly, no provision for income taxes is included in the accompanying projected combined statements of operations and changes in net assets.



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WELL-SPRING SERVICES
AN AFFILIATE OF KINTURA

FORECASTED COMBINING STATEMENTS OF
FINANCIAL POSITION

DECEMBER 31
(IN THOUSANDS OF DOLLARS)
SEE ACCOUNTANT'S REPORT

| | TVAB | WSLPC | Eliminations | Total 2025 |
|---|---------|---------|--------------|---------------|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and Cash Equivalents | 80 | 500 | | \$ 580 |
| Investments | 554 | 38,916 | (3,764) | 35,706 |
| Resident Accounts Receivable, Net | 226 | 310 | | 536 |
| Pledges Receivable | - | 200 | | 200 |
| Other Receivables | 226 | 397 | | 623 |
| Other Current Assets | 33 | 147 | | 180 |
| Total Current Assets | 1,119 | 40,470 | (3,764) | 37,825 |
| ASSETS LIMITED AS TO USE | | | | |
| Reserves Required by State Statute | 3,764 | 9,454 | - | 13,218 |
| Admission Deposits | - | 798 | - | 798 |
| Refundable Entrance Fees | - | 356 | - | 356 |
| Board Designated | - | 5,451 | - | 5,451 |
| Total Assets Limited as to Use | 4,000 | 16,059 | (236) | 19,823 |
| OTHER ASSETS | | | | |
| Assets Under Interest Rate Swap Agreements | 1,737 | 4,271 | - | 6,008 |
| Other Assets | - | 206 | - | 206 |
| Total Other Assets | 1,737 | 4,477 | - | 6,214 |
| PROPERTY AND EQUIPMENT, NET | | | | |
| Land, buildings and equipment | 72,672 | 148,782 | - | 221,454 |
| Less accumulated depreciation | 21,880 | 70,452 | - | 92,332 |
| Total Property and Equipment, Net | 50,792 | 78,330 | | 129,122 |
| Total Assets | 57,648 | 139,336 | (4,000) | \$ \$192,984 |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT LIABILITIES | | | | |
| Accrued Interest Payable | 48 | 48 | | \$ 96 |
| Accounts Payable and Other Accrued Expenses | 1,611 | 1,117 | | 2,728 |
| Accrued Salaries and Wages | 746 | 1,546 | | 2,292 |
| Deferred Resident Fee Revenue | 1,200 | 313 | | 1,513 |
| Current Portion of Long-Term Debt | 528 | 1,978 | | 2,506 |
| Other Current Liabilities | - | 419 | | 419 |
| Total Current Liabilities | 4,133 | 5,421 | - | 9,554 |
| LONG-TERM LIABILITIES | | | | |
| Admission Deposits | 320 | 827 | | 1,147 |
| Deferred Revenue from Entrance Fees, Net of Current Portion | 21,336 | 49,612 | | 70,948 |
| Refundable Entrance Fees | 9,400 | 369 | | 9,769 |
| Long-Term Debt, Less Current Maturities | 22,909 | 37,169 | | 60,078 |
| Total Long-Term Liabilities | 57,965 | 87,977 | (4,000) | 141,942 |
| Total Liabilities | | | | 151,496 |
| NET ASSETS | | | | |
| Net Assets Without Donor Restrictions | (4,611) | 44,527 | | 39,916 |
| Net Assets With Donor Restrictions | 161 | 1,411 | - | 1,572 |
| Total Net Assets | (4,450) | 45,938 | - | 41,488 |
| Total Liabilities and Net Assets | 57,648 | 139,336 | (4,000) | \$ \$192,984 |

See Summary of Significant Accounting Policies and Assumptions.

WELL-SPRING SERVICES
AN AFFILIATE OF KINTURA

FORECASTED COMBINING STATEMENTS OF
OPERATIONS

DECEMBER 31
(IN THOUSANDS OF DOLLARS)
SEE ACCOUNTANT'S REPORT

| | TVAB | WSLPC | Eliminations | Total |
|---|---------|--------|--------------|-----------|
| | | | | 2025 |
| REVENUES, GAINS, AND OTHER SUPPORT | | | | |
| Resident Fees Earned | 12,734 | 33,122 | - | \$ 45,856 |
| Amortization of Entrance Fees | 2,574 | 6,894 | - | 9,468 |
| Support from Affiliates, Net | - | 982 | - | 982 |
| Investment Income | 3 | 1,420 | - | 1,423 |
| Net Assets Released from Restrictions - Operations | - | 92 | - | 92 |
| Other Revenue | 835 | 901 | - | 1,736 |
| Total Revenues, Gains, and Other Support | 16,146 | 43,411 | - | 59,557 |
| EXPENSES | | | | |
| Health Care | 2,944 | 9,549 | - | 12,493 |
| Resident Services | 565 | 1,205 | - | 1,770 |
| Dietary | 2,655 | 6,537 | - | 9,192 |
| Housekeeping | 752 | 1,965 | - | 2,717 |
| Plant Operations | 2,120 | 5,377 | - | 7,497 |
| General and Administrative | 3,308 | 7,264 | - | 10,572 |
| Depreciation | 3,390 | 7,120 | - | 10,510 |
| Interest and Amortization | 1,200 | 1,644 | - | 2,844 |
| Management Services Fees | 922 | 2,342 | - | 3,264 |
| Other Expenses | 83 | 27 | - | 110 |
| Total Expenses | 17,939 | 43,030 | - | 60,969 |
| OPERATING INCOME (LOSS) | (1,793) | 381 | - | (1,412) |
| OTHER INCOME (LOSS) | | | | |
| Accreted Interest | (110) | - | - | (110) |
| Total Other Loss | (110) | - | - | (110) |
| EXCESS (DEFICIT) OF REVENUES, GAINS, AND OTHER SUPPORT OVER (UNDER) EXPENSES | (1,903) | 381 | - | (1,522) |
| Net Assets Released from Restrictions - Operations | - | (92) | - | (92) |
| Decrease in Net Assets With Donor Restrictions | - | (92) | - | (92) |
| Increase (Decrease) in Net Assets | (1,903) | 289 | - | (1,614) |
| Net Assets - Beginning of Year | (2,547) | 45,649 | - | 43,102 |
| Net Assets - End of Year | (4,450) | 45,938 | - | \$ 41,488 |

See Summary of Significant Accounting Policies and Assumptions.

WELL-SPRING SERVICES
AN AFFILIATE OF KINTURA

FORECASTED COMBINING STATEMENTS OF
CASH FLOWS

DECEMBER 31
(IN THOUSANDS OF DOLLARS)
SEE ACCOUNTANT'S REPORT

| | TVAB | WSLPC | Eliminations | Total |
|---|---------|----------|--------------|------------|
| | | | | 2025 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Increase (Decrease) in Net Assets | (1,903) | 289 | | \$ (1,614) |
| Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities: | | | | |
| Depreciation | 3,390 | 7,120 | | 10,510 |
| Amortization of Entrance Fees | (2,574) | (6,894) | | (9,468) |
| Entrance fees Received | 4,694 | 8,696 | 402 | 13,792 |
| Amortization of Deferred Issuance Costs | 32 | 73 | | 105 |
| Accreted Interest | 110 | - | | 110 |
| Changes in Working Capital Components: | | | | |
| (Increase) Decrease in: | | | | |
| Accounts Receivable, Net | 100 | 486 | | 586 |
| Other Current Assets | (1) | (6) | | (7) |
| Increase (Decrease) in Accounts Payable, Accrued Expenses, and | | | | |
| Other Current Liabilities | 114 | (47) | | 67 |
| Net Cash Provided by Operating Activities | 3,962 | 9,717 | 402 | 14,081 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of Property and Equipment | (2,800) | (6,970) | | (9,770) |
| Change in Assets Limited As to Use | 136 | (54) | | 82 |
| Net Change in Investments | (790) | (3,326) | | (4,116) |
| Net Cash Used by Investing Activities | (3,454) | (10,350) | - | (13,804) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Principal Payments on Long-Term Borrowings | (508) | (1,907) | - | (2,415) |
| Entrance Fees Refunded | - | - | (402) | (402) |
| Net Cash Used by Financing Activities | (508) | (1,907) | (402) | (2,817) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | - | (2,540) | - | (2,540) |
| Cash, Cash Equivalents, and Restricted Cash - Beginning of Year | 80 | 3,040 | | 3,120 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END 0 | 80 | 500 | - | \$ 580 |
| Supplementary Disclosure: Interest Paid During the Year | 1,200 | 1,644 | | \$ 2,844 |

WELL-SPRING SERVICES
AN AFFILIATE OF KINTURA

FORECASTED COMBINING STATEMENTS OF
FINANCIAL POSITION

DECEMBER 31
(IN THOUSANDS OF DOLLARS)
SEE ACCOUNTANT'S REPORT

| | TVAB | WSLPC | Eliminations | 2026 |
|---|---------|---------|--------------|---------------|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and Cash Equivalents | 80 | 500 | | \$ 580 |
| Investments | 2,337 | 38,688 | (3,874) | 37,151 |
| Resident Accounts Receivable, Net | 235 | 322 | | 557 |
| Pledges Receivable | | 200 | | 200 |
| Other Receivables | 226 | 397 | | 623 |
| Other Current Assets | 34 | 153 | | 185 |
| Total Current Assets | 2,912 | 40,260 | (3,874) | 39,296 |
| ASSETS LIMITED AS TO USE | | | | |
| Reserves Required by State Statute | 3,878 | 9,786 | | 13,664 |
| Admission Deposits | - | 798 | | 798 |
| Refundable Entrance Fees | - | 356 | | 356 |
| Board Designated | - | 5,451 | | 5,451 |
| Total Assets Limited as to Use | 4,000 | 16,391 | (122) | 20,269 |
| OTHER ASSETS | | | | |
| Assets Under Interest Rate Swap Agreements | 1,737 | 4,271 | | 6,008 |
| Other Assets | - | 206 | | 206 |
| Total Other Assets | 1,737 | 4,477 | - | 6,214 |
| PROPERTY AND EQUIPMENT, NET | | | | |
| Land, buildings and equipment | 74,522 | 157,044 | | 231,566 |
| Less accumulated depreciation | 24,932 | 77,446 | | 102,378 |
| Total Property and Equipment, Net | 49,590 | 79,598 | | 129,188 |
| Total Assets | 58,239 | 140,726 | (3,996) | \$ \$ 194,967 |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT LIABILITIES | | | | |
| Accrued Interest Payable | 46 | 46 | | \$ 92 |
| Accounts Payable and Other Accrued Expenses | 1,611 | 1,117 | | 2,728 |
| Accrued Salaries and Wages | 746 | 1,546 | | 2,292 |
| Deferred Resident Fee Revenue | 1,200 | 313 | | 1,513 |
| Current Portion of Long-Term Debt | 549 | 2,032 | | 2,579 |
| Other Current Liabilities | - | 419 | | 419 |
| Total Current Liabilities | 4,152 | 5,473 | - | 9,623 |
| LONG-TERM LIABILITIES | | | | |
| Admission Deposits | 339 | 843 | | 1,182 |
| Deferred Revenue from Entrance Fees, Net of Current Portion | 22,630 | 50,537 | | 73,167 |
| Refundable Entrance Fees | 9,970 | 376 | | 10,346 |
| Long-Term Debt, Less Current Maturities | 22,392 | 35,210 | | 57,602 |
| Total Long-Term Liabilities | 59,331 | 86,966 | (4,000) | 142,297 |
| Total Liabilities | | | | 151,920 |
| NET ASSETS | | | | |
| Net Assets Without Donor Restrictions | (5,405) | 46,968 | 4 | 41,567 |
| Net Assets With Donor Restrictions | 161 | 1,319 | | 1,480 |
| Total Net Assets | (5,244) | 48,287 | 4 | 43,047 |
| Total Liabilities and Net Assets | 58,239 | 140,726 | (3,996) | \$ \$ 194,967 |

See Summary of Significant Accounting Policies and Assumptions.

WELL-SPRING SERVICES
AN AFFILIATE OF KINTURA

FORECASTED COMBINING STATEMENTS OF
OPERATIONS

DECEMBER 31
(IN THOUSANDS OF DOLLARS)
SEE ACCOUNTANT'S REPORT

| | TVAB | WSLPC | Eliminations | 2026 |
|---|---------|--------|--------------|-----------|
| REVENUES, GAINS, AND OTHER SUPPORT | | | | |
| Resident Fees Earned | 13,398 | 34,758 | | \$ 48,156 |
| Amortization of Entrance Fees | 2,921 | 7,748 | | 10,669 |
| Support from Affiliates, Net | - | 982 | | 982 |
| Investment Income | 198 | 2,115 | | 2,313 |
| Net Assets Released from Restrictions - Operations | - | 92 | | 92 |
| Other Revenue | 835 | 901 | 4 | 1,740 |
| Total Revenues, Gains, and Other Support | 17,352 | 46,596 | 4 | 63,952 |
| EXPENSES | | | | |
| Health Care | 3,056 | 9,931 | | 12,987 |
| Resident Services | 588 | 1,253 | | 1,841 |
| Dietary | 2,761 | 6,799 | | 9,560 |
| Housekeeping | 782 | 2,044 | | 2,826 |
| Plant Operations | 2,204 | 5,592 | | 7,796 |
| General and Administrative | 3,437 | 7,549 | | 10,986 |
| Depreciation | 3,052 | 6,994 | | 10,046 |
| Interest and Amortization | 1,175 | 1,633 | | 2,808 |
| Management Services Fees | 898 | 2,338 | | 3,236 |
| Other Expenses | 83 | 22 | | 105 |
| Total Expenses | 18,036 | 44,155 | - | 62,191 |
| OPERATING INCOME (LOSS) | (684) | 2,441 | 4 | 1,761 |
| OTHER INCOME (LOSS) | | | | |
| Accreted Interest | (110) | - | - | (110) |
| Total Other Loss | (110) | - | - | (110) |
| EXCESS (DEFICIT) OF REVENUES, GAINS, AND OTHER SUPPORT OVER (UNDER) EXPENSES | (794) | 2,441 | 4 | 1,651 |
| Net Assets Released from Restrictions - Operations | - | (92) | | (92) |
| Decrease in Net Assets With Donor Restrictions | - | (92) | | (92) |
| Increase (Decrease) in Net Assets | (794) | 2,349 | 4 | 1,559 |
| Net Assets - Beginning of Year | (4,450) | 45,938 | | 41,488 |
| Net Assets - End of Year | (5,244) | 48,287 | 4 | \$ 43,047 |

See Summary of Significant Accounting Policies and Assumptions.

WELL-SPRING SERVICES
AN AFFILIATE OF KINTURA

FORECASTED COMBINING STATEMENTS OF
CASH FLOWS

DECEMBER 31
(IN THOUSANDS OF DOLLARS)
SEE ACCOUNTANT'S REPORT

| | TVAB | WSLPC | Eliminations | 2026 |
|---|---------|---------|--------------|----------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Increase (Decrease) in Net Assets | (794) | 2,349 | 4 | \$ 1,559 |
| Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities: | | | | |
| Depreciation | 3,052 | 6,994 | | 10,046 |
| Amortization of Entrance Fees | (2,921) | (7,748) | | (10,669) |
| Entrance fees Received | 4,694 | 8,696 | 402 | 13,792 |
| Amortization of Deferred Issuance Costs | 32 | 73 | | 105 |
| Accreted Interest | 110 | - | | 110 |
| Changes in Working Capital Components: | | | | |
| (Increase) Decrease in: | | | | |
| Accounts Receivable, Net | (10) | (13) | | (23) |
| Other Current Assets | (1) | (6) | | (7) |
| Increase (Decrease) in Accounts Payable, Accrued Expenses, and Other Current Liabilities | (2) | (2) | | (4) |
| Net Cash Provided by Operating Activities | 4,160 | 10,343 | 406 | 14,909 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of Property and Equipment | (1,850) | (8,262) | | (10,112) |
| Change in Assets Limited As to Use | (114) | (332) | | (446) |
| Net Change in Investments | (1,668) | 229 | (4) | (1,443) |
| Net Cash Used by Investing Activities | (3,632) | (8,365) | (4) | (12,001) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Principal Payments on Long-Term Borrowings | (528) | (1,978) | | (2,506) |
| Entrance Fees Refunded | - | - | (402) | (402) |
| Net Cash Used by Financing Activities | (528) | (1,978) | (402) | (2,908) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (0) | (0) | - | (0) |
| Cash, Cash Equivalents, and Restricted Cash - Beginning of Year | 80 | 500 | | 580 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR | 80 | 500 | - | \$ 580 |
| Supplementary Disclosure: Interest Paid During the Year | 1,175 | 1,633 | | \$ 2,808 |

WELL-SPRING SERVICES
AN AFFILIATE OF KINTURA

FORECASTED COMBINING STATEMENTS OF
FINANCIAL POSITION

DECEMBER 31
(IN THOUSANDS OF DOLLARS)
SEE ACCOUNTANT'S REPORT

| | TVAB | WSLPC | Eliminations | 2027 |
|---|---------|---------|--------------|---------|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and Cash Equivalents | 80 | 500 | \$ | 580 |
| Investments | 4,032 | 39,291 | (4,017) | 39,306 |
| Resident Accounts Receivable, Net | 244 | 335 | | 579 |
| Pledges Receivable | | 200 | | 200 |
| Other Receivables | 226 | 397 | | 623 |
| Other Current Assets | 35 | 159 | | 194 |
| Total Current Assets | 4,617 | 40,882 | (4,017) | 41,482 |
| ASSETS LIMITED AS TO USE | | | | |
| Reserves Required by State Statute | 4,017 | 10,156 | | 14,173 |
| Admission Deposits | - | 798 | | 798 |
| Refundable Entrance Fees | - | 356 | | 356 |
| Board Designated | - | 5,451 | | 5,451 |
| Total Assets Limited as to Use | 4,000 | 16,761 | 17 | 20,778 |
| OTHER ASSETS | | | | |
| Assets Under Interest Rate Swap Agreements | 1,737 | 4,271 | | 6,008 |
| Other Assets | - | 206 | | 206 |
| Total Other Assets | 1,737 | 4,477 | - | 6,214 |
| PROPERTY AND EQUIPMENT, NET | | | | |
| Land, buildings and equipment | 76,655 | 164,527 | | 241,182 |
| Less accumulated depreciation | 27,449 | 84,327 | | 111,776 |
| Total Property and Equipment, Net | 49,206 | 80,200 | - | 129,406 |
| Total Assets | 59,560 | 142,320 | (4,000) | 197,880 |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT LIABILITIES | | | | |
| Accrued Interest Payable | 44 | 44 | \$ | 88 |
| Accounts Payable and Other Accrued Expenses | 1,612 | 1,117 | | 2,729 |
| Accrued Salaries and Wages | 746 | 1,546 | | 2,292 |
| Deferred Resident Fee Revenue | 1,200 | 313 | | 1,513 |
| Current Portion of Long-Term Debt | 568 | 2,072 | | 2,638 |
| Other Current Liabilities | - | 419 | | 419 |
| Total Current Liabilities | 4,170 | 5,511 | - | 9,679 |
| LONG-TERM LIABILITIES | | | | |
| Admission Deposits | 355 | 845 | | 1,200 |
| Deferred Revenue from Entrance Fees, Net of Current Portion | 23,695 | 50,665 | | 74,360 |
| Refundable Entrance Fees | 10,439 | 377 | | 10,816 |
| Long-Term Debt, Less Current Maturities | 21,856 | 33,212 | | 55,068 |
| Total Long-Term Liabilities | 60,345 | 85,099 | (4,000) | 141,444 |
| Total Liabilities | | | | 151,123 |
| NET ASSETS | | | | |
| Net Assets Without Donor Restrictions | (5,116) | 50,483 | | 45,369 |
| Net Assets With Donor Restrictions | 161 | 1,227 | | 1,388 |
| Total Net Assets | (4,955) | 51,710 | - | 46,757 |
| Total Liabilities and Net Assets | 59,560 | 142,320 | \$ | 197,880 |

See Summary of Significant Accounting Policies and Assumptions.

WELL-SPRING SERVICES
AN AFFILIATE OF KINTURA

FORECASTED COMBINING STATEMENTS OF
OPERATIONS

DECEMBER 31
(IN THOUSANDS OF DOLLARS)
SEE ACCOUNTANT'S REPORT

| | TVAB | WSLPC | Eliminations | 2027 |
|---|---------|--------|--------------|--------|
| REVENUES, GAINS, AND OTHER SUPPORT | | | | |
| Resident Fees Earned | 14,062 | 36,320 | \$ | 50,382 |
| Amortization of Entrance Fees | 3,253 | 8,565 | | 11,818 |
| Support from Affiliates, Net | - | 982 | | 982 |
| Investment Income | 283 | 2,119 | | 2,402 |
| Net Assets Released from Restrictions - Operations | - | 92 | | 92 |
| Other Revenue | 835 | 909 | | 1,744 |
| Total Revenues, Gains, and Other Support | 18,433 | 48,987 | - | 67,420 |
| EXPENSES | | | | |
| Health Care | 3,172 | 10,328 | | 13,500 |
| Resident Services | 611 | 1,303 | | 1,914 |
| Dietary | 2,872 | 7,071 | | 9,943 |
| Housekeeping | 813 | 2,126 | | 2,939 |
| Plant Operations | 2,293 | 5,816 | | 8,109 |
| General and Administrative | 3,573 | 7,852 | | 11,425 |
| Depreciation | 2,517 | 6,881 | | 9,398 |
| Interest and Amortization | 1,148 | 1,598 | | 2,746 |
| Management Services Fees | 952 | 2,469 | | 3,421 |
| Other Expenses | 85 | 28 | | 113 |
| Total Expenses | 18,036 | 45,472 | - | 63,508 |
| OPERATING INCOME (LOSS) | 397 | 3,515 | - | 3,912 |
| OTHER INCOME (LOSS) | | | | |
| Accreted Interest | (110) | - | | (110) |
| Total Other Loss | (110) | - | - | (110) |
| EXCESS (DEFICIT) OF REVENUES, GAINS, AND OTHER SUPPORT OVER (UNDER) EXPENSES | 287 | 3,515 | - | 3,802 |
| Net Assets Released from Restrictions - Operations | - | (92) | | (92) |
| Decrease in Net Assets With Donor Restrictions | - | (92) | - | (92) |
| Increase (Decrease) in Net Assets | 287 | 3,423 | - | 3,710 |
| Net Assets - Beginning of Year | (5,240) | 48,287 | | 43,047 |
| Net Assets - End of Year | (4,953) | 51,710 | - | 46,757 |

See Summary of Significant Accounting Policies and Assumptions.

WELL-SPRING SERVICES
AN AFFILIATE OF KINTURA

FORECASTED COMBINING STATEMENTS OF
CASH FLOWS

DECEMBER 31
(IN THOUSANDS OF DOLLARS)
SEE ACCOUNTANT'S REPORT

| | TVAB | WSLPC | Eliminations | 2027 |
|--|---------|---------|--------------|----------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Increase (Decrease) in Net Assets | 287 | 3,423 | \$ | 3,710 |
| Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities: | | | | |
| Depreciation | 2,517 | 6,881 | | 9,398 |
| Amortization of Entrance Fees | (3,253) | (8,565) | | (11,818) |
| Entrance fees Received | 4,694 | 8,696 | 402 | 13,792 |
| Amortization of Deferred Issuance Costs | 32 | 73 | | 105 |
| Accreted Interest | 110 | - | | 110 |
| Changes in Working Capital Components: | | | | |
| (Increase) Decrease in: | | | | |
| Accounts Receivable, Net | (8) | (12) | | (20) |
| Other Current Assets | (1) | (6) | | (7) |
| Increase (Decrease) in Accounts Payable, Accrued Expenses, and Other Current Liabilities | (4) | (1) | | (5) |
| Net Cash Provided by Operating Activities | 4,374 | 10,489 | 402 | 15,265 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of Property and Equipment | (2,133) | (7,483) | | (9,616) |
| Change in Assets Limited As to Use | (139) | (370) | | (509) |
| Net Change in Investments | (1,553) | (604) | | (2,157) |
| Net Cash Used by Investing Activities | (3,825) | (8,457) | - | (12,282) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Principal Payments on Long-Term Borrowings | (549) | (2,032) | | (2,581) |
| Entrance Fees Refunded | - | - | (402) | (402) |
| Net Cash Used by Financing Activities | (549) | (2,032) | (402) | (2,983) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 0 | 0 | - | 0 |
| Cash, Cash Equivalents, and Restricted Cash - Beginning of Year | 80 | 500 | - | 580 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR | 80 | 500 | - | \$ 580 |
| Supplementary Disclosure: Interest Paid During the Year | 1,148 | 1,598 | | 2,746 |

WELL-SPRING SERVICES
AN AFFILIATE OF KINTURA

FORECASTED COMBINING STATEMENTS OF
FINANCIAL POSITION

DECEMBER 31
(IN THOUSANDS OF DOLLARS)
SEE ACCOUNTANT'S REPORT

| | TVAB | WSLPC | Eliminations | 2028 |
|---|---------|---------|--------------|--------------|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and Cash Equivalents | 80 | 500 | | \$ 580 |
| Investments | 5,112 | 40,660 | (4,160) | 41,612 |
| Resident Accounts Receivable, Net | 254 | 348 | | 602 |
| Pledges Receivable | - | 200 | | 200 |
| Other Receivables | 226 | 397 | | 623 |
| Other Current Assets | 36 | 165 | | 201 |
| Total Current Assets | 5,708 | 42,270 | (4,160) | 43,818 |
| ASSETS LIMITED AS TO USE | | | | |
| Reserves Required by State Statute | 4,160 | 10,520 | | 14,680 |
| Admission Deposits | - | 798 | | 798 |
| Refundable Entrance Fees | - | 356 | | 356 |
| Board Designated | - | 5,451 | | 5,451 |
| Total Assets Limited as to Use | 4,000 | 17,125 | 160 | 21,285 |
| OTHER ASSETS | | | | |
| Assets Under Interest Rate Swap Agreements | 1,737 | 4,271 | | 6,008 |
| Other Assets | - | 206 | | 206 |
| Total Other Assets | 1,737 | 4,477 | - | 6,214 |
| PROPERTY AND EQUIPMENT, NET | | | | |
| Land, buildings and equipment | 79,576 | 171,432 | | 251,008 |
| Less accumulated depreciation | 29,847 | 90,646 | | 120,493 |
| Total Property and Equipment, Net | 49,729 | 80,786 | | 130,515 |
| Total Assets | 61,174 | 144,658 | (4,000) | \$ \$201,832 |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT LIABILITIES | | | | |
| Accrued Interest Payable | 44 | 44 | | \$ 88 |
| Accounts Payable and Other Accrued Expenses | 1,611 | 1,117 | | 2,728 |
| Accrued Salaries and Wages | 746 | 1,546 | | 2,292 |
| Deferred Resident Fee Revenue | 1,200 | 313 | | 1,513 |
| Current Portion of Long-Term Debt | 592 | 2,112 | | 2,704 |
| Other Current Liabilities | - | 419 | | 419 |
| Total Current Liabilities | 4,193 | 5,551 | - | 9,744 |
| LONG-TERM LIABILITIES | | | | |
| Admission Deposits | 368 | 834 | | 1,202 |
| Deferred Revenue from Entrance Fees, Net of Current Portion | 24,522 | 50,040 | | 74,562 |
| Refundable Entrance Fees | 10,804 | 372 | | 11,176 |
| Long-Term Debt, Less Current Maturities | 21,296 | 31,139 | | 52,435 |
| Total Long-Term Liabilities | 60,990 | 82,385 | (4,000) | 139,375 |
| Total Liabilities | | | | 149,119 |
| NET ASSETS | | | | |
| Net Assets Without Donor Restrictions | (4,170) | 55,587 | | 51,417 |
| Net Assets With Donor Restrictions | 161 | 1,135 | | 1,296 |
| Total Net Assets | (4,009) | 56,722 | - | 52,713 |
| Total Liabilities and Net Assets | 61,174 | 144,658 | (4,000) | \$201,832 |

See Summary of Significant Accounting Policies and Assumptions.

WELL-SPRING SERVICES
AN AFFILIATE OF KINTURA

FORECASTED COMBINING STATEMENTS OF
OPERATIONS

DECEMBER 31
(IN THOUSANDS OF DOLLARS)
SEE ACCOUNTANT'S REPORT

| | TVAB | WSLPC | Eliminations | 2028 |
|---|---------|--------|--------------|-----------|
| REVENUES, GAINS, AND OTHER SUPPORT | | | | |
| Resident Fees Earned | 14,725 | 37,951 | | \$ 52,676 |
| Amortization of Entrance Fees | 3,571 | 9,336 | | 12,907 |
| Support from Affiliates, Net | - | 982 | | 982 |
| Investment Income | 366 | 2,158 | | 2,524 |
| Net Assets Released from Restrictions - Operations | - | 92 | | 92 |
| Other Revenue | 835 | 912 | | 1,747 |
| Total Revenues, Gains, and Other Support | 19,497 | 51,431 | - | 70,928 |
| EXPENSES | | | | |
| Health Care | 3,293 | 10,741 | | 14,034 |
| Resident Services | 636 | 1,355 | | 1,991 |
| Dietary | 2,987 | 7,354 | | 10,341 |
| Housekeeping | 845 | 2,211 | | 3,056 |
| Plant Operations | 2,384 | 6,048 | | 8,432 |
| General and Administrative | 3,714 | 8,164 | | 11,878 |
| Depreciation | 2,398 | 6,318 | | 8,716 |
| Interest and Amortization | 1,124 | 1,508 | | 2,632 |
| Management Services Fees | 1,006 | 2,601 | | 3,607 |
| Other Expenses | 85 | 27 | | 112 |
| Total Expenses | 18,472 | 46,327 | - | 64,799 |
| OPERATING INCOME (LOSS) | 1,025 | 5,104 | - | 6,129 |
| OTHER INCOME (LOSS) | | | | |
| Accreted Interest | (81) | | | (81) |
| Total Other Loss | (81) | - | - | (81) |
| EXCESS (DEFICIT) OF REVENUES, GAINS, AND OTHER SUPPORT OVER (UNDER) EXPENSES | 944 | 5,104 | - | 6,048 |
| Net Assets Released from Restrictions - Operations | - | (92) | | (92) |
| Decrease in Net Assets With Donor Restrictions | - | (92) | - | (92) |
| Increase (Decrease) in Net Assets | 944 | 5,012 | - | 5,956 |
| Net Assets - Beginning of Year | (4,957) | 51,710 | | 46,757 |
| Net Assets - End of Year | (4,013) | 56,722 | | \$ 52,713 |

See Summary of Significant Accounting Policies and Assumptions.

WELL-SPRING SERVICES
AN AFFILIATE OF KINTURA

FORECASTED COMBINING STATEMENTS OF
CASH FLOWS

DECEMBER 31
(IN THOUSANDS OF DOLLARS)
SEE ACCOUNTANT'S REPORT

| | TVAB | WSLPC | Eliminations | 2028 |
|--|-----------|------------|--------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Increase (Decrease) in Net Assets | 944 | 5,012 | | \$ 5,956 |
| Adjustments to Reconcile Increase (Decrease) in Net Assets | | | | |
| to Net Cash Provided by Operating Activities: | | | | |
| Depreciation | 2,398 | 6,318 | | 8,716 |
| Amortization of Entrance Fees | (3,571) | (9,336) | | (12,907) |
| Entrance fees Received | 4,694 | 8,696 | 402 | 13,792 |
| Amortization of Deferred Issuance Costs | 32 | 39 | | 71 |
| Accreted Interest | 81 | - | | 81 |
| Changes in Working Capital Components: | | | | |
| (Increase) Decrease in: | | | | |
| Accounts Receivable, Net | (10) | (13) | | (23) |
| Other Current Assets | (1) | (6) | | (7) |
| Increase (Decrease) in Accounts Payable, Accrued Expenses, and | | | | |
| Other Current Liabilities | 2 | - | | 2 |
| Net Cash Provided by Operating Activities | 4,569 | 10,710 | 402 | 15,681 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of Property and Equipment | (2,921) | (6,905) | | (9,826) |
| Change in Assets Limited As to Use | (143) | (364) | | (507) |
| Net Change in Investments | (937) | (1,369) | | (2,306) |
| Net Cash Used by Investing Activities | (4,001) | (8,638) | - | (12,639) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Principal Payments on Long-Term Borrowings | (568) | (2,072) | | (2,640) |
| Entrance Fees Refunded | - | - | (402) | (402) |
| Net Cash Used by Financing Activities | (568) | (2,072) | (402) | (3,042) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 0 | (0) | | 0 |
| Cash, Cash Equivalents, and Restricted Cash - Beginning of Year | 80 | 500 | | 580 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR | 80 | 500 | - | \$ 580 |
| Supplementary Disclosure: Interest Paid During the Year | 1,124 | 1,508 | | \$ 2,632 |

WELL-SPRING SERVICES
AN AFFILIATE OF KINTURA

FORECASTED COMBINING STATEMENTS OF
FINANCIAL POSITION

DECEMBER 31
(IN THOUSANDS OF DOLLARS)
SEE ACCOUNTANT'S REPORT

| | TVAB | WSLPC | Eliminations | 2029 |
|---|---------|---------|--------------|------------|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and Cash Equivalents | 80 | 500 | | 580 |
| Investments | 7,331 | 42,381 | (4,310) | 45,402 |
| Resident Accounts Receivable, Net | 264 | 362 | | 626 |
| Pledges Receivable | | 200 | | 200 |
| Other Receivables | 226 | 397 | | 623 |
| Other Current Assets | 37 | 172 | | 209 |
| Total Current Assets | 7,938 | 44,012 | (4,310) | 47,640 |
| ASSETS LIMITED AS TO USE | | | | |
| Reserves Required by State Statute | 4,310 | 10,906 | | 15,216 |
| Admission Deposits | - | 798 | | 798 |
| Refundable Entrance Fees | - | 356 | | 356 |
| Board Designated | - | 5,451 | | 5,451 |
| Total Assets Limited as to Use | 4,000 | 17,511 | 310 | 21,821 |
| OTHER ASSETS | | | | |
| Assets Under Interest Rate Swap Agreements | 1,737 | 4,271 | | 6,008 |
| Other Assets | - | 206 | | 206 |
| Total Other Assets | 1,737 | 4,477 | - | 6,214 |
| PROPERTY AND EQUIPMENT, NET | | | | |
| Land, buildings and equipment | 81,494 | 178,191 | | 259,685 |
| Less accumulated depreciation | 32,126 | 96,414 | | 128,540 |
| Total Property and Equipment, Net | 49,368 | 81,777 | | 131,145 |
| Total Assets | 63,043 | 147,777 | (4,000) | \$ 206,820 |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT LIABILITIES | | | | |
| Accrued Interest Payable | 40 | 40 | \$ | 80 |
| Accounts Payable and Other Accrued Expenses | 1,611 | 1,117 | | 2,728 |
| Accrued Salaries and Wages | 746 | 1,546 | | 2,292 |
| Deferred Resident Fee Revenue | 1,200 | 313 | | 1,513 |
| Current Portion of Long-Term Debt | 615 | 2,152 | | 2,767 |
| Other Current Liabilities | - | 419 | | 417 |
| Total Current Liabilities | 4,212 | 5,587 | - | 9,797 |
| LONG-TERM LIABILITIES | | | | |
| Admission Deposits | 376 | 812 | | 1,188 |
| Deferred Revenue from Entrance Fees, Net of Current Portion | 25,061 | 48,709 | | 73,770 |
| Refundable Entrance Fees | 11,041 | 363 | | 11,404 |
| Long-Term Debt, Less Current Maturities | 20,713 | 29,026 | | 49,739 |
| Total Long-Term Liabilities | 61,191 | 78,910 | (4,000) | 136,101 |
| Total Liabilities | | | | 145,898 |
| NET ASSETS | | | | |
| Net Assets Without Donor Restrictions | (2,521) | 62,237 | | 59,718 |
| Net Assets With Donor Restrictions | 161 | 1,043 | | 1,204 |
| Total Net Assets | (2,360) | 63,280 | - | 60,922 |
| Total Liabilities and Net Assets | 63,043 | 147,777 | (4,000) | \$ 206,820 |

See Summary of Significant Accounting Policies and Assumptions.

WELL-SPRING SERVICES
AN AFFILIATE OF KINTURA

FORECASTED COMBINING STATEMENTS OF
OPERATIONS

DECEMBER 31
(IN THOUSANDS OF DOLLARS)
SEE ACCOUNTANT'S REPORT

| | TVAB | WSLPC | Eliminations | 2029 |
|---|---------|--------|--------------|--------|
| REVENUES, GAINS, AND OTHER SUPPORT | | | | |
| Resident Fees Earned | 15,409 | 39,656 | \$ | 55,065 |
| Amortization of Entrance Fees | 3,991 | 10,059 | | 14,050 |
| Support from Affiliates, Net | - | 982 | | 982 |
| Investment Income | 421 | 2,227 | | 2,648 |
| Net Assets Released from Restrictions - Operations | - | 92 | | 92 |
| Other Revenue | 835 | 916 | | 1,751 |
| Total Revenues, Gains, and Other Support | 20,656 | 53,932 | - | 74,588 |
| EXPENSES | | | | |
| Health Care | 3,418 | 11,171 | | 14,589 |
| Resident Services | 661 | 1,410 | | 2,071 |
| Dietary | 3,106 | 7,648 | | 10,754 |
| Housekeeping | 879 | 2,299 | | 3,178 |
| Plant Operations | 2,480 | 6,290 | | 8,770 |
| General and Administrative | 3,860 | 8,489 | | 12,349 |
| Depreciation | 2,279 | 5,768 | | 8,047 |
| Interest and Amortization | 1,093 | 1,445 | | 2,538 |
| Management Services Fees | 1,067 | 2,734 | | 3,801 |
| Other Expenses | 81 | 28 | | 109 |
| Total Expenses | 18,924 | 47,282 | - | 66,206 |
| OPERATING INCOME (LOSS) | 1,732 | 6,650 | - | 8,382 |
| OTHER INCOME (LOSS) | | | | |
| Accreted Interest | (81) | | | (81) |
| Total Other Loss | (81) | - | - | (81) |
| EXCESS (DEFICIT) OF REVENUES, GAINS, AND OTHER SUPPORT OVER (UNDER) EXPENSES | 1,651 | 6,650 | - | 8,301 |
| Net Assets Released from Restrictions - Operations | - | (92) | | (92) |
| Decrease in Net Assets With Donor Restrictions | - | (92) | - | (92) |
| Increase (Decrease) in Net Assets | 1,651 | 6,558 | - | 8,209 |
| Net Assets - Beginning of Year | (4,009) | 56,722 | | 52,713 |
| Net Assets - End of Year | (2,358) | 63,280 | | 60,922 |

See Summary of Significant Accounting Policies and Assumptions.

WELL-SPRING SERVICES
AN AFFILIATE OF KINTURA

FORECASTED COMBINING STATEMENTS OF
CASH FLOWS

DECEMBER 31
(IN THOUSANDS OF DOLLARS)
SEE ACCOUNTANT'S REPORT

| | TVAB | WSLPC | Eliminations | 2029 |
|--|---------|----------|--------------|----------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Increase (Decrease) in Net Assets | 1,651 | 6,558 | \$ | 8,209 |
| Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities: | | | | |
| Depreciation | 2,279 | 5,768 | | 8,047 |
| Amortization of Entrance Fees | (3,991) | (10,059) | | (14,050) |
| Entrance fees Received | 4,694 | 8,696 | 402 | 13,792 |
| Amortization of Deferred Issuance Costs | 32 | 39 | | 71 |
| Accreted Interest | 81 | - | | 81 |
| Changes in Working Capital Components: | | | | |
| (Increase) Decrease in: | | | | |
| Accounts Receivable, Net | (10) | (14) | | (24) |
| Other Current Assets | (1) | (7) | | (8) |
| Increase (Decrease) in Accounts Payable, Accrued Expenses, and Other Current Liabilities | (6) | (3) | | (9) |
| Net Cash Provided by Operating Activities | 4,729 | 10,978 | 402 | 16,109 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of Property and Equipment | (1,918) | (6,759) | | (8,677) |
| Change in Assets Limited As to Use | (150) | (386) | | (536) |
| Net Change in Investments | (2,069) | (1,721) | | (3,790) |
| Net Cash Used by Investing Activities | (4,137) | (8,866) | - | (13,003) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Principal Payments on Long-Term Borrowings | (592) | (2,112) | | (2,704) |
| Entrance Fees Refunded | - | - | (402) | (402) |
| Net Cash Used by Financing Activities | (592) | (2,112) | (402) | (3,106) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 0 | 0 | - | 0 |
| Cash, Cash Equivalents, and Restricted Cash - Beginning of Year | 80 | 500 | | 580 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR | 80 | 500 | - \$ | 580 |
| Supplementary Disclosure: Interest Paid During the Year | 1,093 | 1,445 | | 2,538 |

Well-Spring Services
Balance Sheet
As of 04/30/2025

| | Total |
|--|------------------------------|
| Assets | |
| Current Assets | |
| Cash | \$ 2,160,665 |
| Accounts Receivable | 542,599 |
| Refundable Sales Tax | 530,227 |
| Inventory | 108,464 |
| Prepaid Expenses | 857,931 |
| Due (To) From Other Divisions | 1,411,259 |
| Total Current Assets | <u>5,611,145</u> |
| Investments, Deferred Costs and Other Assets | |
| Investments | 54,422,993 |
| Deferred Financing Costs | 553,057 |
| Swap Asset | 5,282,138 |
| Total Investments, Deferred Costs and Other Assets | <u>60,258,188</u> |
| Property, Plant and Equipment, net | 129,109,130 |
| Total Assets | <u><u>\$ 194,978,463</u></u> |
| Total Liabilities and Net Assets | |
| Current Liabilities | |
| Current Maturities of Long-Term Debt | \$ 1,654,518 |
| Accounts Payable | 388,380 |
| Accrued Payroll | 1,465,096 |
| Accrued Personnel Costs and Withholdings | 1,296,164 |
| Accrued Interest | 181,642 |
| Due (To) from Other Divisions | 2,266,027 |
| Total Current Liabilities | <u>7,251,827</u> |
| Long-Term Debt | |
| Bonds and Notes Payable | 63,040,845 |
| Total Long-Term Debt | <u>63,040,845</u> |
| Deferred Revenue and Other Liabilities | |
| Refundable Fees | 5,389,642 |
| Deferred Revenue from Advance Fees | 73,734,990 |
| Other Liabilities | 5,745 |
| Reserve PTO | 1,229,541 |
| Total Deferred Revenue and Other Liabilities | <u>80,359,918</u> |
| Net Assets | 44,325,873 |
| Total Liabilities and Net Assets | <u><u>\$ 194,978,463</u></u> |

Well-Spring Services
Stmnt Operations - Summary
For the 4 Months ended
30-Apr-25

Operating Revenue

| | |
|--|--------------|
| Service Fees - Residential | \$ 9,241,183 |
| Service Fees - Assisted Living | 2,188,548 |
| Service Fees - Nursing | 3,946,466 |
| Dining Service | 138,529 |
| Reimbursed Medical | 227,604 |
| Foundation grants - financial assistance | 228,436 |
| Other | 93,921 |

Total Operating Revenue

\$ 16,064,687

Operating Expenses

| | |
|---|-----------|
| Administration | 2,791,228 |
| Resident Services | 330,372 |
| Theater | 136,406 |
| Wellness | 63,080 |
| Environmental Services | 815,579 |
| Dietary Services | 2,856,689 |
| Maintenance | 2,202,267 |
| Nursing | 4,097,717 |
| Marketing | 226,685 |
| Public Safety | 390,063 |
| Foundation Grants - expense reimbursement | (9,247) |
| MSO Allocation | 1,062,223 |
| Other Expenses | 8,385 |

Total Operating Expenses

14,971,447

Operating Income

1,093,240

Non-Operating Revenue (Expense)

| | |
|--|-------------|
| Amortized Entry Fees | 3,008,720 |
| Dividend and Interest Income | 403,174 |
| Depreciation and Amortization | (3,613,650) |
| Investment income - unrealized gain (loss) | (79,844) |
| Bond and Note Interest Expense | (753,302) |
| Other | 48,149 |

Total Non-Operating Revenue (Expense)

(986,753)

Excess (Deficit) of Revenue Over Expenses and Non-Operating Income

106,487

Well-Spring Services
Statement of Cash Flows
As of April 30, 2025

Cash Flows from Operating Activities

| | |
|--|------------------|
| Operating Income (loss) | 1,093,240 |
| Adjustments to reconcile operating income (loss) to net cash | |
| Advance fees received, net of refunds | 3,106,648 |
| Bond and Note Interest Expense | (753,302) |
| Change in working capital components: | |
| (Increase) Decrease in Trade and other receivables | 514,219 |
| (Increase) decrease in other assets | (587,435) |
| (Increase) decrease in due to other divisions | 893,258 |
| Increase (decrease) in accounts payable and accrued expenses | <u>(807,296)</u> |

Net cash provided by (used in) operating activities

3,459,332

Cash Flows from Investing Activities

| | |
|-------------------------------------|--------------------|
| Payments for property and equipment | (2,767,895) |
| Dividend and Interest Income | 403,174 |
| Net Change in Investments | <u>(1,085,707)</u> |

Total Cash Flows from Investing Activities

(3,450,428)

Cash Flows from Financing Activities

| | |
|--|---------------|
| Net, principal receipts (payments) on long-term borrowings | (702,724) |
| Other, net | <u>45,399</u> |

Total Cash Flows from Financing Activities

(657,325)

Net increase (decrease) in cash and cash equivalents

(648,421)

Beginning

2,809,086

Ending Cash

2,160,665

**LIFE CARE
RESIDENCE AND SERVICES AGREEMENT**
The Village at Brookwood

This Life Care Residence and Services Agreement (“Agreement”) is made this _____ day of _____, _____, by and between Alamance Extended Care, Inc., d.b.a. THE VILLAGE AT BROOKWOOD, (“The Village” or “Provider”) and _____ (“Resident”, if more than one person enters into the agreement, the word “Resident” shall apply to them collectively unless otherwise stated).

Whereas, the Provider is a non-profit 501(c)(3) corporation and a wholly owned subsidiary of The Well Spring Group, chartered by the State of North Carolina, and is organized to establish and operate a retirement community; and

Whereas, the Provider operates The Village at Brookwood, a continuing care retirement community located on Brookwood Avenue in Burlington, North Carolina, consisting of apartment residences, garden home residences, a community center with common areas and amenities, wellness center and a licensed health care center providing assisted living, skilled nursing care, and memory care; and

Whereas, the Resident desires to enter into this Agreement with The Village, and has made the following choices regarding residence and accompanying fees:

Residence Number: _____

Residence Type: _____
(hereinafter referred to as “Residence”)

Resident Entrance Fee: _____

Co-Resident Entrance Fee: _____

Resident Monthly Fee: _____

Co-Resident Monthly Fee: _____

Now, therefore, the Resident and the Provider agree as follows:

I. RESIDENCE, COMMON AREAS, AMENITIES, PROGRAMS AND SERVICES

- A. Residence.** Except as set forth in this Agreement, the Resident has the right to occupy, use, and enjoy the Residence and services of The Village during the term of this Agreement.
- B. Furnishings in the Residence.** The Village provides flooring, appliances and other furnishings per current standards as described in The Village's current literature. The Resident will be responsible for furnishing the Residence. All furniture and electrical and other appliances provided by the Resident shall be subject to The Village's approval in order to keep the Residence safe and sanitary.
- C. Options and Custom Features in the Residence.** The Resident may select certain options and custom features for the Residence as described in The Village's literature for an additional charge. Any such options and custom features selected and paid for by the Resident will become the property of The Village. The value of any such improvements will be considered in computing refunds if such options or custom features involve structural changes to the Residence or substantially increase livable square footage in the Residence.
- D. Common Areas and Amenities.** The Village maintains common areas and amenities for the use and benefit of all residents.
- E. Parking.** The Village provides parking areas for the Resident's personal vehicle and limited parking for guests.
- F. Storage.** Limited storage space of one (1) unit per apartment is provided by The Village for apartment residents and shall be in addition to the space in each apartment. Garden homes have storage rooms adjacent to the carport and/or garage.
- G. Services and Programs.**

 - 1. Utilities.** The Village furnishes heating, air conditioning, electricity, water, sewer service, trash removal, basic cable TV and secure WIFI access. The Resident is responsible for the charges for telephone service and expanded cable television service. The Village shall not be responsible for any periods of disruption regarding these utilities.
 - 2. Dining Services.** The Village will provide nutritionally balanced meals per published dining hours. The Resident's monthly service fee will include a meal plan, which the Resident may choose in accordance with The Village dining services procedures. The cost of additional meals taken by the Resident will be billed on a monthly basis.

3. **Special Diets.** When authorized by the Village's medical and dietary personnel, meals accommodating special diets may be provided. The Provider may make additional charges for special diets.
4. **Tray Service.** When authorized by The Village, meal delivery may be provided to you in your Residence. The Village may make additional charges for meals delivered to the Residence per current scheduled fees.
5. **Housekeeping Services.** The Village provides weekly housekeeping services. Additional housekeeping may be scheduled at the request and expense of the Resident.
6. **Laundry.** The Village provides washers and dryers in the Residence.
7. **Grounds-keeping.** The Village furnishes basic grounds-keeping services including lawn, tree, and shrubbery care. The Resident may plant and maintain certain areas designated for such purpose by The Village.
8. **Maintenance and Repairs.** The Village maintains and repairs its own improvements, furnishings, appliances, and equipment. The Resident will be responsible for the cost of repairing damage to property of The Village caused by the Resident or any guests of the Resident, ordinary wear and tear excepted.
9. **Transportation.** The Village provides local transportation for medical appointments for residents on a regularly scheduled basis. An additional charge may be made for transportation for special, personal, or group trips.
10. **Security.** The Village is a gated community providing twenty-four (24) hour staffing to include evening and nighttime security patrol. Emergency call devices are provided, and smoke detectors will be located in each Residence. Security cameras may be located in parking areas and at building entrances or other common areas.
11. **Life Enrichment.** The Village provides planned and scheduled social, recreational, spiritual, educational and cultural activities; arts and crafts classes; and other special activities. Some activities may require an additional charge.
12. **Wellness Programs.** The Village provides a variety of exercise programs, including aquatic classes, exercise equipment and aerobics as a part of an overall Wellness Program.
13. **Health Care Services:**
 - a. **Health Care Center.** The Health Care Center consists of licensed Assisted Living, Memory Care, and Skilled Nursing accommodations.
 - (1) **Assisted Living Services.** The Assisted Living section of the Provider is licensed by North Carolina as an Adult Care Home, where assistance with daily living activities may include: bathing, dressing, administration of

medication, bed making, three (3) meals per day, housekeeping, transportation, activities, and personal laundry service.

(2) **Memory Care.** The Village provides, in a separate Assisted Living section of the facility licensed by North Carolina as an Adult Care Home, specialized services for memory support. Assistance with daily living activities tailored to the different needs of the residents may include: bathing, dressing, administration of medication, bed making, three (3) meals per day, housekeeping, transportation, specialized activities, and personal laundry service.

(3) **Skilled Nursing Services.** The Village provides nursing care in its licensed nursing center as may be deemed necessary by the Medical Director and/or their staff. The Resident agrees that nursing care provided by The Village shall be limited to care in keeping with licensure requirements. Services may include three (3) meals per day, housekeeping, assistance with daily living activities, and nursing services as ordered by the appropriate physician.

(4) **Staffing.** The Health Care Center is staffed by licensed and certified nursing staff twenty-four (24) hours per day and meets all North Carolina licensing requirements.

b. **Clinic Services:**

(1) A health clinic, staffed with a licensed nurse, is available on site during scheduled hours for resident use.

(2) Additional periodic services may be provided through the Clinic as deemed necessary by The Village. The cost of such services shall be the responsibility of the Resident.

c. **Medical Director.** The overall coordination and supervision of health care services by The Village is provided by a Medical Director who is a physician licensed by the State of North Carolina and selected by Provider.

d. **Physician Services.** The Resident is responsible for the cost of all physician services. Residents are free to choose their personal physicians; however, The Village recommends that the Resident have at least one physician on record that has been approved for admitting privileges by the Alamance Regional Medical Center Medical Staff.

II. FINANCIAL ARRANGEMENTS

- A. **Entrance Fee Refund.** The Resident agrees to pay to The Village an Entrance Fee as a condition of becoming a Resident. Refunds will be handled as described in Section VI below.

| Entrance Fee Refund | Amortization Schedule |
|---------------------|---|
| Standard | The Entrance Fee (less an initial 6% nonrefundable fee) will be amortized at 2% per month for 47 months after which time the Entrance Fee is fully amortized. Any refund due to the Resident will be paid (as described in Section VI below). |

- A. **Terms of Payment of the Balance of the Entrance Fee.** The balance of the total Entrance Fee for the Entrance Fee Option selected by the Resident will be due and payable by the mutually agreed upon date of occupancy.
- B. **Monthly Fee.** In addition to the Entrance Fee, the Resident agrees to pay a Monthly Fee during occupancy which shall be payable upon receipt of invoice each month. The first month's Monthly Fee is due and payable by the date of occupancy and will be prorated based on the day of the month.
- C. **Adjustments in the Monthly Fee.** The Monthly Fee provides for the facilities, programs, and services described in this Agreement and is intended to meet the cost of the expenses associated with the operation and management of The Village. The Village shall have the authority and discretion to adjust the Monthly Fee during the term of this Agreement to reflect increases and changes in costs of providing the facilities, programs, and services described herein consistent with operating on a sound

financial basis and maintaining the quality of services provided to residents. At least a thirty (30) day notice will be given to the Resident before any adjustment in fees or charges.

- D. **Away Allowance.** Residents away from The Village for fourteen (14) consecutive days or more, and who make arrangements in advance with The Village (excluding hospitalizations), will be credited with a current published dining services credit.
- E. **Monthly Statements.** The Village will furnish the Resident with a monthly statement showing the total amount of fees and other charges owed by the Resident which shall be due and payable upon receipt of invoice each month. The Village may charge interest at a rate of one and one-half Percent (1½%) per month on any unpaid balance owed by the Resident Thirty (30) Days after the monthly statement is furnished.
- F. **Fees and Charges for Health Care Services.**
 - 1. **Life Care Benefit.** Should the Resident qualify for services in the Health Care Center, it is understood that at the time of transfer the Resident will be charged a monthly fee known as the Life Care Benefit. The Life Care Benefit will apply to Assisted Living, Assisted Living Memory Care and Skilled Nursing accommodations.
 - 2. **Additional Charges for Ancillary Services.** Charges in addition to the monthly fee may be made for ancillary services provided at The Village. Examples of such additional ancillary charges include, but are not limited to: the cost of prescription and non-prescription medications; surgical, podiatric, dental, optical services; physical examinations; physician services; laboratory tests; physical therapy, occupational therapy, rehabilitative treatments; wheelchairs; other medical equipment and supplies; and any other medical services beyond those available in The Village. Such services are contracted and may not be regularly available. Also, any professional services (medical or otherwise) contracted by the Resident or on behalf of the Resident shall be billed directly to the Resident or their assigned third party.
 - 3. **Illness Away From the Village.** The Resident agrees to assume all financial responsibility for hospital, medical and nursing care during any illness or accident occurring while away from The Village and to see that, upon return, full medical information is supplied to The Village for the Resident's medical records file.
 - 4. **Life Care Respite Benefit.** Fourteen (14) days of qualified respite care are available to Life Care Residents on an annual basis. This benefit applies to skilled nursing only.

III. ADMISSION REQUIREMENTS AND PROCEDURES

The admission requirements for residence at The Village are non-discriminatory; The Village is open to individuals of all races, color, gender, religious beliefs, sexual orientation

and national origin. A prospective resident will become qualified for admission to The Village upon satisfaction of the following provisions:

- A. **Age.** Generally, admission is restricted to persons 62 years of age or older. If one member of the residential party is 62, the co-resident may be 55 years of age or older.
- B. **Residence and Services Agreement.** Upon notification of acceptance by Provider, the Resident shall enter into this Agreement.
- C. **Representations.** The Resident affirms that the representations made in the required Application for Residency as well as the Reservation Agreement that was previously executed by the parties (which representations include a confidential personal and health history and a financial disclosure), are true and correct and may be relied upon by the Provider as a basis for entering into this Agreement.
- D. **Direct Admission to Health Care Center.** Upon admission, if it is determined by Provider that Resident is unable to live independently in the residence, such resident may be offered direct admission to the Health Care Center. Such Resident shall pay monthly fees equal to the current Fee for Service per diem rate (as described in The Village's current literature) in the Health Care Center (for the required level of care, Assisted Living, Skilled Care or Memory Care). Residents directly admitted to the Health Care Center shall complete the Amendment to Residence and Services Agreement for Direct Admission to Health Care and documents as required by the Provider and North Carolina licensure statutes. In the event a Resident that qualifies for direct admission into the Health Care Center has a Co-Resident that does not qualify for such direct admission, the Co-Resident shall continue to be governed by the terms of this Agreement as a single occupant of the Residence.

IV. TERMS OF OCCUPANCY

- A. **Rights of Resident.** The Resident has the right to occupy, use, and enjoy the Residence, common areas, amenities, programs, and services of The Village during the term of this Agreement. It is understood that this Agreement does not transfer or grant any interest in the real or personal property owned by the Provider other than the rights and privileges as described in this Agreement.

Occupancy (and the obligations of the Provider for care of the Resident) shall be defined as beginning when the Resident has paid the Entrance Fee in full and has paid the first month's Monthly Fee.

- B. **Policies and Procedures.** The Resident will abide by The Village's policies and procedures and such amendments, modifications, and changes of the policies and procedures as may hereafter be adopted by the Provider.
- C. **Changes in the Residence, Services, or Fees.** Provider has the right to change the Residence, the services offered, or the fees charged to meet requirements of, or changes to any applicable statute, law, or regulation. The Residence may not be used in any manner in violation of any zoning ordinances or other governmental law or regulation.

- D. Visitors.** The Resident shall be free to invite guests to the Residence for daily and overnight visits. Guest rooms may be available from time to time at a reasonable rate for overnight stays by your guests. The Village reserves the right to make rules regarding visits and guest behavior and may limit or terminate a visit at any time for reasons it deems appropriate. Two (2) weeks is the maximum continuous stay for guests unless prior approval from the Executive Director is obtained. Except for short-term guests, no person other than the Resident or a Co-Resident, if any, may reside in the Residence without prior approval of The Village.
- E. Occupancy by Two Residents.** In the event that two Residents occupy a Residence under the terms of this Agreement, upon the permanent transfer to the Health Care Center or the death of one Resident, or in the event of the termination of this Agreement with respect to one of the Residents, the Agreement shall continue in effect as to the remaining or surviving Resident who shall have the option to retain the same Residence. Should the remaining or surviving Resident wish to move to another residence, the policies of The Village governing said residence transfer will prevail.
- F. Addition of a Co-Resident or Marriage.** If a Resident marries a person who is also a Resident, the two Residents may occupy the Residence of either Resident and shall surrender the Residence not to be occupied by them. Such married Residents will pay the Monthly Fee for double occupancy associated with the Residence occupied by them. In the event that a Resident shall marry a person who is not a Resident of The Village, the spouse may become a Resident if such spouse meets all the current requirements for admission to The Village, enters into a current version of the Life Care Residence and Services Agreement with Provider, and pays the current single person Entrance Fee for the smallest one bedroom apartment at The Village. The Resident and spouse shall pay the Monthly Fee for double occupancy associated with the Residence occupied by them. If the Resident's spouse does not meet the requirements of The Village for admission as a resident, the Resident may terminate this Agreement in the same manner as provided in Section VI.B. hereof with respect to a voluntary termination.
- G. Loss or Damage of Property.** Provider shall not be responsible for the loss or damage of any property belonging to the Resident due to theft, mysterious disappearance, fire or any other cause. Resident shall provide any desired insurance protection covering any such personal loss. Provider shall insure all property (except personal property) within all residences and common areas belonging to The Village.
- H. Health Insurance and Assignments.** If not already enrolled, the Resident shall apply for and secure, before taking occupancy, coverage under Medicare Parts A and B and any other hospital or medical insurance benefit program which supplements Medicare or other comparable insurance accepted by Provider. The Resident shall provide Provider with evidence of such coverage or of an acceptable substitute insurance plan and shall pay all premiums.

The Resident shall authorize, as necessary, any provider of hospital, medical, and health services to receive reimbursement under the programs designated in this Section IV. H.

If the Resident is or becomes entitled to medical care and/or reimbursement from governmental agencies or insurance policies, application shall be made for such care and benefits, and the Resident shall assign all insurance proceeds receivable to Provider to the extent necessary to reimburse Provider for all health care expenditures made by Provider on behalf of the Resident.

- I. **Right of Entry.** Resident hereby authorizes employees or agents of Provider to enter the Residence for reasonable purposes, including without limitation the following: housekeeping, repairs, maintenance, inspection, fire drills, and in the event of emergency. Provider shall when feasible use reasonable efforts to enter at scheduled times or upon prior notice to Resident. Resident shall afford Provider's employees or agents access to all areas of the Residence when requested to ensure that the Residence is maintained in good repair in accordance with this Agreement and to ensure the health and safety of Resident and other Residents.
- J. **Residents' Association.** Residents of The Village are encouraged to participate in the Residents' Association Committees. The organization elects representatives, officers, and other positions to engage in concerted activities set forth by the Residents' Association.
- K. **Tobacco Free Campus.** The Village at Brookwood is a Tobacco Free Campus. Smoking and tobacco use is prohibited for residents, staff and visitors.

V. TRANSFERS OR CHANGES IN LEVELS OF CARE

- A. **Voluntary Transfer between Independent Residences.** The Resident may transfer from one independent Residence to another. The Resident shall comply with The Village's current Resident Transfer Advantage Program for selection of such Residence. There may be a refurbishment fee (for the Residence being vacated) charged for such a transfer.
 - 1. **Transfer of Resident to a Larger Residence.** If the Resident elects to transfer to a larger Residence, an additional Entrance Fee (according to the Entrance Fee Refund Option selected at the original Date of Occupancy) equal to the difference between the Entrance Fee for the smaller Residence and the Entrance Fee for the larger Residence will be due to The Village. The Resident will also pay the Monthly Service Fee associated with the larger Residence.
 - 2. **Transfer of Resident to a Smaller Residence.** The Resident may elect to transfer to a smaller Residence and pay the current monthly service fee for that Residence. The transfer to a smaller Residence shall not result in any entrance fee refund.
- B. **Transfer to the Health Care Center.** The Resident agrees that Provider shall have authority to determine that the Resident be transferred from one level of care to another

level of care within The Village. Such determination shall be based on the professional opinion of the Medical Director and shall be made after reasonable efforts to consult with the Resident or the Resident's chosen and legal representative.

- C. **Transfer to Hospital or Other Facility.** If it is determined by Provider that the Resident needs care beyond that which can be provided by The Village; the Resident may be transferred to a hospital, center, or institution equipped to give such care and such care will be at the expense of the Resident. Such transfer of the Resident will be made only after consultation to the extent possible with the Resident or the Resident's chosen and legal representative.
- D. **Surrender of Residence.** If a determination is made by Provider that any transfer described in Section V.B. or V.C. is likely to be permanent in nature, the Resident agrees to surrender the Residence upon such transfer. The Provider shall continue charging the monthly fees until such time that the Residence is vacated. If Provider subsequently determines that the Resident can resume occupancy in a Residence or accommodation comparable to that occupied by the Resident prior to such transfer, the Resident shall have priority to such residence as soon as it becomes available.

VI. TERMINATION AND REFUND PROVISIONS

- A. **Termination by Resident Prior to Occupancy.** This Agreement may be terminated by the Resident for any reason prior to occupancy by giving written notice to Provider. In the event of such termination, the Resident shall receive a refund of the 10% Deposit paid by the Resident, less any expenses incurred by The Village and less a nonrefundable fee equal to 2% of the total amount of the selected Entrance Fee option.

If the Resident dies before occupying the Residence, or if, on account of illness, injury, or incapacity, the Resident would be precluded from occupying the Residence under the terms of this Agreement, this Agreement is automatically canceled. The nonrefundable fee (equal to 2% of the total amount of the selected Entrance Fee option) will not be charged, however, if such termination is because of death of a Resident, or because the Resident's physical, mental or financial condition makes the Resident ineligible for entrance to The Village.

Any such refund shall be paid by The Village within sixty (60) days following receipt of notification of such termination. Provider requires that such notification be in writing.

- B. **Voluntary Termination after Occupancy.** At any time after occupancy, the Resident may terminate this Agreement by giving Provider thirty (30) days written notice of such termination. Such notice effectively releases the Residence to The Village. Any refunds of the Entrance Fee due to the Resident shall be calculated based upon the Entrance Fee option chosen by the Resident and as described in Section II.A. Any refund due the Resident under this paragraph will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one

(1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.

- C. **Termination upon Death.** In the event of death of the Resident at any time after occupancy, this Agreement shall terminate and the refund of the Entrance Fee paid by the Resident shall be calculated based upon the Entrance Fee option chosen by the Resident and as described in Section II.A. Any refund due to the Resident's estate will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.
- D. **Termination by Provider.** Provider may terminate this Agreement at any time if there has been a material misrepresentation or omission made by the Resident in the Resident's Application for Admission, Personal Health History, or Confidential Financial Statement; if the Resident fails to make payment to Provider of any fees and charges due The Village within sixty (60) days of the date when due; or if the Resident does not abide by the rules and regulations adopted by Provider or breaches any of the terms and conditions of this Agreement. Any refunds of the Entrance Fee due to the Resident shall be calculated based upon the Entrance Fee option chosen by the Resident and as described in Section II.A. Any refund due the Resident under this paragraph will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.
- E. **Condition of Residence.** At termination of this Agreement, the Resident shall vacate the Residence and shall be liable to The Village for any cost incurred in restoring the Residence to good condition except for normal wear and tear. The Provider shall continue charging the monthly fees until such time that the Residence is vacated. Any refunds due the Resident upon termination may be credited against the cost of returning the Residence to its original condition.

VII. RIGHT OF RESCISSION

Notwithstanding anything herein to the contrary, this Agreement may be rescinded by the Resident giving written notice of such rescission to The Village within thirty (30) days following the later of the execution of this Agreement or the receipt of the Disclosure Statement that meets the requirements of Section 58-64-25, et.seq. of the North Carolina General Statutes. In the event of such rescission, the Resident shall receive a refund of the Entrance Fee paid by the Resident, less 2%. The Resident shall not be required to move into The Village before the expiration of such thirty (30) day period. Any such refund shall be paid by The Village within sixty (60) days following receipt of written notice of rescission pursuant to this paragraph.

VIII. FINANCIAL ASSISTANCE

Provider declares that it is the intent of The Village to permit a Resident to continue to reside at The Village if the Resident is no longer capable of paying the prevailing fees and charges of The Village as a result of financial reversals occurring after occupancy, provided such reversals, in Provider's judgment, are not the result of willful or unreasonable dissipation of the Resident's assets. In the event of such circumstances, Provider will give careful consideration to subsidizing the fees and charges payable by the Resident so long as such subsidy can be made without impairing the ability of Provider to operate on a sound financial basis. Any determination by Provider with regard to the granting of financial assistance shall be within the sole discretion of Provider.

IX. GENERAL

- A. **Relationships between Residents and Staff Members.** Employees of The Village are supervised solely by The Village's management staff, and not by residents. Employees and their families may not accept gratuities, bequests, or payment of any kind from residents. Any complaints about employees or requests for special assistance must be made to the appropriate supervisor or to the Executive Director or his/her designee. The Resident acknowledges and agrees that the Resident or the Resident's family will not hire The Village's employees or solicit such employees to resign their employment at The Village in order to work for the Resident or the Resident's family. The Resident also acknowledges and agrees that, unless consented to by The Village, the Resident will not hire any former Village employee until three (3) months has elapsed from the date of termination of the person's employment at The Village.
- B. **Assignment.** The rights and privileges of the Resident under this Agreement to the Residence, common areas, and amenities, and services, and programs of The Village are personal to the Resident and may not be transferred or assigned by the Resident or otherwise.
- C. **Management of The Village at Brookwood.** The absolute rights of management are reserved by Provider, its Board of Directors, and its administration as delegated by said Board of Directors. The Village retains all authority regarding acceptance of Residents, adjustment of fees, financial assistance, and all other aspects of the management of The Village. Residents do not have the right to determine admission or terms of admission of any other Resident.
- D. **Entire Agreement.** This Agreement constitutes the entire agreement between Provider and the Resident. Provider shall not be liable or bound in any manner by any statements, representations, or promises made by any person representing or assuming to represent Provider, unless such statements, representations, or promises are set forth in this Agreement.
- E. **Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of The Village and the heirs, executors, administrators, and assigns of the Resident.

- F. **Power of Attorney, Will, Living Will, and Health Care Power of Attorney.** The Resident agrees to execute a power of attorney designating some competent person as attorney-in-fact. The Resident is also encouraged to execute a will, Living Will and Health Care Power of Attorney. The Resident shall provide The Village with copies of Power of Attorney, Living Will, and Health Care Power of Attorney, as well as the location of the Will, prior to occupancy.
- G. **Transfer of Property.** The Resident agrees not to make any gift or other transfer of property for less than adequate consideration for the purpose of evading the Resident's obligations under this Agreement or if such gift or transfer would render such Resident unable to meet such obligations.
- H. **Governing Law.** This Agreement shall be governed by the laws of the State of North Carolina.
- I. **Disclosure Statement.** The Resident acknowledges that a current copy of the Disclosure Statement for The Village at Brookwood has been received.
- J. **Third Party Injuries and Claims.** Provider is not required to provide any medical, surgical, nursing or other care for the Resident when the Resident is injured as a result of the fault or negligence of a third party or parties. The Resident shall promptly notify Provider of any such injury. In the event that Provider provides such care as can be furnished by its employees and facilities, the Resident hereby assigns to Provider any compensation that the Resident may recover from such third party or parties to the extent necessary to reimburse Provider for the cost of such care furnished by Provider. The Resident or his legal representative shall have the duty to pursue diligently any and all proper claims for compensation due from a third party or parties for injury to the Resident and to cooperate with Provider in collecting such compensation and reimbursing Provider for the cost of all such care provided the Resident.
- K. **Affiliations of the Provider.** The Village at Brookwood is not affiliated with any religious or charitable provider other than its owner, The Well Spring Group. All financial and contractual obligations of The Village at Brookwood will be the sole responsibility of The Village; the owner will not be responsible for any of these obligations.
- L. **Notice Provisions.** Any notices, consents, or other communications to The Village hereunder (collectively "notices") shall be in writing and addressed as follows:

Executive Director
The Village at Brookwood
1860 Brookwood Avenue
Burlington, North Carolina 27215

The address of the Resident for the purpose of giving notice is the address appearing after the signature of the Resident below.

IN WITNESS WHEREOF, The Provider has executed this Agreement and Resident has read and understands this Agreement and has executed this Agreement as of the day and year above written.

Witness

Resident

Witness

Co-Resident

Date

Address (Prior to Occupancy)

City, State, Zip Code

Telephone

THE VILLAGE AT BROOKWOOD

Signature (Executive Director)

Date

EXHIBIT A

TARGET OCCUPANCY DATE: _____

FEE SCHEDULE: Entrance Fees and Monthly Fees are based on the type of Residence you occupy and the number of persons residing in the Residence. The Residence you have selected, and the applicable fees are stated below:

RESIDENCE NUMBER: _____

RESIDENCE TYPE: _____

ENTRANCE FEE FOR:
 () Resident _____

 () Co-Resident _____

TOTAL ENTRANCE FEE: _____

CREDIT FOR FRIENDS ADVANTAGE PROGRAM (FAP) OR WAIT LIST: (_____)

CREDIT FOR PARTIAL PAYMENTS OF THE ENTRANCE FEE RECEIVED: (_____)

ENTRANCE FEE BALANCE DUE AND PAYABLE: _____

MONTHLY FEE FOR:
 () Resident _____

 () Co-Resident _____

TOTAL MONTHLY FEE: _____

ADDRESSES FOR REQUIRED NOTICE:

To The Village:

The Village at Brookwood
Attention: Executive Director
1860 Brookwood Avenue
Burlington, NC 27215

To You Prior to Occupancy:

Name: _____

Address: _____

City, State, Zip Code: _____

To You Following Occupancy:

Name: _____

Address: _____

City, State, Zip Code: _____

Your signature below certifies that you have read, understand and accept this Exhibit A.

Applicant: _____

Co-Applicant: _____

Date: _____

**FEE FOR SERVICE
RESIDENCE AND SERVICES AGREEMENT**
The Village at Brookwood

This Fee for Service Residence and Services Agreement (“Agreement”) is made this _____ day of _____, _____, by and between Alamance Extended Care, Inc., d.b.a. THE VILLAGE AT BROOKWOOD, (“The Village” or “Provider”) and _____ (“Resident”, if more than one person enters into the agreement, the word “Resident” shall apply to them collectively unless otherwise stated).

Whereas, the Provider is a non-profit 501(c)(3) corporation and a wholly-owned subsidiary of The Well Spring Group, chartered by the State of North Carolina, and is organized to establish and operate a retirement community; and

Whereas, the Provider operates The Village at Brookwood, a continuing care retirement community located on Brookwood Avenue in Burlington, North Carolina, consisting of apartment residences, garden home residences, a community center with common areas and amenities, wellness center and a licensed health care center providing assisted living, skilled nursing care, and memory care; and

Whereas, the Resident desires to enter into this Agreement with The Village, and has made the following choices regarding residence and accompanying fees:

Residence Number: _____

Residence Type: _____
(hereinafter referred to as “Residence”)

Resident Entrance Fee: _____

Co-Resident Entrance Fee: _____

Resident Monthly Fee: _____

Co-Resident Monthly Fee: _____

Now, therefore, the Resident and the Provider agree as follows:

I. RESIDENCE, COMMON AREAS, AMENITIES, PROGRAMS AND SERVICES

- A. Residence.** Except as set forth in this Agreement, the Resident has the right to occupy, use, and enjoy the Residence and services of The Village during the term of this Agreement.
- B. Furnishings in the Residence.** The Village provides flooring, appliances and other furnishings per current standards as described in The Village's current literature. The Resident will be responsible for furnishing the Residence. All furniture and electrical and other appliances provided by the Resident shall be subject to The Village's approval in order to keep the Residence safe and sanitary.
- C. Options and Custom Features in the Residence.** The Resident may select certain options and custom features for the Residence as described in The Village's literature for an additional charge. Any such options and custom features selected and paid for by the Resident will become the property of The Village. The value of any such improvements will be considered in computing refunds if such options or custom features involve structural changes to the Residence or substantially increase livable square footage in the Residence.
- D. Common Areas and Amenities.** The Village maintains common areas and amenities for the use and benefit of all residents.
- E. Parking.** The Village provides parking areas for the Resident's personal vehicle and limited parking for guests.
- F. Storage.** Limited storage space of one (1) unit per apartment is provided by The Village for apartment residents and shall be in addition to the space in each apartment. Garden homes have storage rooms adjacent to the carport and/or garage.
- G. Services and Programs.**

 - 1. Utilities.** The Village furnishes heating, air conditioning, electricity, water, sewer service, trash removal, basic cable TV and secure WIFI access. The Resident is responsible for the charges for telephone service and expanded cable television service. The Village shall not be responsible for any periods of disruption regarding these utilities.
 - 2. Dining Services.** The Village will provide nutritionally balanced meals per published dining hours. The Resident's monthly service fee will include a meal plan, which the Resident may choose in accordance with The Village dining services procedures. The cost of additional meals taken by the Resident will be billed on a monthly basis.

3. **Special Diets.** When authorized by the Provider's medical and dietary personnel, meals accommodating special diets may be provided. The Provider may make additional charges for special diets.
4. **Tray Service.** When authorized by The Village, meal delivery may be provided to you in your Residence. The Village may make additional charges for meals delivered to the Residence per current scheduled fees.
5. **Housekeeping Services.** The Village provides housekeeping services every other week. Additional housekeeping may be scheduled at the request and expense of the Resident.
6. **Laundry.** The Village provides washers and dryers in the Residence.
7. **Grounds-keeping.** The Village furnishes basic grounds-keeping services including lawn, tree, and shrubbery care. The Resident may plant and maintain certain areas designated for such purpose by The Village.
8. **Maintenance and Repairs.** The Village maintains and repairs its own improvements, furnishings, appliances, and equipment. The Resident will be responsible for the cost of repairing damage to property of The Village caused by the Resident or any guests of the Resident, ordinary wear and tear excepted.
9. **Transportation.** The Village may provide transportation services for residents. An additional charge may be made for transportation for special, personal, or group trips.
10. **Security.** The Village is a gated community providing twenty-four (24) hour staffing to include evening and nighttime security patrol. Emergency call devices are provided and smoke detectors will be located in each Residence. Security cameras may be located in parking areas and at building entrances or other common areas.
11. **Life Enrichment.** The Village provides planned and scheduled social, recreational, spiritual, educational and cultural activities; arts and crafts classes; and other special activities. Some activities may require an additional charge.
12. **Wellness Programs.** The Village provides a variety of exercise programs, including aquatic classes, exercise equipment and aerobics as a part of an overall Wellness Program.
13. **Health Care Services:**
 - a. **Health Care Center.** The Health Care Center consists of licensed Assisted Living, Memory Care, and Skilled Nursing accommodations.
 - (1) **Assisted Living Services.** The Assisted Living section of the Provider is licensed by North Carolina as an Adult Care Home, where assistance with daily living activities may include: bathing, dressing, administration of

medication, bed making, three (3) meals per day, housekeeping, transportation, activities, and personal laundry service.

- (2) **Memory Care**. The Village provides, in a separate Assisted Living section of the facility licensed by North Carolina as an Adult Care Home, specialized services for memory support. Assistance with daily living activities tailored to the different needs of the residents may include: bathing, dressing, administration of medication, bed making, three (3) meals per day, housekeeping, transportation, specialized activities, and personal laundry service.
- (3) **Skilled Nursing Services**. The Village provides nursing care in its licensed nursing center as may be deemed necessary by the Medical Director and/or their staff. The Resident agrees that nursing care provided by The Village shall be limited to care in keeping with licensure requirements. Services may include three (3) meals per day, housekeeping, assistance with daily living activities, and nursing services as ordered by the appropriate physician.
- (4) **Staffing**. The Health Care Center is staffed by licensed and certified nursing staff twenty-four (24) hours per day and meets all North Carolina licensing requirements.

b. **Clinic Services:**

- (1) A health clinic, staffed with a licensed nurse, is available on site during scheduled hours for resident use.
- (2) Additional periodic services may be provided through the health clinic as deemed necessary by The Village. The cost of such services shall be the responsibility of the Resident.

- c. **Medical Director**. The overall coordination and supervision of health care services by The Village is provided by a Medical Director who is a physician licensed by the State of North Carolina and selected by Provider.
- d. **Physician Services**. The Resident is responsible for the cost of all physician services. Residents are free to choose their personal physicians; however, The Village recommends that the Resident have at least one physician on record that has been approved for admitting privileges by the Alamance Regional Medical Center Medical Staff.

II. FINANCIAL ARRANGEMENTS

- A. **Entrance Fee Refund.** The Resident agrees to pay to The Village an Entrance Fee as a condition of becoming a Resident. Refunds will be handled as described in Section VI below.

| Entrance Fee Refund | Amortization Schedule |
|---------------------|---|
| Standard | The Entrance Fee (less an initial 6% nonrefundable fee) will be amortized at 2% per month for 47 months after which time the Entrance Fee is fully amortized. Any refund due to the Resident will be paid (as described in Section VI below). |

- B. **Terms of Payment of the Balance of the Entrance Fee.** The balance of the total Entrance Fee will be due and payable by the mutually agreed upon date of occupancy.
- C. **Monthly Fee.** In addition to the Entrance Fee, the Resident agrees to pay a Monthly Fee during occupancy which shall be payable upon receipt of invoice each month. The first month's Monthly Fee is due and payable by the date of occupancy and will be prorated based on the day of the month.
- D. **Adjustments in the Monthly Fee.** The Monthly Fee provides for the facilities, programs, and services described in this Agreement and is intended to meet the cost of the expenses associated with the operation and management of The Village. The Village shall have the authority and discretion to adjust the Monthly Fee during the term of this Agreement to reflect increases and changes in costs of providing the facilities, programs, and services described herein consistent with operating on a sound financial basis and maintaining the quality of services provided to residents. At least a thirty (30) day notice will be given to the Resident before any adjustment in fees or charges.
- E. **Monthly Statements.** The Village will furnish the Resident with a monthly statement showing the total amount of fees and other charges owed by the Resident which shall be due and payable upon receipt of invoice each month. The Village may charge interest at a rate of one and one-half Percent (1½%) per month on any unpaid balance owed by the Resident Thirty (30) Days after the monthly statement is furnished.
- F. **Fees and Charges for Health Care Services.**

Should the Resident need and qualify for the services of the Health Care Center, it is understood that the Resident will be charged the published "per diem rate" for those services. The Village will file Medicare and third party insurance when deemed to be a covered benefit.

1. **Additional Charges for Ancillary Services.** Charges in addition to the monthly fee may be made for ancillary services provided at The Village. Examples of such

additional ancillary charges include, but are not limited to: the cost of prescription and non-prescription medications; surgical, podiatric, dental, optical services; physical examinations; physician services; laboratory tests; physical therapy, occupational therapy, rehabilitative treatments; wheelchairs; other medical equipment and supplies; and any other medical services beyond those available in The Village. Such services are contracted and may not be regularly available. Also, any professional services (medical or otherwise) contracted by the Resident or on behalf of the Resident shall be billed directly to the Resident or their assigned third party.

2. **Illness Away From the Village.** The Resident agrees to assume all financial responsibility for hospital, medical and nursing care during any illness or accident occurring while away from The Village and to see that, upon return, full medical information is supplied to The Village for the Resident's medical records file.

III. **ADMISSION REQUIREMENTS AND PROCEDURES**

The admission requirements for residence at The Village are non-discriminatory; The Village is open to individuals of all races, color, gender, religious beliefs, sexual orientation and national origin. A prospective resident will become qualified for admission to The Village upon satisfaction of the following provisions:

- A. **Age.** Generally, admission is restricted to persons 62 years of age or older. If one member of the residential party is 62, the co-resident may be 55 years of age or older.
- B. **Residence and Services Agreement.** Upon notification of acceptance by Provider, the Resident shall enter into this Agreement.
- C. **Representations.** The Resident affirms that the representations made in the required Application for Residency as well as the Reservation Agreement that was previously executed by the parties (which representations include a confidential personal and health history and a financial disclosure), are true and correct and may be relied upon by the Provider as a basis for entering into this Agreement.
- D. **Direct Admission to Health Care Center.** Upon admission, if it is determined by Provider that Resident is unable to live independently in the Residence, the Resident may be offered direct admission to the Health Care Center. Such Resident shall pay monthly fees equal to the current Fee for Service per diem rate (as described in The Village's current literature) in the Health Care Center (for the required level of care, Assisted Living, Skilled Care or Memory Care). Residents directly admitted to the Health Care Center shall complete the Amendment to Residence and Services Agreement for Direct Admission to Health Care and documents as required by the Provider and North Carolina licensure statutes. In the event a Resident that qualifies for direct admission into the Health Care Center has a Co-Resident that does not qualify for such direct admission, the Co-Resident shall continue to be governed by the terms of this Agreement as a single occupant of the Residence.

IV. TERMS OF OCCUPANCY

- A. **Rights of Resident.** The Resident has the right to occupy, use, and enjoy the Residence, common areas, amenities, programs, and services of The Village during the term of this Agreement. It is understood that this Agreement does not transfer or grant any interest in the real or personal property owned by the Provider other than the rights and privileges as described in this Agreement.

Occupancy (and the obligations of the Provider for care of the Resident) shall be defined as beginning when the Resident has paid the Entrance Fee in full and has paid the first month's Monthly Fee.

- B. **Policies and Procedures.** The Resident will abide by The Village's policies and procedures and such amendments, modifications, and changes of the policies and procedures as may hereafter be adopted by the Provider.
- C. **Changes in the Residence, Services, or Fees.** Provider has the right to change the Residence, the services offered, or the fees charged to meet requirements of, or changes to any applicable statute, law, or regulation. The Residence may not be used in any manner in violation of any zoning ordinances or other governmental law or regulation.
- D. **Visitors.** The Resident shall be free to invite guests to the Residence for daily and overnight visits. Guest rooms may be available from time to time at a reasonable rate for overnight stays by your guests. The Village reserves the right to make rules regarding visits and guest behavior and may limit or terminate a visit at any time for reasons it deems appropriate. Two (2) weeks is the maximum continuous stay for guests unless prior approval from the Executive Director is obtained. Except for short-term guests, no person other than the Resident or a Co-Resident, if any, may reside in the Residence without prior approval of The Village.
- E. **Occupancy by Two Residents.** In the event that two Residents occupy a Residence under the terms of this Agreement, upon the permanent transfer to the Health Care Center or the death of one Resident, or in the event of the termination of this Agreement with respect to one of the Residents, the Agreement shall continue in effect as to the remaining or surviving Resident who shall have the option to retain the same Residence. Should the remaining or surviving Resident wish to move to another residence, the policies of The Village governing said residence transfer will prevail.
- F. **Addition of a Co-Resident or Marriage.** If a Resident marries a person who is also a Resident, the two Residents may occupy the Residence of either Resident and shall surrender the Residence not to be occupied by them. Such married Residents will pay the Monthly Fee for double occupancy associated with the Residence occupied by them. In the event that a Resident shall marry a person who is not a Resident of The Village, the spouse may become a Resident if such spouse meets all the current requirements for admission to The Village, enters into a current version of the Fee for Service Residence and Services Agreement with Provider, and pays the current single person Entrance Fee for the smallest one bedroom apartment at The Village. The

Resident and spouse shall pay the Monthly Fee for double occupancy associated with the Residence occupied by them. If the Resident's spouse does not meet the requirements of The Village for admission as a resident, the Resident may terminate this Agreement in the same manner as provided in Section VI.B. hereof with respect to a voluntary termination.

G. Loss or Damage of Property. Provider shall not be responsible for the loss or damage of any property belonging to the Resident due to theft, mysterious disappearance, fire or any other cause. Resident shall provide any desired insurance protection covering any such personal loss. Provider shall insure all property (except personal property) within all residences and common areas belonging to The Village.

H. Health Insurance and Assignments. If not already enrolled, the Resident shall apply for and secure, before taking occupancy, coverage under Medicare Parts A and B and any other hospital or medical insurance benefit program which supplements Medicare or other comparable insurance accepted by Provider. The Resident shall provide Provider with evidence of such coverage or of an acceptable substitute insurance plan, and shall pay all premiums.

The Resident shall authorize, as necessary, any provider of hospital, medical, and health services to receive reimbursement under the programs designated in this Section IV.H.

If the Resident is or becomes entitled to medical care and/or reimbursement from governmental agencies or insurance policies, application shall be made for such care and benefits, and the Resident shall assign all insurance proceeds receivable to Provider to the extent necessary to reimburse Provider for all health care expenditures made by Provider on behalf of the Resident.

I. Right of Entry. Resident hereby authorizes employees or agents of Provider to enter the Residence for reasonable purposes, including without limitation the following: housekeeping, repairs, maintenance, inspection, fire drills, and in the event of emergency. Provider shall when feasible use reasonable efforts to enter at scheduled times or upon prior notice to Resident. Resident shall afford Provider's employees or agents access to all areas of the Residence when requested to ensure that the Residence is maintained in good repair in accordance with this Agreement and to ensure the health and safety of Resident and other Residents.

J. Residents' Association. Residents of The Village are encouraged to participate in the Residents' Association Committees. The organization elects representatives, officers, and other positions to engage in concerted activities set forth by the Residents' Association.

K. Tobacco Free Campus. The Village at Brookwood is a Tobacco Free Campus. Smoking and tobacco use is prohibited for residents, staff and visitors.

V. TRANSFERS OR CHANGES IN LEVELS OF CARE

- A. Voluntary Transfer between Independent Residences.** The Resident may transfer from one independent Residence to another. The Resident shall comply with The Village's current Resident Transfer Advantage Program for selection of such Residence. There may be a refurbishment fee (for the Residence being vacated) charged for such a transfer.
- 1. Transfer of Resident to a Larger Residence.** If the Resident elects to transfer to a larger Residence, an additional Entrance Fee (according to the Entrance Fee at the original Date of Occupancy) equal to the difference between the Entrance Fee for the smaller Residence and the Entrance Fee for the larger Residence will be due to The Village. The Resident will also pay the Monthly Service Fee associated with the larger Residence.
 - 2. Transfer of Resident to a Smaller Residence.** The Resident may elect to transfer to a smaller Residence, and pay the current monthly service fee for that Residence. The transfer to a smaller Residence shall not result in any entrance fee refund.
- B. Transfer to the Health Care Center.** The Resident agrees that Provider shall have authority to determine that the Resident be transferred from one level of care to another level of care within The Village. Such determination shall be based on the professional opinion of the Medical Director, and shall be made after reasonable efforts to consult with the Resident or the Resident's chosen and legal representative.
- C. Transfer to Hospital or Other Facility.** If it is determined by Provider that the Resident needs care beyond that which can be provided by The Village, the Resident may be transferred to a hospital, center, or institution equipped to give such care and such care will be at the expense of the Resident. Such transfer of the Resident will be made only after consultation to the extent possible with the Resident or the Resident's chosen and legal representative.
- D. Surrender of Residence.** If a determination is made by Provider that any transfer described in Section V.B. or V.C. is likely to be permanent in nature, the Resident agrees to surrender the Residence upon such transfer. The Provider shall continue charging the monthly fees until such time that the Residence is vacated. If Provider subsequently determines that the Resident can resume occupancy in a Residence or accommodation comparable to that occupied by the Resident prior to such transfer, the Resident shall have priority to such residence as soon as it becomes available.

VI. TERMINATION AND REFUND PROVISIONS

- A. Termination by Resident Prior to Occupancy.** This Agreement may be terminated by the Resident for any reason prior to occupancy by giving written notice to Provider. In the event of such termination, the Resident shall receive a refund of the 10% Deposit paid by the Resident, less any expenses incurred by The Village and less a nonrefundable fee equal to 2% of the total amount of the Entrance Fee.

If the Resident dies before occupying the Residence, or if, on account of illness, injury, or incapacity, the Resident would be precluded from occupying the Residence under the terms of this Agreement, this Agreement is automatically canceled. The nonrefundable fee (equal to 2% of the total amount of the Entrance Fee) will not be charged, however, if such termination is because of death of a Resident, or because the Resident's physical, mental or financial condition makes the Resident ineligible for entrance to The Village.

Any such refund shall be paid by The Village within sixty (60) days following receipt of notification of such termination. Provider requires that such notification be in writing.

- B. Voluntary Termination after Occupancy.** At any time after occupancy, the Resident may terminate this Agreement by giving Provider thirty (30) days written notice of such termination. Such notice effectively releases the Residence to The Village. Any refunds of the Entrance Fee due to the Resident shall be calculated as described in Section II.A. Any refund due the Resident under this paragraph will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.
- C. Termination upon Death.** In the event of death of the Resident at any time after occupancy, this Agreement shall terminate and the refund of the Entrance Fee paid by the Resident shall be calculated as described in Section II.A. Any refund due to the Resident's estate will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.
- D. Termination by Provider.** Provider may terminate this Agreement at any time if there has been a material misrepresentation or omission made by the Resident in the Resident's Application for Admission, Personal Health History, or Confidential Financial Statement; if the Resident fails to make payment to Provider of any fees and charges due The Village within sixty (60) days of the date when due; or if the Resident does not abide by the rules and regulations adopted by Provider or breaches any of the terms and conditions of this Agreement. Any refunds of the Entrance Fee due to the Resident shall be calculated as described in Section II.A. Any refund due the Resident under this paragraph will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.

- E. **Condition of Residence.** At termination of this Agreement, the Resident shall vacate the Residence and shall be liable to The Village for any cost incurred in restoring the Residence to good condition except for normal wear and tear. The Provider shall continue charging the monthly fees until such time that the Residence is vacated. Any refunds due the Resident upon termination may be credited against the cost of returning the Residence to its original condition.

VII. RIGHT OF RESCISSION

Notwithstanding anything herein to the contrary, this Agreement may be rescinded by the Resident giving written notice of such rescission to The Village within thirty (30) days following the later of the execution of this Agreement or the receipt of the Disclosure Statement that meets the requirements of Section 58-64-25, et.seq. of the North Carolina General Statutes. In the event of such rescission, the Resident shall receive a refund of the Entrance Fee paid by the Resident, less 2%. The Resident shall not be required to move into The Village before the expiration of such thirty (30) day period. Any such refund shall be paid by The Village within sixty (60) days following receipt of written notice of rescission pursuant to this paragraph.

VIII. FINANCIAL ASSISTANCE

Provider declares that it is the intent of The Village to permit a Resident to continue to reside at The Village if the Resident is no longer capable of paying the prevailing fees and charges of The Village as a result of financial reversals occurring after occupancy, provided such reversals, in Provider's judgment, are not the result of willful or unreasonable dissipation of the Resident's assets. In the event of such circumstances, Provider will give careful consideration to subsidizing the fees and charges payable by the Resident so long as such subsidy can be made without impairing the ability of Provider to operate on a sound financial basis. Any determination by Provider with regard to the granting of financial assistance shall be within the sole discretion of Provider.

IX. GENERAL

- A. **Relationships between Residents and Staff Members.** Employees of The Village are supervised solely by The Village's management staff, and not by residents. Employees and their families may not accept gratuities, bequests, or payment of any kind from residents. Any complaints about employees or requests for special assistance must be made to the appropriate supervisor or to the Executive Director or his/her designee. The Resident acknowledges and agrees that the Resident or the Resident's family will not hire The Village's employees or solicit such employees to resign their employment at The Village in order to work for the Resident or the Resident's family. The Resident also acknowledges and agrees that, unless consented to by The Village, the Resident will not hire any former Village employee until three (3) months has elapsed from the date of termination of the person's employment at The Village.
- B. **Assignment.** The rights and privileges of the Resident under this Agreement to the Residence, common areas, and amenities, and services, and programs of The Village

are personal to the Resident and may not be transferred or assigned by the Resident or otherwise.

- C. **Management of The Village at Brookwood.** The absolute rights of management are reserved by Provider, its Board of Directors, and its administration as delegated by said Board of Directors. The Village retains all authority regarding acceptance of Residents, adjustment of fees, financial assistance, and all other aspects of the management of The Village. Residents do not have the right to determine admission or terms of admission of any other Resident.
- D. **Entire Agreement.** This Agreement constitutes the entire agreement between Provider and the Resident. Provider shall not be liable or bound in any manner by any statements, representations, or promises made by any person representing or assuming to represent Provider, unless such statements, representations, or promises are set forth in this Agreement.
- E. **Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of The Village and the heirs, executors, administrators, and assigns of the Resident.
- F. **Power of Attorney, Will, Living Will, and Health Care Power of Attorney.** The Resident agrees to execute a power of attorney designating some competent person as attorney-in-fact. The Resident is also encouraged to execute a will, Living Will and Health Care Power of Attorney. The Resident shall provide The Village with copies of Power of Attorney, Living Will, and Health Care Power of Attorney, as well as the location of the Will, prior to occupancy.
- G. **Transfer of Property.** The Resident agrees not to make any gift or other transfer of property for less than adequate consideration for the purpose of evading the Resident's obligations under this Agreement or if such gift or transfer would render such Resident unable to meet such obligations.
- H. **Governing Law.** This Agreement shall be governed by the laws of the State of North Carolina.
- I. **Disclosure Statement.** The Resident acknowledges that a current copy of the Disclosure Statement for The Village at Brookwood has been received.
- J. **Third Party Injuries and Claims.** Provider is not required to provide any medical, surgical, nursing or other care for the Resident when the Resident is injured as a result of the fault or negligence of a third party or parties. The Resident shall promptly notify Provider of any such injury. In the event that Provider provides such care as can be furnished by its employees and facilities, the Resident hereby assigns to Provider any compensation that the Resident may recover from such third party or parties to the extent necessary to reimburse Provider for the cost of such care furnished by Provider. The Resident or his legal representative shall have the duty to pursue diligently any and all proper claims for compensation due from a third party or parties for injury to the

Resident and to cooperate with Provider in collecting such compensation and reimbursing Provider for the cost of all such care provided the Resident.

K. Affiliations of the Provider. The Village at Brookwood is not affiliated with any religious or charitable provider other than its owner, The Well Spring Group. All financial and contractual obligations of The Village at Brookwood will be the sole responsibility of The Village; the owner will not be responsible for any of these obligations.

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

Executive Director
The Village at Brookwood
1860 Brookwood Avenue
Burlington, North Carolina 27215

The address of the Resident for the purpose of giving notice is the address appearing after the signature of the Resident below.

IN WITNESS WHEREOF, The Provider has executed this Agreement and Resident has read and understands this Agreement and has executed this Agreement and the Ten Percent (10%) Deposit has been paid as of the day and year above written.

Witness

Resident

Witness

Co-Resident

Date

Address (Prior to Occupancy)

City, State, Zip Code

Telephone

THE VILLAGE AT BROOKWOOD

Signature (Executive Director)

Date

EXHIBIT A

TARGET OCCUPANCY DATE: _____

FEE SCHEDULE: Entrance Fees and Monthly Fees are based on the type of Residence you occupy and the number of persons residing in the Residence. The Residence you have selected and the applicable fees are stated below:

RESIDENCE NUMBER: _____

RESIDENCE TYPE: _____

ENTRANCE FEE FOR:
 () Resident _____

 () Co-Resident _____

TOTAL ENTRANCE FEE: _____

CREDIT FOR FRIENDS ADVANTAGE
PROGRAM (FAP) OR WAIT LIST: (_____)

CREDIT FOR PARTIAL PAYMENTS OF
THE ENTRANCE FEE RECEIVED: (_____)

ENTRANCE FEE BALANCE DUE AND
PAYABLE: _____

MONTHLY FEE FOR:
 () Resident _____

 () Co-Resident _____

TOTAL MONTHLY FEE: _____

ADDRESSES FOR REQUIRED NOTICE:

To The Village:

The Village at Brookwood
Attention: Executive Director
1860 Brookwood Avenue
Burlington, NC 27215

To You Prior to Occupancy:

Name: _____
Address: _____
City, State, Zip Code: _____

To You Following Occupancy:

Name: _____
Address: _____
City, State, Zip Code: _____

Your signature below certifies that you have read, understand and accept this Exhibit A.

Applicant: _____
Co-Applicant: _____
Date: _____



THE VILLAGE AT BROOKWOOD CALCULATION OF OBLIGATION TO PROVIDE FUTURE SERVICES

As of December 31, 2024

Prepared by Continuing Care Actuaries, LLC
Report Date: March 3, 2025

Contents

EXECUTIVE SUMMARY 1

 Results 2

METHODOLOGY 3

FINANCIAL ASSUMPTIONS 4

FUTURE SERVICE OBLIGATION CALCULATION 5



EXECUTIVE SUMMARY

Continuing Care Actuaries, LLC (Continuing Care Actuaries) was retained by the management of The Village at Brookwood, a non-profit Life Plan continuing care retirement community located in Burlington, North Carolina, to calculate the community's Obligation to Provide Future Services and the Use of Facilities to Current Residents (the Obligation) as defined by the AICPA *Health Care Auditing Guidelines*. This calculation was done as of December 31, 2024. This report includes an actuarial based financial projection that measures The Village at Brookwood's Obligation to provide future services to current residents.

In order to calculate the community's Obligation, we projected existing residents through various levels of care until move-out or death. The population projection uses actual resident data to develop assumptions about demographic characteristics of existing residents. The rates of population movement utilized in these projections were developed based on a review of The Village at Brookwood's resident demographic experience for the historical period of July 1, 2003 through December 31, 2024 and the Continuing Care Actuaries demographic database for CCRC residents.

The Continuing Care Actuaries database contains demographic transfer and mortality experience of over 800,000 CCRC resident life years. This information was aggregated to create reasonable assumptions consistent with The Village at Brookwood's operational and administrative practices.

The population assumptions were then used to develop a closed group population projection that reflects only the activity of the current group of The Village at Brookwood's residents. A closed group does not have any new residents entering the community, so as residents die or voluntarily withdraw, the projected group size declines. Closed group projections can be used to anticipate individual revenues and expenses over the life of the group. These calculations can be helpful in setting fees and estimating the present value of future liabilities. The population projection forms the basis of the financial projection that was prepared for the obligation calculation as recommended by the AICPA.

We combined the results of our population projection with projected unit revenue and expense items for The Village at Brookwood to develop the net present value of future cash outflows. This value, together with unamortized deferred revenue, unamortized costs of acquiring the initial continuing-care contracts, and allocable depreciation, produces the Obligation.

Resident data regarding units, age, gender and couples' ratio was provided by The Village at Brookwood management representatives. Assumptions regarding expected mortality and morbidity experience were derived from actual historical resident movements and the Continuing Care Actuaries database. Financial information regarding revenues, expenses and depreciation was provided by The Village at Brookwood management and consisted of the budget for fiscal year 2025. No secondary due diligence was conducted by Continuing Care Actuaries as to the accuracy of these assumptions.



Results

Continuing Care Actuaries has calculated the Obligation for Future Services for Current Residents at The Village at Brookwood as of December 31, 2024 to be **(\$16,431,000)**. Since this is a liability calculation, a negative result represents an asset or surplus, while a positive result represents a liability or deficit.

As the Audit Guide specifies that a CCRC should only include a Future Service Obligation amount in financial statements if such amount is positive, The Village at Brookwood's resulting Future Service Obligation amount for financial statements purposes as of December 31, 2024 is **\$0**.

The surplus pertains only to the Obligation calculation and does not demonstrate the financial feasibility of the entire community since debt principal repayments, general and administrative expenses and some revenues are not included in the Obligation calculation. It should also be noted that the Obligation calculation is based on the assumption that The Village at Brookwood will reach and maintain approximately 95.0% occupancy (167.2 out of 176 available units) in the independent living units.

The results of our study are based on estimates of the demographic and economic assumptions of the most likely outcome. Considerable uncertainty and variability are inherent in such estimates. Accordingly, the subsequent emergence of actual resident movements and of actual revenues and expenses may not conform to the assumptions used in our analysis. Consequently, the subsequent development of these items may vary considerably from expected.

Management should scrutinize future developments that may cause the Obligation to become a liability. These developments include higher apartment vacancy rates, higher expense inflation, and higher nursing care utilization and longer life expectancies at all levels of care than assumed in the current projection.

METHODOLOGY

The first step of our actuarial work was to develop the resident demographic assumptions as input to the population projections. These assumptions, which include mortality rates, morbidity rates, and withdrawal rates, are applied to the current and future resident populations in order to track the resident movements through various levels of care until death or move-out. Note that the Obligation calculation excludes those units and beds occupied by private pay or per diem residents.

Based on the demographic experience of The Village at Brookwood since July 1, 2003, we have incorporated nursing transfer, withdrawal, and death rates by adjusting the expected rates from the Continuing Care Actuaries database to reflect The Village at Brookwood's anticipated experience.

The second step in our actuarial review was to develop open and closed group population projections based on derived demographic assumptions. Existing residents as of December 31, 2024 were projected through the various levels of care until death or move-out. Apartment turnovers due to deaths, transfers, and move-outs were projected, and the derivative new entrants "admitted" into the community. Similar to the existing residents, each generation, or year, of new entrants was tracked through the various levels of care until death or move-out. In addition, apartment turnovers due to deaths, transfers, and move-outs of all generations of new entrants were calculated using our population projection system. Our open group projection assumes that the independent living units at The Village at Brookwood will reach and maintain 95.0% occupancy throughout the foreseeable future. We developed population projections based on the expected scenario, which is based on the most likely outcome.

The final step in our actuarial analysis was to develop the present value of the Future Service Obligation. This calculation is presented in Section III. This calculation is necessary in order to comply with Chapter 14 of the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide for Health Care Organizations (the Audit Guide). The Obligation calculation excludes most of the general and administrative expenses and allocates a portion of the depreciation charge based on historical costs to the existing residents.

The Village at Brookwood's management supplied Continuing Care Actuaries with revenue and expense information based on their fiscal year 2025 budget. We combined the revenue and expense assumptions with the results of the population projection to develop projected cash in-flows and cash out-flows. We have assumed a constant discount rate of 5.5% and investment earnings rate of 2.5%. The 3.5% general inflation rate and monthly fee increase, and 4.0% health care expense inflation assumptions were determined to be most appropriate. The following section contains key financial assumptions.



FINANCIAL ASSUMPTIONS

FY 2025 ANNUAL REVENUES – Life Care

| | |
|--------------------------------|----------|
| Independent Living Unit | |
| Annual Fee Per Unit | \$56,345 |
| Annual Fee Per Second Resident | 20,520 |
| Per Assisted Living Resident | 63,482 |
| Per Memory Support Resident | 63,482 |
| Per Skilled Nursing Resident | 63,482 |

FY 2025 ANNUAL REVENUES – Fee For Service

| | |
|--------------------------------|----------|
| Independent Living Unit | |
| Annual Fee Per Unit | \$48,140 |
| Annual Fee Per Second Resident | 13,116 |
| Per Assisted Living Resident | 86,636 |
| Per Memory Support Resident | 112,111 |
| Per Skilled Nursing Resident | 155,894 |

FY 2025 ANNUAL EXPENSES

| | |
|--|--------------|
| Independent Living Unit | |
| Per Unit | \$18,055 |
| Per Resident | 12,868 |
| Per Assisted Living Resident | \$69,277 |
| Per Memory Support Resident | 77,845 |
| Per Skilled Nursing Resident | 116,009 |
| Monthly Service Fee Inflation | 3.5% |
| General Expense Inflation | 3.5% |
| Health Care Expense Inflation | 4.0% |
| Investment Earnings Rate | 2.5% |
| Discount Rate | 5.5% |
| Allocable Depreciation | \$20,376,000 |
| Unamortized Deferred Revenue | \$25,969,000 |
| Unamortized Costs of Acquiring Initial Continuing-Care Contracts | \$0 |



FUTURE SERVICE OBLIGATION CALCULATION

The Obligation to Provide Future Services to Current Residents calculation consists of sixteen pages. Page twenty-one or the final page summarizes the actual calculation with the Obligation found on the last line. A positive value represents a liability, while a negative value represents an asset or a surplus.

Pages six through eleven contain both the open and closed group population projections from the Continuing Care Actuaries population projection system. Each row represents the average number of residents that occupy the facility throughout each fiscal year.

Pages twelve through fourteen illustrate the revenue and expense assumptions. The revenue summary represents the amount collected per resident or per unit per year. Similarly, the expense summary represents the expense per resident or per unit per year. The interest summary contains the total interest payments, and the amount allocated to the closed group of residents.

Pages fifteen through seventeen summarize the projected cash inflows and cash outflows. These values are obtained from the revenue and expense assumptions applied to the closed group population.

Pages eighteen through twenty develop the net cash outflows as well as their present value as of December 31, 2024. These pages additionally project each year's facility depreciation charge, and the amount allocated to the closed group of residents.

RESIDENT LEVEL OF CARE INFORMATION

| | YEAR | | | | | | | | | |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2025</u> | <u>2026</u> | <u>2027</u> | <u>2028</u> | <u>2029</u> | <u>2030</u> | <u>2031</u> | <u>2032</u> | <u>2033</u> | <u>2034</u> |
| Community Configuration | | | | | | | | | | |
| Independent Living Units | 176 | 176 | 176 | 176 | 176 | 176 | 176 | 176 | 176 | 176 |
| Assisted Living Units | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Memory Support Units | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Skilled Nursing Beds | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 |
| Total Community Occupancy Projection | | | | | | | | | | |
| Independent Living Residents | 233.3 | 224.5 | 220.8 | 218.3 | 216.5 | 215.1 | 214.0 | 213.1 | 212.5 | 211.9 |
| Total RLU Units Occupied | 169.6 | 167.2 | 167.2 | 167.2 | 167.2 | 167.2 | 167.2 | 167.2 | 167.2 | 167.2 |
| Assisted Living - Lifecare | 10.1 | 9.1 | 9.1 | 9.1 | 9.2 | 9.2 | 9.2 | 9.3 | 9.3 | 9.4 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Assisted Living - Direct Admits | 1.3 | 2.3 | 2.3 | 2.3 | 2.2 | 2.2 | 2.2 | 2.1 | 2.1 | 2.0 |
| Assisted Living - Total | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 |
| Memory Support - Lifecare | 5.1 | 6.7 | 7.6 | 8.1 | 8.4 | 8.6 | 8.8 | 8.8 | 8.9 | 9.0 |
| Memory Support - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Memory Support - Direct Admits | 6.3 | 4.7 | 3.8 | 3.3 | 3.0 | 2.8 | 2.6 | 2.6 | 2.5 | 2.4 |
| Memory Support - Total | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 |
| Skilled Nursing - Lifecare | 14.6 | 16.7 | 17.2 | 17.4 | 17.6 | 17.9 | 18.1 | 18.4 | 18.6 | 18.8 |
| Skilled Nursing - Temporary | 1.5 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 |
| Skilled Nursing - Direct Admits | 6.0 | 4.0 | 3.4 | 3.2 | 3.1 | 2.8 | 2.6 | 2.3 | 2.1 | 1.9 |
| Skilled Nursing - Total | 22.1 | 22.1 | 22.1 | 22.1 | 22.1 | 22.1 | 22.1 | 22.1 | 22.1 | 22.1 |
| Total Open Group Residents | 276.7 | 267.9 | 264.3 | 261.8 | 259.9 | 258.6 | 257.5 | 256.6 | 256.0 | 255.4 |

RESIDENT LEVEL OF CARE INFORMATION

| | YEAR | | | | | | | | | |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2035</u> | <u>2036</u> | <u>2037</u> | <u>2038</u> | <u>2039</u> | <u>2040</u> | <u>2041</u> | <u>2042</u> | <u>2043</u> | <u>2044</u> |
| Community Configuration | | | | | | | | | | |
| Independent Living Units | 176 | 176 | 176 | 176 | 176 | 176 | 176 | 176 | 176 | 176 |
| Assisted Living Units | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Memory Support Units | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Skilled Nursing Beds | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 |
| Total Community Occupancy Projection | | | | | | | | | | |
| Independent Living Residents | 211.6 | 211.4 | 211.3 | 211.3 | 211.4 | 211.5 | 211.7 | 211.8 | 211.9 | 212.0 |
| Total RLU Units Occupied | 167.2 | 167.2 | 167.2 | 167.2 | 167.2 | 167.2 | 167.2 | 167.2 | 167.2 | 167.2 |
| Assisted Living - Lifecare | 9.5 | 9.6 | 9.6 | 9.7 | 9.8 | 9.8 | 9.8 | 9.8 | 9.8 | 9.8 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Assisted Living - Direct Admits | 1.9 | 1.8 | 1.8 | 1.7 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 |
| Assisted Living - Total | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 |
| Memory Support - Lifecare | 9.1 | 9.2 | 9.3 | 9.4 | 9.5 | 9.6 | 9.6 | 9.7 | 9.7 | 9.7 |
| Memory Support - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Memory Support - Direct Admits | 2.3 | 2.2 | 2.1 | 2.0 | 1.9 | 1.8 | 1.8 | 1.7 | 1.7 | 1.7 |
| Memory Support - Total | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 |
| Skilled Nursing - Lifecare | 18.9 | 19.1 | 19.2 | 19.4 | 19.5 | 19.7 | 19.7 | 19.8 | 19.8 | 19.8 |
| Skilled Nursing - Temporary | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 |
| Skilled Nursing - Direct Admits | 1.8 | 1.6 | 1.5 | 1.3 | 1.1 | 1.0 | 0.9 | 0.9 | 0.9 | 0.9 |
| Skilled Nursing - Total | 22.1 | 22.1 | 22.1 | 22.1 | 22.1 | 22.1 | 22.1 | 22.1 | 22.1 | 22.1 |
| Total Open Group Residents | 255.1 | 254.9 | 254.8 | 254.8 | 254.9 | 255.0 | 255.2 | 255.3 | 255.4 | 255.4 |

RESIDENT LEVEL OF CARE INFORMATION

| | YEAR | | | | | | | | | |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2045</u> | <u>2046</u> | <u>2047</u> | <u>2048</u> | <u>2049</u> | <u>2050</u> | <u>2051</u> | <u>2052</u> | <u>2053</u> | <u>2054</u> |
| Community Configuration | | | | | | | | | | |
| Independent Living Units | 176 | 176 | 176 | 176 | 176 | 176 | 176 | 176 | 176 | 176 |
| Assisted Living Units | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Memory Support Units | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Skilled Nursing Beds | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 |
| Total Community Occupancy Projection | | | | | | | | | | |
| Independent Living Residents | 212.0 | 212.0 | 212.0 | 212.0 | 212.0 | 211.9 | 211.9 | 211.9 | 211.9 | 211.9 |
| Total RLU Units Occupied | 167.2 | 167.2 | 167.2 | 167.2 | 167.2 | 167.2 | 167.2 | 167.2 | 167.2 | 167.2 |
| Assisted Living - Lifecare | 9.8 | 9.8 | 9.8 | 9.8 | 9.8 | 9.8 | 9.9 | 9.9 | 9.9 | 9.9 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Assisted Living - Direct Admits | <u>1.6</u> | <u>1.6</u> | <u>1.6</u> | <u>1.6</u> | <u>1.6</u> | <u>1.6</u> | <u>1.5</u> | <u>1.5</u> | <u>1.5</u> | <u>1.5</u> |
| Assisted Living - Total | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 |
| Memory Support - Lifecare | 9.7 | 9.7 | 9.7 | 9.7 | 9.7 | 9.7 | 9.7 | 9.7 | 9.7 | 9.8 |
| Memory Support - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Memory Support - Direct Admits | <u>1.7</u> | <u>1.7</u> | <u>1.7</u> | <u>1.7</u> | <u>1.7</u> | <u>1.7</u> | <u>1.7</u> | <u>1.7</u> | <u>1.7</u> | <u>1.6</u> |
| Memory Support - Total | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 |
| Skilled Nursing - Lifecare | 19.8 | 19.7 | 19.7 | 19.7 | 19.7 | 19.7 | 19.7 | 19.8 | 19.8 | 19.8 |
| Skilled Nursing - Temporary | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 |
| Skilled Nursing - Direct Admits | <u>0.9</u> | <u>0.9</u> | <u>0.9</u> | <u>0.9</u> | <u>0.9</u> | <u>0.9</u> | <u>0.9</u> | <u>0.9</u> | <u>0.9</u> | <u>0.9</u> |
| Skilled Nursing - Total | 22.1 | 22.1 | 22.1 | 22.1 | 22.1 | 22.1 | 22.1 | 22.1 | 22.1 | 22.1 |
| Total Open Group Residents | 255.5 | 255.5 | 255.5 | 255.5 | 255.4 | 255.4 | 255.4 | 255.4 | 255.4 | 255.4 |

The Village at Brookwood
Future Service Obligation as of December 31, 2024

| | YEAR | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2025</u> | <u>2026</u> | <u>2027</u> | <u>2028</u> | <u>2029</u> | <u>2030</u> | <u>2031</u> | <u>2032</u> | <u>2033</u> | <u>2034</u> |
| <u>Closed Group Occupancy Projection</u> | | | | | | | | | | |
| Life Care Declining Contract | | | | | | | | | | |
| Independent Living Residents | 87.7 | 75.5 | 64.5 | 54.6 | 45.9 | 38.2 | 31.5 | 25.6 | 20.7 | 16.5 |
| Independent Living Units Occupied | 68.8 | 60.6 | 52.9 | 45.7 | 39.1 | 33.1 | 27.7 | 23.0 | 18.8 | 15.2 |
| Assisted Living - Lifecare | 3.6 | 3.2 | 3.1 | 3.0 | 2.8 | 2.5 | 2.3 | 2.0 | 1.8 | 1.5 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Memory Support - Lifecare | 0.7 | 1.7 | 2.3 | 2.6 | 2.7 | 2.7 | 2.6 | 2.4 | 2.2 | 1.9 |
| Memory Support - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Skilled Nursing - Lifecare | 7.4 | 6.6 | 6.3 | 5.9 | 5.4 | 5.0 | 4.5 | 4.0 | 3.5 | 3.1 |
| Skilled Nursing - Temporary | 0.5 | 0.5 | 0.4 | 0.4 | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.1 |
| Residents Subtotal | 99.4 | 87.0 | 76.1 | 66.0 | 56.8 | 48.4 | 40.8 | 34.0 | 28.1 | 23.0 |
| Fee For Service Declining Contract | | | | | | | | | | |
| Independent Living Residents | 136.0 | 117.0 | 100.0 | 84.8 | 71.4 | 59.6 | 49.4 | 40.6 | 33.0 | 26.6 |
| Independent Living Units Occupied | 94.1 | 84.2 | 74.6 | 65.3 | 56.6 | 48.5 | 41.1 | 34.6 | 28.8 | 23.7 |
| Assisted Living - Lifecare | 6.4 | 5.7 | 5.4 | 5.0 | 4.5 | 4.0 | 3.6 | 3.1 | 2.8 | 2.4 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Memory Support - Lifecare | 4.4 | 4.9 | 5.0 | 4.9 | 4.7 | 4.4 | 4.1 | 3.7 | 3.3 | 2.9 |
| Memory Support - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Skilled Nursing - Lifecare | 7.2 | 9.8 | 9.9 | 9.4 | 8.7 | 8.0 | 7.3 | 6.5 | 5.7 | 4.9 |
| Skilled Nursing - Temporary | 0.8 | 0.7 | 0.7 | 0.6 | 0.5 | 0.4 | 0.4 | 0.3 | 0.3 | 0.2 |
| Residents Subtotal | 154.0 | 137.3 | 120.2 | 104.1 | 89.4 | 76.2 | 64.3 | 53.9 | 44.7 | 36.9 |
| Total Closed Group Residents | 253.4 | 224.4 | 196.3 | 170.2 | 146.2 | 124.5 | 105.1 | 87.9 | 72.8 | 59.8 |

The Village at Brookwood
Future Service Obligation as of December 31, 2024

| | YEAR | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2035</u> | <u>2036</u> | <u>2037</u> | <u>2038</u> | <u>2039</u> | <u>2040</u> | <u>2041</u> | <u>2042</u> | <u>2043</u> | <u>2044</u> |
| <u>Closed Group Occupancy Projection</u> | | | | | | | | | | |
| Life Care Declining Contract | | | | | | | | | | |
| Independent Living Residents | 13.0 | 10.1 | 7.8 | 5.9 | 4.4 | 3.2 | 2.3 | 1.6 | 1.1 | 0.7 |
| Independent Living Units Occupied | 12.1 | 9.6 | 7.4 | 5.7 | 4.3 | 3.2 | 2.3 | 1.6 | 1.1 | 0.7 |
| Assisted Living - Lifecare | 1.3 | 1.1 | 0.9 | 0.7 | 0.6 | 0.5 | 0.4 | 0.3 | 0.2 | 0.1 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Memory Support - Lifecare | 1.7 | 1.4 | 1.2 | 1.0 | 0.8 | 0.7 | 0.5 | 0.4 | 0.3 | 0.2 |
| Memory Support - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Skilled Nursing - Lifecare | 2.6 | 2.2 | 1.8 | 1.5 | 1.2 | 0.9 | 0.7 | 0.6 | 0.4 | 0.3 |
| Skilled Nursing - Temporary | <u>0.1</u> | <u>0.1</u> | <u>0.1</u> | <u>0.1</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> |
| Residents Subtotal | 18.5 | 14.8 | 11.7 | 9.1 | 7.0 | 5.3 | 3.9 | 2.8 | 2.0 | 1.4 |
| Fee For Service Declining Contract | | | | | | | | | | |
| Independent Living Residents | 21.3 | 16.8 | 13.2 | 10.2 | 7.8 | 5.9 | 4.3 | 3.2 | 2.3 | 1.6 |
| Independent Living Units Occupied | 19.3 | 15.5 | 12.4 | 9.7 | 7.5 | 5.7 | 4.3 | 3.1 | 2.2 | 1.6 |
| Assisted Living - Lifecare | 2.1 | 1.8 | 1.5 | 1.3 | 1.1 | 0.9 | 0.7 | 0.5 | 0.4 | 0.3 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Memory Support - Lifecare | 2.6 | 2.2 | 1.9 | 1.6 | 1.4 | 1.2 | 0.9 | 0.8 | 0.6 | 0.5 |
| Memory Support - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Skilled Nursing - Lifecare | 4.2 | 3.6 | 3.0 | 2.5 | 2.1 | 1.7 | 1.4 | 1.1 | 0.8 | 0.6 |
| Skilled Nursing - Temporary | <u>0.2</u> | <u>0.2</u> | <u>0.1</u> | <u>0.1</u> | <u>0.1</u> | <u>0.1</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> |
| Residents Subtotal | 30.1 | 24.4 | 19.6 | 15.6 | 12.3 | 9.6 | 7.3 | 5.5 | 4.1 | 3.0 |
| Total Closed Group Residents | 48.6 | 39.2 | 31.3 | 24.7 | 19.3 | 14.9 | 11.3 | 8.4 | 6.1 | 4.4 |

| | YEAR | | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2045</u> | <u>2046</u> | <u>2047</u> | <u>2048</u> | <u>2049</u> | <u>2050</u> | <u>2051</u> | <u>2052</u> | <u>2053</u> | <u>2054</u> |
| <u>Closed Group Occupancy Projection</u> | | | | | | | | | | |
| <u>Life Care Declining Contract</u> | | | | | | | | | | |
| Independent Living Residents | 0.5 | 0.3 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Independent Living Units Occupied | 0.5 | 0.3 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Assisted Living - Lifecare | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Memory Support - Lifecare | 0.2 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Memory Support - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Skilled Nursing - Lifecare | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Skilled Nursing - Temporary | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> |
| Residents Subtotal | 1.0 | 0.6 | 0.4 | 0.3 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| <u>Fee For Service Declining Contract</u> | | | | | | | | | | |
| Independent Living Residents | 1.1 | 0.7 | 0.5 | 0.3 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Independent Living Units Occupied | 1.1 | 0.7 | 0.5 | 0.3 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Assisted Living - Lifecare | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Assisted Living - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Memory Support - Lifecare | 0.4 | 0.3 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Memory Support - Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Skilled Nursing - Lifecare | 0.5 | 0.3 | 0.2 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Skilled Nursing - Temporary | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> |
| Residents Subtotal | 2.2 | 1.5 | 1.1 | 0.7 | 0.5 | 0.3 | 0.2 | 0.2 | 0.1 | 0.1 |
| Total Closed Group Residents | 3.1 | 2.2 | 1.5 | 1.0 | 0.6 | 0.4 | 0.3 | 0.2 | 0.1 | 0.1 |

REVENUE AND EXPENSE ASSUMPTIONS

| | YEAR | | | | | | | | | |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
| Revenue & General Expense Inflation: | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% |
| Health Care Expense Inflation: | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% |
| REVENUES | | | | | | | | | | |
| Life Care Declining Contract | | | | | | | | | | |
| RLU Annual Fee Per Unit | \$56,345 | \$58,318 | \$60,359 | \$62,471 | \$64,658 | \$66,921 | \$69,263 | \$71,687 | \$74,196 | \$76,793 |
| RLU Annual Fee Per Second Resident | 20,520 | 21,238 | 21,982 | 22,751 | 23,547 | 24,371 | 25,224 | 26,107 | 27,021 | 27,967 |
| Per Assisted Living Resident | 63,482 | 65,704 | 68,004 | 70,384 | 72,847 | 75,397 | 78,036 | 80,767 | 83,594 | 86,520 |
| Per Memory Support Resident | 63,482 | 65,704 | 68,004 | 70,384 | 72,847 | 75,397 | 78,036 | 80,767 | 83,594 | 86,520 |
| Per Skilled Nursing Resident | 63,482 | 65,704 | 68,004 | 70,384 | 72,847 | 75,397 | 78,036 | 80,767 | 83,594 | 86,520 |
| Fee For Service Declining Contract | | | | | | | | | | |
| RLU Annual Fee Per Unit | \$48,140 | \$49,825 | \$51,569 | \$53,374 | \$55,242 | \$57,175 | \$59,176 | \$61,248 | \$63,391 | \$65,610 |
| RLU Annual Fee Per Second Resident | 13,116 | 13,575 | 14,050 | 14,542 | 15,051 | 15,578 | 16,123 | 16,687 | 17,271 | 17,876 |
| Per Assisted Living Resident | 86,636 | 89,669 | 92,807 | 96,055 | 99,417 | 102,897 | 106,498 | 110,226 | 114,083 | 118,076 |
| Per Memory Support Resident | 112,111 | 116,035 | 120,096 | 124,299 | 128,650 | 133,152 | 137,813 | 142,636 | 147,628 | 152,795 |
| Per Skilled Nursing Resident | 155,894 | 161,351 | 166,998 | 172,843 | 178,892 | 185,153 | 191,634 | 198,341 | 205,283 | 212,468 |
| Investment & Other Income | | | | | | | | | | |
| Asset Base | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Earnings Rate | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| Investment Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Allocated Investment Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EXPENSES | | | | | | | | | | |
| Independent Living Unit | | | | | | | | | | |
| Per Unit | \$18,055 | \$18,956 | \$19,619 | \$20,306 | \$21,016 | \$21,752 | \$22,513 | \$23,301 | \$24,117 | \$24,961 |
| Per Resident | 12,868 | 13,738 | 14,418 | 15,077 | 15,727 | 16,380 | 17,042 | 17,718 | 18,409 | 19,116 |
| Per Assisted Living Resident | \$69,277 | \$72,446 | \$75,387 | \$78,363 | \$81,399 | \$84,515 | \$87,723 | \$91,033 | \$94,451 | \$97,981 |
| Per Memory Support Resident | 77,845 | 81,314 | 84,565 | 87,862 | 91,231 | 94,690 | 98,255 | 101,933 | 105,733 | 109,658 |
| Per Skilled Nursing Resident | 116,009 | 121,033 | 125,903 | 130,885 | 136,006 | 141,290 | 146,753 | 152,407 | 158,262 | 164,327 |
| Interest Expense | | | | | | | | | | |
| Total Interest Expense | \$1,867,733 | \$1,842,605 | \$1,816,498 | \$1,764,611 | \$1,703,647 | \$1,642,476 | \$1,577,930 | \$1,512,572 | \$1,438,008 | \$1,362,087 |
| Allocated Interest Expense | 1,710,204 | 1,542,831 | 1,349,240 | 1,147,113 | 958,185 | 790,912 | 644,095 | \$18,151 | 409,256 | 318,927 |

REVENUE AND EXPENSE ASSUMPTIONS

| | YEAR | | | | | | | | | |
|--------------------------------------|-------------|-------------|-------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2035 | 2036 | 2037 | 2038 | 2039 | 2040 | 2041 | 2042 | 2043 | 2044 |
| Revenue & General Expense Inflation: | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% |
| Health Care Expense Inflation: | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% |
| REVENUES | | | | | | | | | | |
| Life Care Declining Contract | | | | | | | | | | |
| RLU Annual Fee Per Unit | \$79,481 | \$82,263 | \$85,142 | \$88,122 | \$91,206 | \$94,398 | \$97,702 | \$101,122 | \$104,661 | \$108,324 |
| RLU Annual Fee Per Second Resident | 28,945 | 29,959 | 31,007 | 32,092 | 33,216 | 34,378 | 35,581 | 36,827 | 38,116 | 39,450 |
| Per Assisted Living Resident | 89,548 | 92,682 | 95,926 | 99,283 | 102,758 | 106,355 | 110,077 | 113,930 | 117,918 | 122,045 |
| Per Memory Support Resident | 89,548 | 92,682 | 95,926 | 99,283 | 102,758 | 106,355 | 110,077 | 113,930 | 117,918 | 122,045 |
| Per Skilled Nursing Resident | 89,548 | 92,682 | 95,926 | 99,283 | 102,758 | 106,355 | 110,077 | 113,930 | 117,918 | 122,045 |
| Fee For Service Declining Contract | | | | | | | | | | |
| RLU Annual Fee Per Unit | \$67,906 | \$70,283 | \$72,743 | \$75,289 | \$77,924 | \$80,651 | \$83,474 | \$86,396 | \$89,420 | \$92,549 |
| RLU Annual Fee Per Second Resident | 18,501 | 19,149 | 19,819 | 20,513 | 21,231 | 21,974 | 22,743 | 23,539 | 24,363 | 25,216 |
| Per Assisted Living Resident | 122,209 | 126,486 | 130,913 | 135,495 | 140,238 | 145,146 | 150,226 | 155,484 | 160,926 | 166,558 |
| Per Memory Support Resident | 158,143 | 163,678 | 169,407 | 175,336 | 181,473 | 187,825 | 194,398 | 201,202 | 208,245 | 215,533 |
| Per Skilled Nursing Resident | 219,904 | 227,601 | 235,567 | 243,812 | 252,345 | 261,177 | 270,318 | 279,780 | 289,572 | 299,707 |
| Investment & Other Income | | | | | | | | | | |
| Asset Base | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Earnings Rate | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| Investment Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Allocated Investment Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EXPENSES | | | | | | | | | | |
| Independent Living Unit | | | | | | | | | | |
| Per Unit | \$25,835 | \$26,739 | \$27,675 | \$28,643 | \$29,646 | \$30,683 | \$31,757 | \$32,869 | \$34,019 | \$35,210 |
| Per Resident | 19,839 | 20,579 | 21,337 | 22,114 | 22,913 | 23,737 | 24,591 | 25,478 | 26,399 | 27,358 |
| Per Assisted Living Resident | \$101,627 | \$105,393 | \$109,284 | \$113,307 | \$117,470 | \$121,781 | \$126,250 | \$130,887 | \$135,699 | \$140,693 |
| Per Memory Support Resident | 113,712 | 117,901 | 122,230 | 126,706 | 131,338 | 136,134 | 141,106 | 146,263 | 151,613 | 157,165 |
| Per Skilled Nursing Resident | 170,607 | 177,113 | 183,853 | 190,837 | 198,079 | 205,592 | 213,390 | 221,489 | 229,900 | 238,637 |
| Interest Expense | | | | | | | | | | |
| Total Interest Expense | \$1,281,908 | \$1,199,590 | \$1,107,830 | \$1,013,277 | \$913,338 | \$809,605 | \$696,037 | \$577,881 | \$529,747 | \$481,129 |
| Allocated Interest Expense | 244,433 | 184,416 | 135,958 | 98,258 | 69,135 | 47,158 | 30,722 | 18,992 | 12,738 | 8,313 |

REVENUE AND EXPENSE ASSUMPTIONS

| | YEAR | | | | | | | | | |
|--------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2045 | 2046 | 2047 | 2048 | 2049 | 2050 | 2051 | 2052 | 2053 | 2054 |
| Revenue & General Expense Inflation: | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% |
| Health Care Expense Inflation: | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% |
| REVENUES | | | | | | | | | | |
| Life Care Declining Contract | | | | | | | | | | |
| RLU Annual Fee Per Unit | \$112,116 | \$116,040 | \$120,101 | \$124,305 | \$128,655 | \$133,158 | \$137,819 | \$142,642 | \$147,635 | \$152,802 |
| RLU Annual Fee Per Second Resident | 40,830 | 42,260 | 43,739 | 45,269 | 46,854 | 48,494 | 50,191 | 51,948 | 53,766 | 55,648 |
| Per Assisted Living Resident | 126,316 | 130,737 | 135,313 | 140,049 | 144,951 | 150,024 | 155,275 | 160,710 | 166,334 | 172,156 |
| Per Memory Support Resident | 126,316 | 130,737 | 135,313 | 140,049 | 144,951 | 150,024 | 155,275 | 160,710 | 166,334 | 172,156 |
| Per Skilled Nursing Resident | 126,316 | 130,737 | 135,313 | 140,049 | 144,951 | 150,024 | 155,275 | 160,710 | 166,334 | 172,156 |
| Fee For Service Declining Contract | | | | | | | | | | |
| RLU Annual Fee Per Unit | \$95,789 | \$99,141 | \$102,611 | \$106,202 | \$109,920 | \$113,767 | \$117,749 | \$121,870 | \$126,135 | \$130,550 |
| RLU Annual Fee Per Second Resident | 26,098 | 27,012 | 27,957 | 28,935 | 29,948 | 30,996 | 32,081 | 33,204 | 34,366 | 35,569 |
| Per Assisted Living Resident | 172,388 | 178,421 | 184,666 | 191,129 | 197,819 | 204,743 | 211,909 | 219,325 | 227,002 | 234,947 |
| Per Memory Support Resident | 223,077 | 230,884 | 238,965 | 247,329 | 255,986 | 264,945 | 274,218 | 283,816 | 293,749 | 304,031 |
| Per Skilled Nursing Resident | 310,197 | 321,054 | 332,290 | 343,921 | 355,958 | 368,416 | 381,311 | 394,657 | 408,470 | 422,766 |
| Investment & Other Income | | | | | | | | | | |
| Asset Base | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Earnings Rate | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| Investment Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Allocated Investment Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EXPENSES | | | | | | | | | | |
| Independent Living Unit | | | | | | | | | | |
| Per Unit | \$36,442 | \$37,718 | \$39,038 | \$40,404 | \$41,818 | \$43,282 | \$44,797 | \$46,365 | \$47,987 | \$49,667 |
| Per Resident | 28,355 | 29,391 | 30,466 | 31,582 | 32,738 | 33,938 | 35,181 | 36,470 | 37,806 | 39,191 |
| Per Assisted Living Resident | \$145,878 | \$151,258 | \$156,839 | \$162,629 | \$168,633 | \$174,860 | \$181,318 | \$188,015 | \$194,960 | \$202,162 |
| Per Memory Support Resident | 162,926 | 168,902 | 175,101 | 181,530 | 188,196 | 195,108 | 202,274 | 209,704 | 217,408 | 225,396 |
| Per Skilled Nursing Resident | 247,712 | 257,138 | 266,926 | 277,089 | 287,642 | 298,597 | 309,972 | 321,781 | 334,041 | 346,770 |
| Interest Expense | | | | | | | | | | |
| Total Interest Expense | \$427,826 | \$373,838 | \$317,745 | \$260,244 | \$198,939 | \$136,024 | \$70,654 | \$10,077 | \$0 | \$0 |
| Allocated Interest Expense | 5,215 | 3,159 | 1,829 | 1,002 | 504 | 226 | 78 | 8 | 0 | 0 |

PROJECTED CASH INFLOWS

| | YEAR | | | | | | | | | |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
| Independent Living Units | \$9,343,016 | \$8,494,723 | \$7,650,542 | \$6,826,519 | \$6,034,324 | \$5,283,788 | \$4,582,042 | \$3,933,404 | \$3,341,253 | \$2,807,545 |
| Assisted Living | 787,504 | 719,594 | 705,753 | 686,894 | 653,074 | 608,375 | 559,934 | 509,782 | 460,672 | 413,490 |
| Memory Support | 534,903 | 679,717 | 756,175 | 796,026 | 806,765 | 793,679 | 762,048 | 716,762 | 663,900 | 608,494 |
| Skilled Nursing | 1,596,679 | 2,007,791 | 2,075,307 | 2,035,883 | 1,959,666 | 1,860,896 | 1,742,839 | 1,610,287 | 1,464,458 | 1,315,443 |
| Published Rates Differential | (173,092) | (144,348) | (115,581) | (90,424) | (69,265) | (51,993) | (38,222) | (27,488) | (19,336) | (13,303) |
| Resident Financial Assistance | (40,659) | (41,342) | (41,130) | (40,103) | (38,431) | (36,259) | (33,706) | (30,871) | (27,933) | (25,010) |
| Investment Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CASH INFLOWS | 12,048,352 | 11,716,135 | 11,031,066 | 10,214,796 | 9,346,133 | 8,458,486 | 7,574,935 | 6,711,876 | 5,883,014 | 5,106,660 |

PROJECTED CASH OUTFLOWS

| | YEAR | | | | | | | | | |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
| Independent Living Units | \$5,819,287 | \$5,391,274 | \$4,872,332 | \$4,355,965 | \$3,854,252 | \$3,376,305 | \$2,928,250 | \$2,513,618 | \$2,134,851 | \$1,793,382 |
| Assisted Living | 696,493 | 642,697 | 635,218 | 622,176 | 594,931 | 557,184 | 515,017 | 470,231 | 425,624 | 382,361 |
| Memory Support | 395,043 | 537,963 | 616,628 | 661,351 | 679,067 | 674,690 | 652,814 | 617,701 | 574,486 | 527,575 |
| Skilled Nursing | 1,855,807 | 2,127,387 | 2,168,938 | 2,124,311 | 2,042,737 | 1,937,793 | 1,814,814 | 1,678,546 | 1,530,382 | 1,377,519 |
| Interest Expense | 1,710,204 | 1,542,831 | 1,349,240 | 1,147,113 | 958,185 | 790,912 | 644,095 | 518,151 | 409,256 | 318,927 |
| TOTAL CASH OUTFLOWS | 10,476,834 | 10,242,152 | 9,642,356 | 8,910,916 | 8,129,172 | 7,336,883 | 6,554,991 | 5,798,248 | 5,074,599 | 4,399,764 |

PROJECTED CASH INFLOWS

| PROJECTED CASH INFLOWS | YEAR | | | | | | | | | |
|-------------------------------|-------------|-------------|-------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2035 | 2036 | 2037 | 2038 | 2039 | 2040 | 2041 | 2042 | 2043 | 2044 |
| Independent Living Units | \$2,333,840 | \$1,919,267 | \$1,559,481 | \$1,249,851 | \$985,690 | \$763,417 | \$580,051 | \$432,160 | \$315,705 | \$226,120 |
| Assisted Living | 367,525 | 323,217 | 281,478 | 242,682 | 206,635 | 173,294 | 142,574 | 115,198 | 91,459 | 71,394 |
| Memory Support | 552,342 | 495,704 | 439,717 | 386,100 | 335,315 | 287,413 | 242,291 | 200,256 | 162,964 | 131,036 |
| Skilled Nursing | 1,163,587 | 1,014,917 | 879,048 | 757,817 | 646,752 | 543,404 | 449,764 | 364,702 | 289,772 | 223,647 |
| Published Rates Differential | (8,950) | (5,889) | (3,787) | (2,374) | (1,443) | (846) | (478) | (259) | (135) | (68) |
| Resident Financial Assistance | (22,095) | (19,273) | (16,636) | (14,239) | (12,072) | (10,106) | (8,338) | (6,750) | (5,358) | (4,168) |
| Investment Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CASH INFLOWS | 4,386,250 | 3,727,943 | 3,139,301 | 2,619,838 | 2,160,876 | 1,756,575 | 1,405,865 | 1,105,306 | 854,407 | 647,962 |

PROJECTED CASH OUTFLOWS

| PROJECTED CASH OUTFLOWS | YEAR | | | | | | | | | |
|--------------------------|-------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2035 | 2036 | 2037 | 2038 | 2039 | 2040 | 2041 | 2042 | 2043 | 2044 |
| Independent Living Units | \$1,490,336 | \$1,225,223 | \$995,258 | \$797,492 | \$628,951 | \$487,300 | \$370,548 | \$276,382 | \$202,164 | \$145,006 |
| Assisted Living | 339,961 | 298,905 | 260,297 | 224,518 | 191,183 | 160,223 | 131,670 | 106,231 | 84,181 | 65,561 |
| Memory Support | 479,055 | 429,739 | 380,928 | 334,108 | 289,681 | 247,786 | 208,424 | 171,810 | 139,343 | 111,627 |
| Skilled Nursing | 1,220,069 | 1,065,355 | 921,512 | 791,252 | 672,721 | 563,177 | 464,193 | 374,069 | 294,054 | 224,401 |
| Interest Expense | 244,433 | 184,416 | 135,958 | 98,258 | 69,135 | 47,158 | 30,722 | 18,992 | 12,738 | 8,313 |
| TOTAL CASH OUTFLOWS | 3,773,854 | 3,203,638 | 2,693,954 | 2,245,628 | 1,851,672 | 1,505,644 | 1,205,556 | 947,484 | 732,480 | 554,907 |

PROJECTED CASH INFLOWS

| | YEAR | | | | | | | | | |
|-------------------------------|-----------|-----------|----------|----------|----------|----------|----------|---------|---------|---------|
| | 2045 | 2046 | 2047 | 2048 | 2049 | 2050 | 2051 | 2052 | 2053 | 2054 |
| Independent Living Units | \$158,957 | \$109,416 | \$73,433 | \$47,794 | \$29,907 | \$17,905 | \$10,198 | \$5,493 | \$2,780 | \$1,314 |
| Assisted Living | 55,008 | 42,024 | 31,931 | 24,153 | 18,248 | 14,046 | 11,323 | 9,653 | 8,699 | 8,244 |
| Memory Support | 104,134 | 81,844 | 63,886 | 49,741 | 38,804 | 30,616 | 24,760 | 21,145 | 19,353 | 18,762 |
| Skilled Nursing | 166,356 | 119,937 | 83,921 | 56,831 | 37,120 | 23,538 | 14,502 | 8,521 | 4,713 | 2,352 |
| Published Rates Differential | (33) | (15) | (7) | (3) | (1) | (0) | (0) | (0) | (0) | (0) |
| Resident Financial Assistance | (3,173) | (2,372) | (1,746) | (1,270) | (918) | (669) | (503) | (399) | (340) | (311) |
| Investment Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL CASH INFLOWS | 481,250 | 350,833 | 251,417 | 177,247 | 123,160 | 85,436 | 60,279 | 44,413 | 35,205 | 30,360 |

PROJECTED CASH OUTFLOWS

| | YEAR | | | | | | | | | |
|--------------------------|-----------|----------|----------|----------|----------|----------|---------|---------|---------|--------|
| | 2045 | 2046 | 2047 | 2048 | 2049 | 2050 | 2051 | 2052 | 2053 | 2054 |
| Independent Living Units | \$102,102 | \$70,419 | \$47,384 | \$30,936 | \$19,424 | \$11,673 | \$6,676 | \$3,611 | \$1,835 | \$871 |
| Assisted Living | 50,362 | 38,300 | 28,897 | 21,673 | 16,241 | 12,398 | 9,908 | 8,383 | 7,518 | 7,112 |
| Memory Support | 88,394 | 69,181 | 53,679 | 41,466 | 32,057 | 25,144 | 20,354 | 17,489 | 16,124 | 15,722 |
| Skilled Nursing | 165,217 | 117,896 | 81,650 | 54,801 | 35,532 | 22,345 | 13,625 | 7,887 | 4,286 | 2,115 |
| Interest Expense | 5,215 | 3,159 | 1,829 | 1,002 | 504 | 226 | 78 | 8 | 0 | 0 |
| TOTAL CASH OUTFLOWS | 411,291 | 298,955 | 213,439 | 149,879 | 103,758 | 71,786 | 50,640 | 37,377 | 29,763 | 25,819 |

PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS)

| | YEAR | | | | | | | | | |
|--|----------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------|-------------|-------------|
| | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
| Net Cash Outflows (Inflows) | (\$1,571,518) | (\$1,473,983) | (\$1,388,710) | (\$1,303,881) | (\$1,216,961) | (\$1,121,603) | (\$1,019,944) | (\$913,628) | (\$808,415) | (\$706,896) |
| Discount Rate | | | | | | | | | | |
| 5.50% | | | | | | | | | | |
| Present Value of Net Cash Outflows (Inflows) | (1,530,006) | (1,360,235) | (1,214,732) | (1,081,071) | (956,402) | (835,508) | (720,171) | (611,471) | (512,848) | (425,067) |
| Present Value of Net Cash Outflows | (\$10,837,568) | | | | | | | | | |

DEPRECIATION COST

| | YEAR | | | | | | | | | |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
| Depreciation | \$3,227,696 | \$3,227,696 | \$3,227,696 | \$3,227,696 | \$3,227,696 | \$3,227,696 | \$3,227,696 | \$3,227,696 | \$3,227,696 | \$3,227,696 |
| Allocated Depreciation | 2,955,466 | 2,702,581 | 2,397,435 | 2,098,214 | 1,815,359 | 1,554,253 | 1,317,512 | 1,105,689 | 918,601 | 755,751 |

PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS)

| | YEAR | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2035</u> | <u>2036</u> | <u>2037</u> | <u>2038</u> | <u>2039</u> | <u>2040</u> | <u>2041</u> | <u>2042</u> | <u>2043</u> | <u>2044</u> |
| Net Cash Outflows (Inflows) | (\$612,396) | (\$524,305) | (\$445,347) | (\$374,210) | (\$309,205) | (\$230,932) | (\$200,308) | (\$157,822) | (\$121,927) | (\$93,054) |
| Discount Rate | | | | | | | | | | |
| 5.50% | | | | | | | | | | |
| Present Value of Net Cash Outflows (Inflows) | (349,045) | (283,257) | (228,057) | (181,638) | (142,261) | (109,431) | (82,801) | (61,837) | (45,283) | (32,758) |

Present Value of Net Cash Outflows

DEPRECIATION COST

| | YEAR | | | | | | | | | |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2035</u> | <u>2036</u> | <u>2037</u> | <u>2038</u> | <u>2039</u> | <u>2040</u> | <u>2041</u> | <u>2042</u> | <u>2043</u> | <u>2044</u> |
| Depreciation | \$3,227,696 | \$3,227,696 | \$3,227,696 | \$3,227,696 | \$3,227,696 | \$3,227,696 | \$3,227,696 | \$3,227,696 | \$3,227,696 | \$3,227,696 |
| Allocated Depreciation | 615,453 | 496,201 | 396,118 | 312,992 | 244,321 | 188,006 | 142,464 | 106,080 | 77,610 | 55,765 |

PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS)

| | YEAR | | | | | | | | | |
|--|------------|------------|------------|------------|------------|------------|-----------|-----------|-----------|-----------|
| | 2045 | 2046 | 2047 | 2048 | 2049 | 2050 | 2051 | 2052 | 2053 | 2054 |
| Net Cash Outflows (Inflows) | | | | | | | | | | |
| Discount Rate | | | | | | | | | | |
| 5.50% | | | | | | | | | | |
| Present Value of Net Cash Outflows (Inflows) | (\$69,960) | (\$51,878) | (\$37,979) | (\$27,368) | (\$19,402) | (\$13,650) | (\$9,639) | (\$7,036) | (\$5,442) | (\$4,541) |

Present Value of Net Cash Outflows

(936)

DEPRECIATION COST

| | YEAR | | | | | | | | | |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2045 | 2046 | 2047 | 2048 | 2049 | 2050 | 2051 | 2052 | 2053 | 2054 |
| Depreciation | \$3,227,696 | \$3,227,696 | \$3,227,696 | \$3,227,696 | \$3,227,696 | \$3,227,696 | \$3,227,696 | \$3,227,696 | \$3,227,696 | \$3,227,696 |
| Allocated Depreciation | 39,346 | 27,275 | 18,578 | 12,433 | 8,181 | 5,356 | 3,559 | 2,471 | 1,854 | 1,526 |

OBLIGATION TO PROVIDE FUTURE SERVICES AND THE USE OF FACILITIES TO CURRENT RESIDENTS

| | |
|--|-----------------------|
| Present Value of Net Cash Outflows (Inflows) | |
| Less: | |
| Unamortized deferred revenue at December 31, 2024 | (\$10,838,000) |
| Plus: | |
| Allocable depreciation | 25,969,000 |
| Unamortized costs of acquiring initial continuing-care contracts | 20,376,000 |
| | 0 |
| Obligation to provide future services and the use of facilities to current residents | <u>(\$16,431,000)</u> |

Conflict of Interest Policy

Dated January 2025



KINTURA

Conflict of Interest Policy

Article I Purpose

The purpose of the conflict of interest policy is to protect the tax-exempt interest of KINTURA, a North Carolina nonprofit corporation (the "Organization") when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Organization or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

Article II Definitions

- I. **Interested Person.** Any director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.
2. **Financial Interest.** A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:
 - a. An ownership or investment interest in any entity with which the Organization has a transaction or arrangement,
 - b. A compensation arrangement with the Organization or with any entity or individual with which the Organization has a transaction or arrangement, or
 - c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial. A financial interest is not necessarily a conflict of interest. A person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists in accordance with Article III, Section 2.

Article III Procedures

1. **Duty to Disclose.** In connection with any actual or possible conflict of interest an interested person must disclose the existence and nature of the financial interest (and be given the opportunity to disclose all material facts) to the directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement.

2. **Determining Whether a Conflict of Interest Exists.** After disclosure of the financial interest and all material facts, and after any discussion with the interested person, the interested person shall leave the governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists under applicable law, customary industry practices, or existing organizational policies.

3. **Procedures for Addressing the Conflict of Interest**

a. An interested person may make a presentation at the governing board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.

b. The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

c. After exercising due diligence, the governing board or committee shall determine whether the Organization can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.

d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Organization's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.

4. **Violations of the Conflicts of Interest Policy.**

a. If the governing board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

b. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Article IV

Records of Proceedings

The minutes of the governing board and all committees with board delegated powers shall contain:

- a. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the governing board's or committee's decision as to whether a conflict of interest in fact existed;
And
- b. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

Article V

Compensation

- a. A voting member of the governing board who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
- b. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
- c. No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

Article VI

Annual Statements

Each director, principal officer, and member of a committee with governing board delegated powers shall annually sign a statement that affirms such person:

- a. Has received a copy of the conflicts of interest policy,
- b. Has read and understands the policy,
- c. Has agreed to comply with the policy, and
- d. Understands the Organization is charitable and in order to maintain its federal tax exemption it must engage primarily in activities that accomplish one or more of its tax-exempt purposes.

Such director, principal officer, or member of a committee shall detail any actual or potential conflicts of interest they have in such annual statement.

Article VII

Periodic Reviews

To ensure the Organization operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable based on competent survey information and are the result of arm's length bargaining;
- b. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Organization's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes, and do not result in inurement, impermissible private benefit, or in an excess benefit transaction.

Article Vin

Use of Outside Experts

When conducting the periodic reviews as provided for in Article VII, the Organization may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.

This Conflict of Interest Policy is adopted effective January 1, 2025.



Kintura Board of Directors
Annual Conflict of Interest Acknowledgement Statement

I, _____ (printed name) affirm that I have received a copy of the conflict-of-interest policy, have read and understand the policy, and agree to comply with the policy. I understand that Kintura is a charitable organization and in order to maintain its federal tax exemption it must engage primarily in activities that accomplish one or more of its tax-exempt purposes.

Signature

Date