

**QUARTERLY FINANCIAL INFORMATION DISCLOSURE  
BY  
THE PINES AT DAVIDSON, INC.  
FOR THE FISCAL QUARTER ENDED June 30, 2023**

Relating to:

\$42,725,000

North Carolina Medical Care Commission  
Retirement Facilities First Mortgage Revenue Bonds  
(The Pines at Davidson Project), Series 2019A

<b>Due (January 1)</b>	<b>Amount</b>	<b>CUSIP</b>
2021	\$ 75,000	65820Y PS9
2022	80,000	65820Y PT7
2023	80,000	65820Y PU4
2024	80,000	65820Y PV2
2025	85,000	65820Y PW0
2026	90,000	65820Y PX8
2027	95,000	65820Y PY6
2028	100,000	65820Y PZ3
2029	105,000	65820Y QA7
2030	110,000	65820Y QB5
2034	4,700,000	65820Y QC3
2035	1,325,000	65820Y QD1
2038	4,370,000	65820Y QE9
2041	5,820,000	65820Y QF6
2049	25,610,000	65820Y QG4

Questions regarding the information contained in this Quarterly Financial Disclosure should be directed to:

David A. Gentry  
Chief Financial Officer  
The Pines at Davidson, Inc.  
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The date of this disclosure is August 8, 2023.

## QUARTERLY INFORMATION

Section 5.04 of the 2019A Loan Agreement requires the Corporation to provide, by not later than 45 days after the end of each quarter of each Fiscal Year of the Obligated Group, certain financial information and operating data for such fiscal quarter to the Commission and the Purchaser. The required information and operating data for the fiscal quarter ended June 30, 2023 is described below and set forth in the attached exhibits.

**Financial Statements.** Attached as Exhibit 1 are the unaudited financial statements of the Corporation as of and for the quarter ended June 30, 2023, without footnotes.

**Units and Occupancy.** Attached as Exhibits 2 and 3 are tables setting forth the number of units at The Pines, independent living occupancy, assisted living occupancy and nursing facility occupancy for the quarter ended June 30, 2023.

**Entrance Fees and Monthly Charges.** Attached as Exhibits 4-6 are tables setting forth entrance fees for independent living units, monthly charges for independent living units and health center per diem charges.

**Long-Term Debt Service Coverage Ratio<sup>1</sup>.** Attached as Exhibit 7 is the calculation of the Long-Term Debt Service Coverage Ratio (as defined in the Master Indenture and calculated on a rolling four quarter basis) for the fiscal quarter ended June 30, 2023.

**Days' Cash on Hand<sup>2</sup>.** Attached as Exhibit 8 is the calculation of Days' Cash on Hand (as defined in the Master Indenture) as of June 30, 2023.

**Reserve Ratio.** Attached as Exhibit 9 is the calculation of the Reserve Ratio (as defined in the Master Indenture), as of June 30, 2023.

**Management Discussion.** Attached as Exhibit 10 is an abbreviated narrative of the operating and financial environment of the Corporation for the fiscal quarter ended June 30, 2023.

**Capital Projects.** No capital project (other than the 2019 Project) financed with Long-Term Indebtedness was undertaken in the fiscal quarter ended June 30, 2023.

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<sup>1</sup> The Long-Term Debt Service Coverage Ratio is tested annually at the end of each Fiscal Year, but it is being reported on a quarterly basis for informational purposes only.

<sup>2</sup> Days' Cash on Hand is tested on June 30 and December 31 but is being reported on a quarterly basis for informational purposes only.

The Pines at Davidson, Inc.  
**QUARTERLY OFFICER'S COMPLIANCE CERTIFICATE**

I, David A Gentry, DO HEREBY CERTIFY that I am an Obligated Group Representative (as defined in the Second Amended and Restated Master Trust Indenture date as of March 1, 2019 (the "Master Indenture") between The Pines at Davidson, Inc. (the "Corporation") and U.S. Bank National Association, as master trustee) and the Chief Financial Officer of the Corporation and that as such I am authorized to execute this Officer's Certificate on behalf of the Corporation. Any capitalized term used herein without definition shall have the meaning given to such term in the Master Indenture.

This Officer's Certificate is being delivered in accordance with the provisions of Section 6.04 of each of the Continuing Covenant Agreements dated as of September 1, 2013, October 1, 2015 and March 1, 2019 (collectively, the "Continuing Covenant Agreements") between the Corporation and STI Institutional & Government, Inc.

I DO HEREBY FURTHER CERTIFY that:

1. The Long-Term Debt Service Coverage Ratio for the fiscal quarter ended June 30, 2023 (calculated on a rolling four quarter basis) is 2.25, as demonstrated on the attached Exhibit 7.
2. The number of Days' Cash on Hand as of June 30, 2023 is 610, as demonstrated on the attached Exhibit 8.
3. To the best of my knowledge, no Default or Event of Default (as each such term is defined in the Continuing Covenant Agreements) has occurred during the fiscal quarter ended June 30, 2023.

WITNESS my hand this 8th day of August, 2023.

**The Pines at Davidson, Inc.**

By:  \_\_\_\_\_  
David A. Gentry

Obligated Group Representative and Chief Financial Officer

**The Pines at Davidson, Inc.**

**Report for Fiscal Quarter Ended June 30, 2023**

Exhibit 1	Financial Statements
Exhibit 2	Number of Units
Exhibit 3	Occupancy
Exhibit 4	Entrance Fees
Exhibit 5	Monthly Fees
Exhibit 6	Health Center Per Diem Charges
Exhibit 7	Long-Term Debt Service Coverage Ratio
Exhibit 8	Days' Cash on Hand Ratio
Exhibit 9	Reserve Ratio
Exhibit 10	Management Discussion

The Pines at Davidson, Inc.

FINANCIAL STATEMENTS

Exhibit 1 (1a of 4)

The Pines at Davidson, Inc.

**BALANCE SHEETS**

As of June 30, 2023 (unaudited) and December 31, 2022

	6/30/23	12/31/22	Change
<b>CURRENT ASSETS</b>			
Cash & Cash Equivalents	\$ 11,022,184	\$ 6,588,524	\$ 4,433,660
Cash held under bond agreement for payment of:			
Interest	1,261,861	1,279,327	(17,467)
Principal	1,849	1,350,000	(1,348,151)
Accounts receivable	115,368	55,083	60,285
Interest receivable	164,701	174,503	(9,803)
Prepaid expenses & other current assets	530,036	625,597	(95,562)
<b>TOTAL CURRENT ASSETS</b>	<u>13,095,997</u>	<u>10,073,034</u>	<u>3,022,963</u>
<b>PROPERTY PLANT &amp; EQUIPMENT</b>			
Land & land improvements	18,435,618	19,816,880	(1,381,262)
Building and building improvements	122,073,126	120,562,769	1,510,357
Equip, furn and fixtures	19,089,898	18,434,924	654,974
Construction in progress	2,218,110	1,706,753	511,357
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<u>161,816,752</u>	<u>160,521,326</u>	<u>1,295,426</u>
Less accumulated depreciation	<u>(57,656,436)</u>	<u>(54,859,821)</u>	<u>(2,796,615)</u>
<b>PROPERTY AND EQUIPMENT - NET</b>	<u>104,160,316</u>	<u>105,661,505</u>	<u>(1,501,189)</u>
<b>OTHER ASSETS</b>			
Board designated funds			
Willis J Hidell and Peggy Hidell operating fund	714,506	714,506	-
Operating Reserve as required by North Carolina General Statute	7,540,000	6,869,000	671,000
Other	25,745,494	26,416,494	(671,000)
Temporarily restricted donor assets			
Restricted pledges receivable	957,062	972,062	(15,000)
Donor restricted cash and investments	14,104,033	13,670,146	433,887
Debt issuance costs			
Pledges receivable - long term portion	-	-	-
	<u>49,061,095</u>	<u>48,642,208</u>	<u>418,887</u>
	<u>\$ 166,317,408</u>	<u>\$ 164,376,747</u>	<u>\$ 1,940,661</u>

The Pines at Davidson, Inc.

FINANCIAL STATEMENTS

Exhibit 1 (1b of 4)

**The Pines at Davidson, Inc.**

**BALANCE SHEETS**

**As of June 30, 2023 (unaudited) and December 31, 2022**

	6/30/23	12/31/22	Change
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Accounts payable and accrued expenses	\$ 3,995,640	\$ 3,866,044	\$ 129,596
Interest payable	1,259,238	1,278,486	(19,248)
Refundable Advance-Paycheck Protection Program	-	-	-
Current portion of long term debt	1,385,000	1,350,000	35,000
Total current liabilities	<u>6,639,878</u>	<u>6,494,530</u>	145,349
LONG-TERM DEBT, NET	59,565,506	60,985,269	(1,419,763)
OTHER LONG TERM LIABILITIES:			
Deferred entrance fee revenue	51,743,665	50,486,948	1,256,717
Refundable entrance fees	3,603,870	3,744,935	(141,065)
Entrance fee deposits	960,670	668,000	292,670
Total liabilities	<u>122,513,589</u>	<u>122,379,682</u>	133,907
NET ASSETS:			
Without donor restrictions			
Board designated	19,554,900	19,554,900	-
Undesignated	9,187,824	7,799,957	1,387,868
Total net assets without donor restrictions	<u>28,742,724</u>	<u>27,354,857</u>	1,387,868
With donor restrictions:			
Temporary donor restrictions	15,061,095	14,642,208	418,887
Total net assets	43,803,819	41,997,065	1,806,754
TOTAL	<u>\$ 166,317,408</u>	<u>\$ 164,376,747</u>	<u>\$ 1,940,662</u>

## FINANCIAL STATEMENTS

Exhibit 1 (2 of 4)

**The Pines at Davidson, Inc.**  
**Statements of Unrestricted Revenues, Expenses**  
**and Other Changes in Net Assets without Donor Restrictions**  
**As of June 30, 2023 (unaudited) and December 31, 2022**

	<b>2023</b> <b>(6 months)</b>	<b>2022</b> <b>(12 months)</b>
OPERATING REVENUE AND SUPPORT:		
Resident service fees	\$12,616,467	\$24,466,974
Amortization of deferred entrance fees	3,112,517	5,098,354
Interest income	411,304	638,024
Other operating revenue	823,937	1,713,775
Total operating revenue and support	<u>16,964,225</u>	<u>31,917,127</u>
OPERATING EXPENSES:		
Salaries and benefits	8,218,180	16,054,276
Depreciation	2,796,614	5,492,585
Other operating expenses	4,044,545	8,302,692
Interest and amortization expense	1,224,480	2,488,567
Total operating expenses	<u>16,283,819</u>	<u>32,338,120</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS FROM OPERATIONS	680,406	(420,993)
OTHER CHANGES:		
Contributions without donor restrictions	104,863	1,000
PPP Loan grant revenue	0	0
Net increase/(decrease)in fair value of investments	232,940	(3,552,819)
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENSES AND OTHER CHANGES	1,018,208	(3,972,812)
Net assets released from donor restrictions for building and equipment	369,659	119,438
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,387,868	(3,853,374)
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
BEGINNING OF YEAR	27,354,857	31,208,231
END OF YEAR	<u>\$28,742,725</u>	<u>\$27,354,857</u>

The Pines at Davidson, Inc.

FINANCIAL STATEMENTS

Exhibit 1 (3 of 4)

**The Pines at Davidson, Inc.**  
**Statements of Changes in Net Assets**  
**As of June 30, 2023 (unaudited) and December 31, 2022**

	<b>2023</b>		<b>Audited</b>
	<b>(6 months)</b>		<b>2022</b>
			<b>(12 months)</b>
NET ASSETS WITHOUT DONOR RESTRICTIONS:			
Total unrestricted revenue and support	\$ 17,069,088	\$	31,918,127
Total unrestricted expenses	(16,283,819)		(32,338,120)
Net assets released from donor restrictions for buildings and equipment	369,659		119,438
Net increase/(decrease) in fair value of investments	232,940		(3,552,819)
COVID-19 grant revenue (Provider Relief Funding)	0		0
Change in value of unrestricted pledges	0		0
	<hr/>		
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,387,868		(3,853,374)
NET ASSETS WITH TEMPORARY DONOR RESTRICTIONS:			
Contributions	175,164		530,852
Interest income	203,821		357,765
Net assets released from donor restrictions	(748,558)		(938,439)
Net increase/(decrease) in fair value of investments	788,460		(2,285,326)
Change in value of temporarily restricted pledges and other assets	0		(165,129)
	<hr/>		
CHANGE IN NET ASSETS WITH TEMPORARY DONOR RESTRICTIONS	418,888		(2,500,277)
CHANGE IN NET ASSETS	1,806,755		(6,353,651)
NET ASSETS:			
Beginning of period	41,997,065		48,350,716
	<hr/>		
End of period	\$ 43,803,820	\$	41,997,065
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The Pines at Davidson, Inc.  
FINANCIAL STATEMENTS  
Exhibit 1 (4 of 4)

**The Pines at Davidson, Inc.**  
**Statements of Cash Flows**  
**As of June 30, 2023 (unaudited) and December 31, 2022**

	<b>2023</b>	<b>Audited</b>
	<b>(6 months)</b>	<b>2022</b>
		<b>(12 months)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,806,755	\$ (6,353,651)
Adjustments to reconcile change in net assets to net cash used in operations:		
Depreciation	2,796,614	5,492,585
Amortization	24,372	49,853
Amortization of deferred entrance fees	(3,027,005)	(4,954,516)
Amortization of improvement deposits	(85,512)	(143,838)
Amortization of bond premium	(59,135)	(118,268)
Change in net unrealized gains on investments	(1,021,400)	5,838,145
Change in value of long-term pledges	15,000	165,129
Restricted contributions	(175,164)	(530,852)
Restricted interest income	(203,821)	(357,765)
Refundable advance-Paycheck Protection Program	0	0
Changes in operating assets and liabilities-net	155,425	(1,276,015)
	<u>226,129</u>	<u>(2,189,193)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property & equipment	(1,295,425)	(7,164,905)
Sale (purchase) of long-term investments and board-designated funds - net	587,513	2,774,654
Sale (purchase) of cash and investments held under bond agreement - net	0	0
	<u>0</u>	<u>0</u>
Purchases of assets limited as to use, net	0	0
	<u>(707,912)</u>	<u>(4,390,251)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Restricted contributions	175,164	530,852
Restricted interest income	203,821	357,765
Change in pledges receivable, net	0	0
Net proceeds from issuance of long-term debt	0	0
Cash paid for deferred financing costs	0	0
Repayment of long term debt	(1,350,000)	(1,310,000)
Issuance of bond premium	0	0
Net proceeds from entrance fees	4,172,178	6,362,565
Net proceeds from improvement deposits	55,991	405,997
Net entrance fee deposits received	292,670	(1,835,374)
	<u>3,549,824</u>	<u>4,511,805</u>
Net cash provided by financing activities	<u>3,549,824</u>	<u>4,511,805</u>
Increase (decrease) in cash, cash equivalents and restricted cash	3,068,042	(2,067,639)
Cash, cash equivalents and restricted cash Beginning of period	9,217,851	11,285,490
End of period	<u>\$ 12,285,893</u>	<u>\$ 9,217,851</u>

**The Pines at Davidson, Inc.**

**NUMBER OF UNITS  
AS OF June 30, 2023  
Exhibit 2**

Unit Type/Description	# of Units	Approximate Heated Sq. Ft.
<b>Independent Living Units</b>		
Studio	7	418
Deluxe Studio	30	527
One-Bedroom	79	722
Two-Bedroom	28	975
Two-Bedroom Suite	10	1,140
Two-Bedroom Deluxe	3	1,249
Cottage	4	1,200
Large Cottage*	2	1,440
Large Cottage with Sunroom*	38	1,565
Large Cottage with Sunroom / Study and Garage	3	1,656
2 Bedroom Villa (Unit A)	24	1,429
2 Bedroom Deluxe Villa (Unit B)	8	1,619
2 Bedroom with Den Villa (Unit C)	8	1,809
2 Bedroom with Den Deluxe Villa (Unit D)	8	1,870
1 Bedroom Deluxe Villa with Sunroom/Study (1.5 Bath) (Green)	6	1,164
2 Bedroom with Porch or Balcony (2 Bath) (Blue)	2	1,515
2 Bedroom Villa with Sunroom/Study (2 Bath) (Red)	14	1,667
2 Bedroom Villa with Sunroom/Study and Balcony (2 Bath) (Yellow)	16	1,681
Chartwell Estate	1	
Shaw Property	1	
Total	292	
Assisted Living Units	30	274
Nursing Facility Beds*	75	209 - 350
Total Assisted Living and Nursing Beds	105	

\*Effective July 1, 2020, four independent living cottages were temporarily taken out of service to use for nursing care purposes related to COVID-19 resulting in the addition of 12 available beds in Nursing (4 cottages x 3 beds each). These four independent living cottages were placed back into service during March 2021 and have been removed from the nursing facility beds total and included in the independent living units table above. Additionally, the Corporation received temporary approval during January 2021 for thirteen beds to be used for nursing care purposes related to COVID-19. Effective April 1, 2021, the temporary thirteen beds are not included in the total number of nursing beds above as these beds are not staffed and are to be used for COVID-19 quarantine purposes only.

A portion of the proceeds of the 2019 Bonds was used to construct two new independent living apartment buildings referred to as "The Villas at Poplar Hill." The two new apartment buildings opened in December 2020 and February 2021, resulting in the addition of 38 new independent living apartments in the independent living units table above.

**The Pines at Davidson, Inc.**  
**OCCUPANCY**  
**Exhibit 3**

The following table reflects the average occupancy of the existing Independent Living Units for the fiscal quarter ended:

<u>Quarter Ended</u>	<u>Average number of available Independent Living Units<sup>1</sup></u>	<u>Average number of occupied Independent Living Units<sup>2</sup></u>	<u>Average Percent Occupancy</u>
June 30, 2023	292	281.9	96.5%
March 31, 2023	292	281	96.2%
<b><u>Year Ended</u></b>			
December 31, 2022	291.0	284.2	97.7%
December 31, 2021	285.8	257.6	90.1%
December 31, 2020	249.6	225.6	90.4%

- 1) Effective July 1, 2020 four independent living cottages units were temporarily taken out of service to use for nursing care purposes related to COVID-19 resulting in the addition of twelve available beds in Nursing (4 cottages x 3 beds in each cottage). These four independent living cottages were placed back into service during March 2021. Two new independent living apartment buildings ("The Villas at Poplar Hill") opened resulting in the addition of 19 new apartments in December 2020 and 19 new apartments in February 2021.
- 2) Excludes single occupant temporary transfers to the Health Center.

The following table reflects the average occupancy of the existing Assisted Living Units for the fiscal quarter ended:

<u>Quarter Ended</u>	<u>Average number of available Assisted Living Units</u>	<u>Average number of occupied Assisted Living Units</u>	<u>Average Percent Occupancy</u>
June 30, 2023	30	28.5	95.0%
March 31, 2023	30	29.5	98.2%
<b><u>Year Ended</u></b>			
December 31, 2022	30	28.2	94.2%
December 31, 2021	30	26.5	88.5%
December 31, 2020	30	27.3	90.9%

The following table reflects the average occupancy of the existing Nursing Facility Beds for the fiscal quarter ended:

<u>Quarter Ended</u>	<u>Average number of available Nursing Facility Beds<sup>1</sup></u>	<u>Average number of occupied Nursing Facility Beds</u>	<u>Average Percent Occupancy</u>
June 30, 2023	75	74.7	99.6%
March 31, 2023	75	72.5	96.6%
<b><u>Year Ended</u></b>			
December 31, 2022	75.0	72.1	96.2%
December 31, 2021	80.3	66.1	82.3%
December 31, 2020	59.0	50.1	85.0%

- 1) Effective July 1, 2020, four independent living cottages were temporarily taken out of service to use for nursing care purposes related to COVID-19 resulting in the addition of 12 available beds in Nursing (4 cottages x 3 beds each). These four independent living cottages were placed back into service during March 2021 and have been removed from the nursing facility beds total and included in the independent living units table above. Additionally, the Corporation received temporary approval during January 2021 for thirteen beds to be used for nursing care purposes related to COVID-19. Effective April 1, 2021, the temporary thirteen beds are not included in the total number of nursing beds as these beds are not staffed and are to be used for COVID-19 quarantine purposes only.

The Pines at Davidson, Inc.

**ENTRANCE FEES**  
Exhibit 4

Current Entrance Fees under the Standard Entrance Fee Option for the various types of Independent Living Units available at the Existing Facilities are as follows:

Unit Type	Standard Entrance Fees Effective July 1, 2022 and after <sup>1</sup>
Studio	\$50,620
Deluxe Studio	68,306
One-Bedroom	137,442
Two-Bedroom	237,079
Two-Bedroom Suite	243,618
Two-Bedroom Deluxe	257,056
Cottage	250,626
Large Cottage	287,903
Large Cottage with Sunroom	304,728
Large Cottage with Sunroom / Study and Garage	571,705
Villas – Existing	
2 Bedroom Villa (Unit A)	414,596
2 Bedroom Deluxe Villa (Unit B)	444,363
2 Bedroom with Den Villa (Unit C)	491,102
2 Bedroom with Den Deluxe Villa (Unit D)	506,101
Villas at Poplar Hill	
1 Bedroom Deluxe Villa with Sunroom/Study (1.5 Bath) (Green)	307,531
2 Bedroom Villa with Porch or Balcony (2 Bath) (Blue)	414,492
2 Bedroom Villa with Sunroom/Study (2 Bath) (Red)	444,202
2 Bedroom Villa with Sunroom/Study and Balcony (2 Bath) (Yellow)	458,464
Chartwell Estate	600,000
Shaw Property	1,000,000
Second Person Fee	25,475

- 1) The Standard Entrance Fees listed above represent the base entrance fee for a standard Independent Living Unit. In certain instances where improvements have been made in a unit, an upgrade fee may be added to the Standard Entrance Fee listed above. In such cases, the upgrade fee is generally expected to be less than 10% of the Standard Entrance Fee.

The Pines at Davidson, Inc.

MONTHLY FEES  
Exhibit 5

The following table sets forth the monthly charges for residents who executed Residence & Care Agreements after June 30, 2018 for the various types of Independent Living Units:

Monthly Charges Effective July 1, 2022 and after

Type of Unit	Single Standard Occupancy	Double Occupancy
Studio	\$2,884	\$4,418
Deluxe Studio	3,023	4,556
1 Bedroom	3,593	5,276
1 Bedroom Deluxe	3,656	5,333
2 Bedroom	3,945	5,795
2 Bedroom Suite	4,050	5,898
2 Bedroom Deluxe	4,252	6,102
Cottage	4,278	6,298
Large Cottage	4,618	6,641
Large Cottage with Sunroom	4,618	6,641
Large Cottage with Sunroom / Study / Garage	4,935	6,970
Chartwell Estate	8,325	8,325
Shaw Property	6,970	6,970
Villas (Laurel Ridge and Hickory Crest)		
2 Bedroom Villa (Unit A)	4,642	6,680
2 Bedroom Deluxe Villa (Unit B)	4,727	6,763
2 Bedroom with Den Villa (Unit C)	4,857	6,893
2 Bedroom with Den Deluxe Villa (Unit D)	4,921	6,937
Villas (Poplar Hill)		
1 Bedroom Deluxe Villa with Sunroom/Study (1.5 Bath) (Green)	4,050	5,898
2 Bedroom Villa with Porch or Balcony (2 Bath) (Blue)	4,631	6,669
2 Bedroom Villa with Sunroom/Study (2 Bath) (Red)	4,715	6,751
2 Bedroom Villa with Sunroom/Study and Balcony (2 Bath) (Yellow)	4,727	6,763

The Pines at Davidson, Inc.

HEALTH CENTER PER DIEM CHARGES  
Exhibit 6

The per diem rates for residents in the Schramm Health Center who entered Residence & Care Agreements after June 30, 2018 are:

<u>Type of Schramm Health Center Accommodation</u>	<u>Per Diem Effective July 1, 2022 and After</u>
Assisted Living:	
Assisted Living – private	\$209.67
Nursing:	
Intermediate nursing - private (Brown and Purcell)	312.86
Intermediate nursing – private (Maulden and Wilson)	321.64
Skilled nursing - private (Brown and Purcell)	312.86
Skilled nursing - private (Maulden and Wilson)	321.64

The Pines at Davidson, Inc.

**LONG-TERM DEBT SERVICE COVERAGE RATIO**  
**Exhibit 7**

	Four Quarters Ended June 30, 2023	Fiscal Year Ended December 31, 2022
Change in unrestricted net assets	\$127,157	(\$3,853,374)
Add: Depreciation and amortization	5,588,032	5,542,438
Interest expense	2,419,465	2,438,714
Net proceeds from entrance fees	5,536,869	6,769,462
Other non-cash expenses:		
Change in unrealized gains on investments	891,483	3,473,035
Less: Amortization of deferred entrance fees	(5,790,130)	(5,098,354)
Income available for debt service (A)	<u>\$8,772,876</u>	<u>\$9,271,921</u>
Maximum annual debt service (B)	\$3,894,620	\$3,894,620
Long-term debt service coverage ratio (A divided by B)	2.25	2.38

Notes:

- (1) The calculation shown above in Table A is calculated using the definitions in the Master Indenture (MI) and as required by the Continuing Covenant Agreements.
- (2) The Rolling four quarters ending June 30, 2023 of 2.25 times coverage remains above covenant requirements.

The Pines at Davidson, Inc.

**DAYS' CASH ON HAND RATIO**  
Exhibit 8

	Quarter Ended June 30, 2023	Fiscal Year Ended December 31, 2022
Unrestricted cash and marketable securities:		
Cash and cash equivalents	\$11,022,184	\$6,588,524
Willis J. Hidell and Peggy Hidell Operating Fund	714,506	714,506
Operating Reserve Required by NC General Statutes	7,540,000	6,869,000
Other Board designated funds	25,745,494	26,416,494
Total (A)	<u>\$45,022,184</u>	<u>\$40,588,524</u>
Operating expenses*:		
Total operating expenses	32,567,638	32,338,120
Less depreciation and amortization	(5,641,974)	(5,542,438)
Total (B)	<u>\$26,925,664</u>	<u>\$26,795,682</u>
(A) divided by (B)	1.67	1.51
Multiplied by days	<u>365</u>	<u>365</u>
Days' Cash on Hand	610	553

Note: The calculation shown above is calculated using the definitions in the Master Indenture.

The 57 days increase in Days' Cash on Hand reflects:

- Net Proceeds from Entrance Fees and Entrance Fee Deposits
- Operations driven increase in net assets
- The impact on Unrestricted Cash of Unrealized Gains on Investments

\*Operating Expenses for 2023 reflect annualized June 30, 2023 expenses.



The Pines at Davidson, Inc.

RESERVE RATIO  
Exhibit 9

	As of June 30, 2023	As of December 31, 2022
Unrestricted cash and marketable securities:		
Cash and cash equivalents	\$11,022,184	\$6,588,524
Willis J. Hidell and Peggy Hidell Operating Fund	714,506	714,506
Operating Reserve Required by NC General Statutes	7,540,000	6,869,000
Other Board designated funds	25,745,494	26,416,494
Available Reserves (A)	<u>\$45,022,184</u>	<u>\$40,588,524</u>
Total Long-Term Indebtedness, including current portion	\$59,525,000	\$60,875,000
Less: current portion	(1,385,000)	(1,350,000)
Less: amount not taken into account pursuant to Section 3.07(a) of the Master Indenture	0	0
Long-Term Indebtedness, net (B)	<u>\$58,140,000</u>	<u>\$59,525,000</u>
Reserve Ratio (Available Reserves divided by Long-Term Indebtedness, net) ((A) divided by (B))	77.44%	68.19%

Note: Calculations shown above are calculated using the definitions in the Master Indenture.

**The Pines at Davidson, Inc. ("The Pines")**

**MANAGEMENT DISCUSSION**

**Exhibit 10**

For the three months ended June 30, 2023, average occupancy of The Pines at Davidson, Inc.'s Independent Living Units, Assisted Living Beds and Nursing Facility Beds was 96.5%, 95.0%, and 99.6%, respectively. This compares to average occupancy rates of 97.7%, 94.2% and 96.2% respectively for the fiscal year 2022.

Six months ended June 30, 2023:

Operating revenue and support for the six months ended June 30, 2023 of \$16.9 million compares favorably to the budget of \$16.1 million and prior year revenue and support of \$15.0 million for the same period. These results reflect the strong census numbers during the first half of FY2023 compared to both budget and prior year.

Operating expense of \$16.3 million for the six months ended June 30, 2023 also compares favorably to the budget of \$16.8 million, however unfavorably to prior year expense of \$15.3 million for the same period. Labor expense of \$8.2 million for the current fiscal year continues to reflect the cost of a competitive labor market for new team members and wage adjustments necessary to retain current team members. These costs are slightly favorable to the budget of \$8.3 million yet unfavorable to the same period last year of \$7.4 million. Non-labor expense of \$8.1 million remains favorable to budget of \$8.5 million, driven primarily by a slower rate of increase in food and maintenance costs than anticipated. This compares unfavorably to prior year non-labor expense of \$7.8 million. While inflationary impacts have driven costs up over the prior year's figures, they have not risen as dramatically as last year's models predicted. Non-labor expense was budgeted to increase 8% over the prior year, however actual expense is closer to 3% over the prior year's levels to date.

The results in Revenue and Expenses combine to produce an Increase in net assets without donor restrictions from operations of \$680,406 compared to the decrease of \$659,834 budgeted and the decrease of \$242,086 produced during the same period in the prior year.

Debt Service Coverage of 2.25 times coverage remains well above the Bond Covenant requirement of 1.20 times coverage.

Liquidity remained strong as of June 30, 2023 with a Days Cash on Hand of 610 days.

On October 18, 2022, Fitch Ratings affirmed The Pines' 'BBB+' Issuer Default Rating with a stable outlook.