



600 Carolina Village Road, Suite Z  
Hendersonville, NC 28792  
828-692-6275

# **Disclosure Statement**

## **August 30, 2024**

In accordance with Article 64 of Chapter 58 of the NC General Statutes, this Disclosure Statement may be delivered only through January 27, 2026, if not earlier revised. 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.

# DISCLOSURE STATEMENT

Dated August 30, 2024

Name of Facility: **Carolina Village**

Located at: **600 Carolina Village Road, Suite Z  
Hendersonville, NC 28792  
(828) 692-6275**

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

- **This Disclosure Statement may be delivered until revised, but not after January 27, 2026;**
- **Delivery of the Disclosure Statement to a contracting party before execution of a contract for continuing care is required;**
- **This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.**

**ACKNOWLEDGMENT OF RECEIPT**  
*of*  
**DISCLOSURE STATEMENT**

**CAROLINA VILLAGE, INC.**  
600 Carolina Village Road, Suite Z  
Hendersonville, North Carolina 28792

Carolina Village (The “Facility”) has delivered a Disclosure Statement to me, a prospective resident, prior to or at the time of executing a residency agreement to provide continuing care, or prior to or at the time of the transfer of any money or other property to the Facility, whichever occurred first.

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

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

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

\_\_\_\_\_  
SIGNATURE NAME *of* PROSPECTIVE RESIDENT 1

\_\_\_\_\_  
PRINTED *of* PROSPECTIVE RESIDENT 1

\_\_\_\_\_  
DATE *of* SIGNATURE

\_\_\_\_\_  
SIGNATURE NAME *of* PROSPECTIVE RESIDENT 2

\_\_\_\_\_  
PRINTED *of* PROSPECTIVE RESIDENT 2

\_\_\_\_\_  
DATE *of* SIGNATURE

\_\_\_\_\_  
SIGNATURE *of* FACILITY REPRESENTATIVE

\_\_\_\_\_  
DATE *of* SIGNATURE

# TABLE of CONTENTS

	Page
<b>I. ORGANIZATION INTRODUCTION</b>	
Who We Are and What We Do	1
Board of Directors	2
Administration	3
Resident Association	4
Location	5
Facilities	5
Medical Center (SNF) and Care Center (AL)	5
<b>II. CHARGES, FEES, AND CONTRACTS</b>	
Waitlist Fee	6
Reservation Deposit	6
Entrance Fee	7
Community Pricing: Apartments	8
Community Pricing: Cottages	9
Monthly Fees	10
<b>III. POLICIES</b>	
Eligibility	11
Refunds	11
Surrender of Living Unit	12
Cancellation by Village	13
<b>IV. FINANCIAL INFORMATION</b>	
Reserve Funding	14
Adjustments in Monthly Service Fee	15
Facility Development/Expansion	17
Other Material Information	17
<b>V. APPENDICES</b>	
Audited Financial Statements	Appendix A
Forecasted Financial Statements	Appendix A
Report on Variances	Appendix A
Interim Financial Statements	Appendix B
Waiting List Agreement	Appendix C
Reservation Agreement	Appendix C
Occupancy Agreement	Appendix C

# **DISCLOSURE STATEMENT**

CAROLINA VILLAGE, INC.  
HENDERSONVILLE, NORTH CAROLINA 28792

The date of this Disclosure Statement is August 30, 2024. This Disclosure Statement may be delivered only through January 27, 2026, if not earlier revised. Delivery of this Disclosure Statement before the execution of a contract for the provision of continuing care is required by North Carolina law. This Disclosure Statement has not been reviewed or approved by any governmental agency or representative to ensure accuracy or completeness of the information set forth. This Disclosure Statement is to comply with North Carolina General Statute Chapter 58, Article 64.

## **ORGANIZATION INTRODUCTION**

### **WHO WE ARE AND WHAT WE DO**

Carolina Village (the Village) is a not-for-profit full-service retirement facility for senior citizens with a mission to provide housing, continuing life care, up-to-date service, and a pleasant, congenial social environment to encourage personal growth and community participation without regard to race or religious persuasion.

In conformance with North Carolina General Statute 58, Article 64, a Disclosure Statement shall be made available to prospective residents and existing residents. This statement is designed to explain who and what is involved in the administration and operation of Carolina Village, and to review in detail the terms, responsibilities, and privileges of both parties as set forth in the Occupancy Agreement.

This Disclosure Statement has been prepared from information currently available and what now appears to be realistic assumptions as to the future operation of Carolina Village. Such assumptions are subject to change and can be significantly affected by changes in inflation and interest rates. (Carolina Village, Inc., expects that minor changes in the operation of the facility may be necessary.)

Carolina Village, Inc. was formed by public-minded citizens of Hendersonville, North Carolina, in 1972 to develop a life-care facility for senior citizens in the area. The facility was opened in mid-1974 and has been fully occupied from its beginning. Currently, the estimated waiting period for occupancy after initial application is two to five years; however, depending on the type of accommodation desired, immediate availability is possible. Carolina Village, Inc. is not affiliated with any religious, charitable, or other non-profit organization. The corporation business address is: 600 Carolina Village Road, Suite Z, Hendersonville, North Carolina 28792. The corporation is exempt from Federal and North Carolina income taxation under Section 501(c)(3) of the Internal Revenue Code. No part of income or earnings is distributed to directors or officers.

## **BOARD of DIRECTORS**

The management supervision of Carolina Village, including policy making, budgeting, and monitoring performance, is the responsibility of an eighteen-member board of directors, who serve without compensation and are drawn from a broad spectrum of experience among residents in the Hendersonville area. As of August 30, 2024, the current directors are:

Board Chair:	Trina Strokes, 75 Ridgeway Dr., Flat Rock Local Executive
Vice-President:	Mark Morse, 411 Sabine Dr., Hendersonville Local Executive
Treasurer:	Terry Andersen, 307 N Church St., Hendersonville Practicing CPA
Assistant Treasurer:	Tim Kriegel, 146 Allen Paul Drive., Hendersonville Retired Local Executive
Secretary:	Justin Ward, 4436 Green River Rd., Zirconia Deputy Fire Chief of Hendersonville
Assistant Secretary:	Rick Wood, 2206 Evergreen Dr., Hendersonville Retired Educator
Director:	Dick Bobb, 600 Carolina Village Rd., Hendersonville Retired Financial Executive/Resident
Director:	Robbie Chenault, 25 Crestview St., Asheville Local Executive, Aging Services
Director:	David Fluech, 2775 Hendersonville Rd, Arden Physician Assistant
Director:	Bill Gold, 210 Third Avenue West, Hendersonville Local Executive, Advisory Firm
Director:	Dr. Wilder Glover Little, 1216 6 <sup>th</sup> Ave W, Hendersonville Physician
Director:	Renita McDougal, 731 Fourth Ave W, Hendersonville Retired Investment Advisor
Director:	Kimbela McMinn, 539 N. Main St., Hendersonville Local Banker
Director:	Sherri Metzger, 30 Kestrel Court, Hendersonville Retired Realtor/Resident
Director:	Lee Mulligan, 104 North Washington St., Hendersonville Local Attorney
Director:	Adam Shealy, 224 6 <sup>th</sup> Ave. East., Hendersonville Local Attorney
Director:	Steven Young, 30 Musterground Hill Rd., Candler VP of Technology, Blue Ridge Community College

## **ADMINISTRATION**

The operation of Carolina Village is the responsibility of professionals experienced in life-care management. Key management persons as of August 30, 2024, are:

Executive Director:	Kevin Parries, 21 years at Carolina Village, 36 years of experience in long-term care, Master's in Business Administration from Wingate University, Nursing Home Administrator, Assisted Living Certified, Certified Gerontologist and Certified Aging Service Professional
Director of Operations:	Jon Renegar, 21 years of experience in long-term care, 12 years as administrator, 13 years at Carolina Village, Certified Aging Service Professional, Master's in Business Administration, Nursing Home Administrator
Chief Financial Officer:	Amber Anderson, C.P.A., Master of Accountancy and Bachelor of Science in Business Administration from Western Carolina University, 5 years at Carolina Village, 11 years as a Certified Public Accountant
Medical Center Administrator:	Alex Tucker, 15 years of experience in long-term care, 12 years at Carolina Village as administrator, Certified Aging Service Professional, Nursing Home Administrator, Assisted Living Certified
Medical Director:	Dr. Larry J. Russell M.D. CMD. 38 years of experience, Certified Medical Director for Long Term Care Facilities
Director of Nursing:	Holly Styles, 16 years of experience as a Registered Nurse, 10 months as Director of Nursing, 15 years at Carolina Village
Director of Dining Services:	Maria Rich, Certified Dietary Manager, 31 years as a Certified Dietician, 11 years at Carolina Village
Director of Horticulture:	Josh Ballard, 26 years of experience in Horticulture, 1 year at Carolina Village, State of NC Certified Plant Professional, Associate Degree- Horticulture
Director of Facility Services:	Jason Millard, 22 years of experience in maintenance, 2 years at Carolina Village, Certified Apartment Maintenance Technician, Certified Pool Operator, EPA Certified
Director of Environmental Services:	David Auxier, 12 years of experience as Housekeeping Supervisor, 7 years at Carolina Village
Director of Independent Living Services:	Brent Thomas, 20 years of church leadership and pastoral counseling experience, 2 years at Carolina Village, Bachelor's degree in Elementary Education and Master's in Divinity
Director of Human Resources:	Stephanie Lee, 14 years at Carolina Village in HR, currently working on BSBA in Business Management

Director of Strategic Communications:	Wendy Smith, 20 years of experience in communications and marketing, 5 years at Carolina Village, B.A. in English with a concentration in Professional Writing
Director of Information Technology:	Jordan Webber, 14 years of experience in IT, 4 years at Carolina Village, Associate's degree in Electronic Engineering Technology
Director of Marketing:	Cheryl Justus, 27 years at Carolina Village, 20 years as Carolina Village Director of Marketing, Bachelor's Degree in Business Administration

All key management personnel are located at:  
600 Carolina Village Rd. Suite Z, Hendersonville NC 28792

Carolina Village has provided the names and addresses of both Board of Directors and the names of the key management staff. In accordance with GS § 58-64-20 the individuals listed do not have a ten percent (10%) or greater interest in Carolina Village, nor a company in that person, and do not presently intend to currently or in the future provide goods, leases, or services to the facility, or to residents of the facility, of an aggregate value of five hundred dollars (\$500.00) or more within any year, including a description of the goods, leases, or services and the probable or anticipated cost thereof to the facility, provider, or residents or a statement that this cost cannot presently be estimated. As a non-stock corporation, no individual or corporation has an equity position in Carolina Village.

No member of the Board of Directors or management team 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, where the felony or civil action by final judgment involved fraud, embezzlement, fraudulent conversion, or misappropriation of property.

Further, no listed individual is subject to a currently effective injunctive or restrictive court order, or within the last five years, or had any license or permit suspended or revoked of an action with any business activity of healthcare which includes license to operate a foster care facility, nursing home, retirement home, home for the aged, or facility subject to the Article or similar in another state.

## **RESIDENT ASSOCIATION**

A Resident Association takes an active role in the day-to-day activities of the Village by promoting common interests of the residents and facilitating communication between the residents and the administration through frequent Town Hall meetings and the real-time online portal, "The Carolina Village Hub."



## LOCATION

We are located on approximately 96 acres at 600 Carolina Village Road, Hendersonville, North Carolina 28792. The site is bordered by Interstate Highway 26 on the east and U.S. 64 on the south. The facility's main gated entrance is on U.S. 64, and shopping areas, churches, hospitals, and other services are nearby. The community has a secondary gated entrance located on Clear Creek Road.

## FACILITIES

The Village is comprised of four three-story and two four-story fire-resistant buildings containing 241 apartments and 135 free-standing cottages. Types of living units available include various sized one- and two-bedroom apartments and two-bedroom cottages. Common areas include a pool, Main Street, multipurpose meeting rooms, a media room, business center, clubhouse, pharmacy, market, dining room, lounges, libraries, personal laundry facilities, craft centers, and woodworking areas.

The Medical Center (Skilled Nursing Facility) has 58 private rooms, and the Care Center (Assisted Living) has 60 private rooms with baths. The average population of the Village varies from 530-560 residents.

## MEDICAL CENTER (SNF) AND CARE CENTER (AL)

Carolina Village provides healthcare to its residents through the on-site skilled nursing facility (SNF) and the assisted living (AL) facility. All skilled beds are Medicare certified. Residents needing the services of the skilled nursing or assisted living facility may be admitted by their physician for an unlimited period. While in the Medical Center or Care Center, the following charges are extra above the normal monthly service fee:

- (1) two meals per day (in addition to the meal plan provided in the monthly service fee) for a total of three meals per day
- (2) drugs and supplies
- (3) Co-insurance and/or co-pays not covered by Medicare or Insurance
- (3) therapy services - such as physical, occupational, speech, and/or respiratory
- (4) private physician

Any services for which the Village receives payment from Medicare will not be charged to the resident. Carolina Village residents are not charged co-insurance while in the Medical Center under Medicare Inpatient Part A Covered Stay. Hospital and normal physician charges are the personal obligation of the resident.

Residents unable to return to their apartment or cottage will continue to pay the monthly service fee at the rate applicable for the apartment or cottage vacated and the extra charges listed above. Residents may remain in the Medical Center or Care Center for an unlimited period of time, subject to the approval of the resident's personal physician and the Village Medical Director.

## **CHARGES, FEES, AND CONTRACTS**

### **WAITLIST FEE**

Persons desiring to become residents at Carolina Village will pay a \$1,000 waitlist fee, have their name added to the waiting list for each type of independent living unit they select, and sign the Waiting List Agreement. They also receive a current Disclosure Statement. This \$1,000 waitlist fee is non-refundable but is applied to the Entrance Fee for those that move in. The payment of the waitlist fee does not guarantee admission nor the amount of the entrance fee that may be applicable when the unit is available for contract. The admission criteria are explained on page 11. The terms and provisions of the Waiting List Agreement are found in Appendix C.

### **RESERVATION DEPOSIT**

When an independent living unit selected by the applicant becomes available, it will be offered in chronological order (based on date of Waiting List Agreement) to names on the waiting list for that particular size of unit. In other words, the applicant longest on the waiting list for the type of unit available will be offered occupancy before any others. If occupancy is declined, then the applicant next longest on the waiting list will be offered occupancy. Offers will continue to be made in sequential order until occupancy is accepted. When the applicant indicates acceptance of the living unit offered, the applicant will be required to submit a medical statement from his or her personal physician indicating that the applicant's physical and mental health meets the requirement for entry into the Village and also submit a financial statement indicating that he/she can meet the financial obligations that will be incurred during his/her period of residency. After these statements are completed and indicate that the applicant qualifies to become a resident of Carolina Village, the applicant and Carolina Village will enter into a formal Reservation Agreement for that specific independent living unit, and the applicant will pay a \$25,000 reservation deposit. The \$25,000 reservation deposit is applied to the Entrance Fee when the applicant moves in. The applicant also receives a current Disclosure Statement. Once the applicant and Carolina Village enter into the Reservation Agreement, the applicant will have a period of not more than 90 days to assume occupancy. A new resident may move in prior to 90 days but adequate time must be given to the Village to refurbish the unit. The terms and provisions of the Reservation Agreement are found in Appendix C.

## **ENTRANCE FEE**

When the independent living unit is ready for occupancy, the applicant and Carolina Village will enter into a formal contract of acceptance, hereafter referred to as the Occupancy Agreement and payment of the Entrance Fee is made to Carolina Village. The payment of the entrance fee allows the privilege of occupying said living unit throughout the lifetime of the occupant unless cancelled in the manner provided within the terms and provisions of the Occupancy Agreement. The full Entrance Fee is payable at or before assuming occupancy. No portion of the Entrance Fee may be paid until the unit is ready for occupancy. Residents have life use of the living unit but do not have any property rights. The applicant will be furnished a copy of the executed Occupancy Agreement and a current Disclosure Statement. The terms and provisions of the Occupancy Agreement are found in Appendix C. The following are the Entrance and Monthly Fees:



# COMMUNITY PRICING

## *Apartments*

Apartment Type	Square Footage	COUPLE OCCUPANCY		SINGLE OCCUPANCY	
		Entrance Fee	Monthly Fee <sup>1</sup>	Entrance Fee	Monthly Fee <sup>1</sup>
<i>Pisgah</i>					
1-BEDROOM STANDARD	600	\$ 288,900 <sup>2</sup>	\$ 4,053	\$ 210,100 <sup>2</sup>	\$ 2,542
1-BEDROOM DELUXE	740	\$ 318,700 <sup>2</sup>	\$ 4,303	\$ 239,900 <sup>2</sup>	\$ 2,792
<i>Summit</i>					
1-BEDROOM	814	\$ 350,000	\$ 4,946	\$ 271,200	\$ 3,435
1-BEDROOM + DEN	1,050	\$ 427,400	\$ 5,784	\$ 348,600	\$ 4,273
<i>Blue Ridge</i>					
2-BEDROOM STANDARD	740	\$ 318,700 <sup>2</sup>	\$ 4,303	\$ 239,900 <sup>2</sup>	\$ 2,792
2-BEDROOM EXPANDED	900	\$ 355,700 <sup>2</sup>	\$ 4,665	\$ 276,900 <sup>2</sup>	\$ 3,154
2-BEDROOM CUSTOM	1,040	\$ 399,100 <sup>2</sup>	\$ 4,926	\$ 320,300 <sup>2</sup>	\$ 3,415
2-BEDROOM DELUXE	1,200	\$ 447,800 <sup>2</sup>	\$ 5,233	\$ 369,000 <sup>2</sup>	\$ 3,722
<i>Pinnacle</i>					
2-BEDROOM	1,160	\$ 448,300	\$ 5,895	\$ 369,500	\$ 4,384
2-BEDROOM CORNER	1,366	\$ 514,600	\$ 6,499	\$ 435,800	\$ 4,988
2-BEDROOM + DEN	1,372	\$ 516,300	\$ 6,473	\$ 437,500	\$ 4,962
2-BEDROOM CORNER + DEN	1,541	\$ 569,300	\$ 6,841	\$ 490,500	\$ 5,330
<i>Smoky Mountain</i>					
1-BEDROOM + DEN	1,134	\$ 458,000 <sup>2</sup>	\$ 5,590	\$ 379,200 <sup>2</sup>	\$ 4,079
2-BEDROOM	1,335	\$ 525,600 <sup>2</sup>	\$ 6,254	\$ 446,800 <sup>2</sup>	\$ 4,743
2-BEDROOM + DEN	1,609	\$ 617,200 <sup>2</sup>	\$ 7,241	\$ 538,400 <sup>2</sup>	\$ 5,730

We are available to answer your questions:

*Cheryl Justus*

Director of Marketing  
828-233-0602  
cheryl@carolinavillage.com

*Nora Stepp*

Marketing Specialist  
828-233-0646  
nstepp@carolinavillage.com

Prices effective April 1, 2024. See notes on reverse.

Cottage Type	Square Footage	COUPLE OCCUPANCY		SINGLE OCCUPANCY	
		Entrance Fee	Monthly Fee <sup>1</sup>	Entrance Fee	Monthly Fee <sup>1</sup>
<i>Woods</i>					
2-BEDROOM EXPANDED	945	\$ 395,500	\$ 4,740	\$ 316,700	\$ 3,229
2-BEDROOM CUSTOM	1,092	\$ 444,200	\$ 4,987	\$ 365,400	\$ 3,476
2-BEDROOM DELUXE	1,260	\$ 500,700	\$ 5,268	\$ 421,900	\$ 3,757
<i>Garden</i>					
2-BEDROOM STANDARD + DEN	1,482	\$ 575,100	\$ 5,787	\$ 496,300	\$ 4,276
2-BEDROOM EXPANDED + DEN	1,612	\$ 618,700	\$ 6,007	\$ 539,900	\$ 4,496
2-BEDROOM CUSTOM + DEN	1,742	\$ 662,200	\$ 6,243	\$ 583,400	\$ 4,732
<i>Meadows</i>					
2-BEDROOM STANDARD	1,322	\$ 521,400	\$ 5,508	\$ 442,600	\$ 3,997
2-BEDROOM EXPANDED	1,422	\$ 555,100	\$ 5,775	\$ 476,300	\$ 4,264
2-BEDROOM CUSTOM + DEN	1,504	\$ 582,300	\$ 5,886	\$ 503,500	\$ 4,375
2-BEDROOM DELUXE + DEN	1,604	\$ 615,400	\$ 6,155	\$ 536,600	\$ 4,644
<i>Clear Creek</i>					
1-BEDROOM + DEN	1,180	\$ 493,000	\$ 5,524	\$ 414,200	\$ 4,013
2-BEDROOM TERRACE	1,270	\$ 525,200	\$ 5,786	\$ 446,400	\$ 4,275
2-BEDROOM DUPLEX	1,415	\$ 575,600	\$ 6,224	\$ 496,800	\$ 4,713
2-BEDROOM + DEN	1,570	\$ 629,800	\$ 6,692	\$ 551,000	\$ 5,181

1. Monthly fee includes basic utilities, as well as high-definition basic cable television and high-speed public Wi-Fi. Phone service not included. Monthly fee also includes: declining balance meal plan equivalent to one meal per day (\$472 for single; \$944 for couple), property insurance (excluding personal belongings), interior and exterior home maintenance, bi-weekly housekeeping services, weekly flat laundry service, social programs, events, emergency nursing services and security available 24/7, fitness center and exercise/therapy pools, and lifetime care in our skilled nursing or assisted living facility when ordered by a physician. Fees are subject to change with Board approval and 30-day notice to residents.

2. Units with a premier view of Tranquil Lake will have a one-time \$8,500 premium added to Entrance Fee.

## **MONTHLY FEES**

The Village offers the following services, which are included in the monthly service fee:

- Access to Assisted Living & Skilled Nursing Services without increase in monthly service fee (except meals, drugs, supplies, deductibles, co-insurance and/or co-pays and therapy services ordered by resident's personal physician)
- Flexible meal plan
- All utilities, except for phone service
- 24-hour Maintenance
- Semi-monthly housekeeping service
- Weekly flat laundry service
- Free parking for residents and their guests
- Emergency call system
- On-site Wellness Coordinator and multiple fitness areas
- Planned activities--social, cultural, recreational, intellectual, vocational, and spiritual
- Shuttle bus with regular schedule
- Private transportation (Additional cost)
- On-site pharmacy (Additional cost)
- Beauty/Barber Shop available (Additional cost)

## POLICIES

### ELIGIBILITY

The Occupancy Agreement specifies certain conditions the applicant must meet to be eligible for occupancy. These include:

- a) **Age** - At the time of assuming residency, occupant(s) must be at least 62 years of age. If one member of a couple being offered occupancy is less than 62 years of age the question of admission will be approved or denied by the Board of Directors.
- b) **Health** - The applicant must furnish medical evidence from his/her physician that the applicant is in good health. Further, the applicant must agree to be examined by a physician selected by the Village to determine that the status of the applicant's health will permit him/her to live independently in the living unit upon occupancy. The applicant must be ambulatory and have mental status conducive to living in an independent living unit.
- c) **Financial Responsibility** - The applicant will be required to file a financial statement of net worth and income to assure the Village that the applicant can reasonably be expected to meet financial commitments during the life of the Occupant.
- d) **Insurance Coverage** - Applicants will be required to carry coverage by Medicare A & B insurance or the equivalent insurance coverage by other insurance policies. Further, it is recommended (but not required) that applicants have additional coverage to cover hospital or Carolina Village Health Centers medical expenses that are not covered by Medicare A or B. Residents under 65 years of age not covered by Medicare insurance will be required to have other insurance coverage equivalent to Medicare.

### REFUNDS

The Occupancy Agreement defines circumstances under which the applicant may be eligible for a partial refund of the entrance fee and circumstances under which the applicant or the Village may cancel the Occupancy Agreement. These circumstances include:

#### Before Move-In

- (1) The Occupancy Agreement may be rescinded within 30 days following the later of the execution of the Occupancy Agreement or the receipt of the Disclosure Statement and the applicant is not required to move in during the rescission period. The refund of all money transferred by the applicant, less non-standard feature costs requested by the

applicant and a nonrefundable administrative fee equal to 10% of the Entrance Fee, will be made to the applicant within 5 business days.

(2) In the event the applicant finds it necessary to cancel the Occupancy Agreement for good reason before occupancy, and after expiration of the 30-day period, the Village shall be allowed to retain the administrative fee equal to 10% of the Entrance Fee and all costs of non-standard features requested by the applicant and shall reduce the amount refunded to the applicant and made to the applicant within 5 business days.

(3) The Occupancy Agreement shall be automatically canceled due to death, illness, injury, or incapacity prior to occupancy that would preclude the applicant from occupying an independent living unit. A refund of the Entrance Fee paid less the administrative fee of 10% of the Entrance Fee and any costs of non-standard features as requested by the applicant shall be made to the applicant within 5 business days.

#### After Move-In

The Occupant shall not under any circumstance terminate this agreement without serving the Village with 90 days written notice of intention to so terminate. The Occupant will be charged with the established monthly service fee until the close of the 90-day period mentioned above.

In the event Occupancy is terminated as provided in the Occupancy Agreement, the departing Occupant will be reimbursed for the amount of the Entrance Fee paid less an appropriate charge for the period of Occupancy as stated below. The refund will be made within 30 business days from the end of the 90-day notice.

If a resident moves out with notice, the amount retained by the Village shall be 10% of the entrance fee plus two percent (2%) per month of Occupancy plus the cost of non-standard features requested by the Occupant. In addition, any medical charges, incurred for Occupant's care during residency and any other periodic charges, including any charges occurring during the 90-day notice period, shall be considered as credit to the Village.

After occupancy there is no refund after death.

## **SURRENDER OF LIVING UNIT**

In addition, the Occupancy Agreement specifies situations during the term of occupancy when the resident might be required to vacate his/her living unit:

(a) If Occupant's physician advises the Village that a resident in the Medical or Care Center will not be able to return to his/her independent living unit, the Village will be authorized to reclaim the independent living unit from the Occupant for re-assignment.



(b) If a resident's financial position can no longer afford the independent living unit presently occupied, the resident may be requested to move to a smaller independent living unit.

## **CANCELLATION BY VILLAGE**

The Occupancy Agreement further provides the circumstances under which the Village can cancel the Occupancy Agreement. Please refer to sections 14 and 15 of the Occupancy Agreement for the details regarding these policies.

# FINANCIAL INFORMATION

## RESERVE FUNDING

N.C. General Statute 58-64-33 requires continuing care facilities to maintain an operating reserve equal to 50% of the annual operating cost. The statute further provides that facilities with a 90% occupancy rate may establish reserves equal to 25% of the annual operation cost. The Village is and further expects to be 90% occupied and therefore our compliance is with the 25% of annual operating expense reserves.

The chart as follows shows the operating reserve requirement as of March 31, 2025, determined from the 2025 forecast for expenses and the March 31, 2024, occupancy numbers:

	March 31, 2025
Total Operating Expenses	\$ 35,042,000
Principle payment on LTD	\$ 2,467,000
Depreciation Expense	\$ (4,500,000)
Amortization Expense	\$ (68,000)
Extraordinary items as approved by the Commissioner	\$ 0
Debt service portion, if provided for by way of a separate reserve account:	<u>\$ (2,585,000)</u>
Total Operating Cost	\$ 30,356,000
Occupancy Factor	<u>X 25%</u>
Operating Reserve Requirement	\$ 7,589,000
 <i><u>Available Funds Toward Reserves</u></i>	
Total Cash & Marketable Securities	\$ 23,819,001

The Board of Directors has established that all funds above working cash needs, including reserve funds, are to be managed by professional investment managers. The Investment Committee has an Investment Policy in place. Currently investment portfolios are held by Edward Jones, First Citizens Wealth Management and Vanguard. No employee of Carolina Village is responsible for investment decisions. Management of the investment portfolios is the responsibility of Edward Jones and First Citizens, with oversight from the Carolina Village Investment Committee.

## **ADJUSTMENTS IN MONTHLY SERVICE FEE**

The monthly service fee may be adjusted at the discretion of the Board of Directors to meet changes in operating costs and to maintain the Village on a sound financial basis. Adjustments in the monthly fee will be announced to residents at least 30 days before becoming effective. The frequency and average increase in monthly service fees for the past five years are detailed as follows:

<u>Effective Date</u>	<u>Single</u>	<u>Couple</u>
April 1, 2024	\$ 172	\$ 243
January 1, 2023	\$ 344	\$ 459
January 1, 2022	\$ 130	\$ 171
January 1, 2021	\$ 70	\$ 92
January 1, 2020	\$ 74	\$ 104
 Average Annual Increase	 \$ 158	 \$ 214

The Occupancy Agreement also provides for adjustments in fees or charges necessitated by change in the occupant’s status:

- (a) **Financial** - In cases where personal financial resources prove inadequate after a period of residence, the occupant may apply for special consideration to the Board of Directors. It is stated within the Occupancy Agreement that it is the declared policy of the Village that an Occupant’s residence shall not be terminated solely because of the financial inability of the Occupant to pay monthly service fees.
- (b) **Change in Marital Status (Non-Resident)** - If a resident marries a non-resident, the new spouse must meet the same age, health, and financial standards required of other applicants, and, in addition, pay an added entrance fee equal to the current second person entrance fee.
- (c) **Change in Marital Status (Among Residents)** - If two residents marry one another they may occupy the living unit of either resident. No refund or credit will be given for the vacated living unit. If the vacated unit was occupied for less than 10 years, there will be a redecorating fee due, which is pro-rated based on the length of occupancy. The vacated unit must be vacated within 14 days of the marriage. The monthly service fee charged for the living unit occupied will be at the current couple occupancy rate for that specific unit type.
- (d) **Separations** - If at any time a cohabitating party decides to separate into different units, there will be no refund granted, even if a resident moves to a smaller unit. Any additional fee will be calculated based on the new unit(s) the resident(s) select, which will be subject to availability. The vacated unit must be vacated within 14 days of the new unit(s) being available for occupancy. There may be a redecorating fee due for the vacated unit, if that unit was occupied for less than 10 years.

(e) **Internal Moves** – All internal moves within independent living are subject to a redecorating fee for an independent living unit that has been occupied for less than 10 years. A resident may be due an entrance fee refund as a result of moving to a smaller unit. The refund would be calculated as described in the resident's Occupancy Agreement, with the intention to true up the entrance fee, as though the resident had originally moved into the smaller unit. If a resident needs to utilize the Medical Center or Care Center within 12 months of moving to a smaller independent living unit, the monthly service fee will revert back to the fee associated with the original, larger independent living unit, while the resident resides in the Medical Center and/or Care Center.

A resident moving to a larger unit will pay the entrance fee applicable to the larger unit at the time of the move, less a credit for the current entrance fee applicable to the unit being vacated. The resident will pay the current service charge applicable to the new unit being occupied. Priority order for assignment of larger units will be determined based on the date entered on the waiting list.

When a death occurs within a couple and the surviving resident moves to another unit any refund, if due, will be calculated based on a single entrance fee of the unit being vacated.

Any move within independent living must be accomplished within 14 days from the date the unit is ready for occupancy.

Permanent moves from independent living to the Care Center or Medical Center must be accomplished within 30 days from the date of the permanency.

## **FACILITY DEVELOPMENT/EXPANSION**

Carolina Village completed a major expansion in January 2020. The expansion consisted of 36 apartments, 54 cottages, additional parking, sidewalks and a new maintenance building.

As of March 31, 2022, Carolina Village completed the construction of a permanent gatehouse at the main entrance of campus. This new structure houses security staff, who provide security and navigational support to residents, staff, and guests.

In November 2023, Carolina Village completed a new building which offers a new dining venue for residents, administrative offices and an employee break room. Many of the common areas in our main building were also renovated, including a new resident library and dining venues.

In August 2024, the renovation of the Medical Center was completed. This renovation included all common areas and resident rooms.

## **OTHER MATERIAL INFORMATION**

Carolina Village has not been involved in any bankruptcy filings, receivership, liquidation, nor are there any actions or perils expected or known of by management.

# **Appendix A**

## Audited Financial Statements

For the year ended March 31, 2024

## Forecasted Financial Statements

For the years ending

March 31, 2025 thru March 31, 2029

## Report on Variances



# **Carolina Village, Inc.**

## **Independent Auditor's Report, and Financial Statements**

March 31, 2024 and 2023



**Contents**

**Independent Auditor’s Report**..... 1

**Financial Statements**

    Balance Sheets ..... 3

    Statements of Operations and Changes in Net Assets..... 5

    Statements of Cash Flows ..... 7

    Notes to Financial Statements ..... 9



## Independent Auditor's Report

Board of Directors  
Carolina Village, Inc.  
Hendersonville, North Carolina

### ***Opinion***

We have audited the financial statements of Carolina Village, Inc. (the "Village"), which comprise the balance sheets as of March 31, 2024 and 2023, and the related statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Village as of March 31, 2024 and 2023 and the results of its operations and changes in net assets and 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 Auditor's Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the Village and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audits of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

**Forvis Mazars, LLP**

**Asheville, North Carolina  
June 21, 2024**

**Carolina Village, Inc.**  
**Balance Sheets**  
**March 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 5,300,170	\$ 3,834,136
Investments in marketable securities	9,567,055	5,340,741
Accounts receivable, residents, net	154,609	289,405
Accounts receivable, entrance fees	171,050	618,500
Accounts receivable, other	617,430	567,181
Employee Retention Credit receivable	1,756,165	5,010,912
Supplies, inventories, and prepaid expenses	<u>538,108</u>	<u>412,313</u>
Total current assets	<u>18,104,587</u>	<u>16,073,188</u>
<b>Assets Limited as to Use</b>		
Funds held by a trustee under bond indenture	1,778,125	1,891,026
Endowment funds	362,192	362,192
Investments restricted for statutory operating reserve	7,055,000	6,545,000
Assets held in charitable remainder trusts	245,549	240,115
Assets held for deferred compensation	1,948,648	1,575,711
Other donor restricted assets held	<u>1,201,987</u>	<u>1,102,778</u>
Total assets limited as to use	<u>12,591,501</u>	<u>11,716,822</u>
<b>Property and Equipment, Net</b>	<u>107,246,492</u>	<u>101,293,644</u>
Total assets	<u>\$ 137,942,580</u>	<u>\$ 129,083,654</u>

**Carolina Village, Inc.**  
**Balance Sheets**  
**March 31, 2024 and 2023**

**(Continued)**

	<u>2024</u>	<u>2023</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable–trade	\$ 798,474	\$ 760,549
Accounts payable–construction	663,567	609,888
Accrued payroll and related withholdings	626,876	515,777
Accrued vacation	1,128,204	1,025,830
Deposits on contracts	503,000	427,800
Current maturities of		
Charitable remainder trust annuities payable	8,037	13,595
Refundable entrance fees	247,238	332,511
Current maturities of long-term debt	<u>2,466,961</u>	<u>2,133,258</u>
 Total current liabilities	 <u>6,442,357</u>	 <u>5,819,208</u>
<b>Long-term Liabilities</b>		
Exclusive of current maturities:		
Long-term debt, net	55,458,974	54,824,726
Charitable remainder trust annuities payable	23,306	39,427
Deferred compensation	1,948,648	1,575,711
Deferred revenue from entrance fees	<u>66,906,232</u>	<u>62,150,082</u>
 Total long-term liabilities	 <u>124,337,160</u>	 <u>118,589,946</u>
 Total liabilities	 <u>130,779,517</u>	 <u>124,409,154</u>
<b>Net Assets</b>		
Without donor restriction	5,353,335	2,969,415
With donor restriction	<u>1,809,728</u>	<u>1,705,085</u>
 Total net assets	 <u>7,163,063</u>	 <u>4,674,500</u>
 Total liabilities and net assets	 <u>\$ 137,942,580</u>	 <u>\$ 129,083,654</u>

**Carolina Village, Inc.**  
**Statements of Operations and Changes in Net Assets**  
**Years Ended March 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Revenues, Gains, and Other Support</b>		
<b>Revenues</b>		
Apartments:		
Service fees	\$ 14,647,892	\$ 13,494,869
Entrance fee amortization	7,051,288	6,482,451
Entrance fee forfeitures	1,932,676	2,370,126
Other apartments revenue	206,401	280,241
Medical Center	2,986,051	3,180,033
Care Center	1,937,830	1,788,376
Dietary	2,101,461	2,071,863
Dietary–Care Center and Medical Center	1,617,349	1,632,942
Net assets released from restrictions for operations	345,974	116,824
Miscellaneous	746,139	233,346
Employee Retention Credit grant income	-	1,756,165
	<u>33,573,061</u>	<u>33,407,236</u>
<b>Expenses</b>		
General and administrative	3,666,875	3,317,498
Operation of plant	5,526,197	5,047,306
Housekeeping	1,094,133	1,087,079
Medical Center	6,211,374	6,313,274
Care Center	2,896,448	2,621,052
Dietary	4,356,864	3,783,643
Dietary–Care Center and Medical Center	1,887,612	1,899,221
Independent living support	1,216,541	1,175,834
Annuity expenditures	10,742	14,602
Depreciation	4,412,662	4,070,362
Interest	2,196,141	2,032,858
	<u>33,475,589</u>	<u>31,362,729</u>
Operating income	<u>97,472</u>	<u>2,044,507</u>
<b>Non-operating Income (Expense)</b>		
Unrealized gain (loss) on investments	1,527,450	(456,819)
Investment income	758,358	69,631
Gain on sale of property and equipment	640	-
	<u>2,286,448</u>	<u>(387,188)</u>
Excess of revenues over expenses	<u>\$ 2,383,920</u>	<u>\$ 1,657,319</u>

**Carolina Village, Inc.**  
**Statements of Operations and Changes in Net Assets**  
**Years Ended March 31, 2024 and 2023**

**(Continued)**

	<u>2024</u>	<u>2023</u>
<b>Net assets with Donor Restrictions</b>		
Split interest agreement	\$ 21,679	\$ 5,994
Contributions	204,839	79,397
Interest and dividends	15,174	11,879
Unrealized gain (loss) on investments	165,866	(103,571)
Realized gain on investments	43,059	2,203
Net assets released from restrictions for operations	<u>(345,974)</u>	<u>(116,824)</u>
Change in net assets with donor restrictions	<u>104,643</u>	<u>(120,922)</u>
<b>Change in Net Assets</b>	2,488,563	1,536,397
<b>Net Assets – Beginning of Year</b>	<u>4,674,500</u>	<u>3,138,103</u>
<b>Net Assets – End of Year</b>	<u><u>\$ 7,163,063</u></u>	<u><u>\$ 4,674,500</u></u>

**Carolina Village, Inc.**  
**Statements of Cash Flows**  
**Years Ended March 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Operating Activities</b>		
Change in net assets	\$ 2,488,563	\$ 1,536,397
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,412,662	4,070,362
Unrealized (gain) loss on investments	(1,693,316)	560,390
Realized gain on investments	(801,417)	(71,834)
Amortization of deferred loan costs	78,911	78,790
Amortization of bond discount	7,224	7,224
Amortization of bond premium	(18,480)	(18,480)
Gain on sale of property and equipment	(640)	-
Change in value of split interest agreements	(10,937)	8,607
Entrance fee amortization <sup>(1)</sup>	(7,610,758)	(6,958,672)
Entrance fee forfeitures	(1,932,676)	(2,370,126)
Entrance fees—new occupancy contracts—existing units	15,533,050	8,617,900
Restricted contributions	(204,839)	(79,397)
Changes in operating assets and liabilities:		
Accounts receivable—residents	134,796	173,645
Accounts receivable—other	(50,249)	(176,059)
Employee Retention Credit receivable	3,254,747	(1,756,165)
Supplies, inventories and prepaid expenses	(125,795)	(13,433)
Accounts payable—trade	37,925	49,021
Accrued payroll	111,099	77,322
Accrued vacation	102,374	(6,630)
Deferred compensation	372,937	(190,457)
Deposits on contracts—existing units	75,200	(2,800)
	<u>14,160,381</u>	<u>3,535,605</u>
<b>Investing Activities</b>		
Purchase of investments	(11,888,731)	(10,560,467)
Sale of investments	9,169,569	7,829,763
Proceeds from sale of property and equipment	1,600	-
Purchase of property and equipment	(10,312,791)	(9,324,542)
	<u>(13,030,353)</u>	<u>(12,055,246)</u>

**Carolina Village, Inc.**  
**Statements of Cash Flows**  
**Years Ended March 31, 2024 and 2023**

**(Continued)**

	<u>2024</u>	<u>2023</u>
<b>Financing Activities</b>		
Payments on long-term debt	\$ (2,074,814)	\$ (1,640,000)
Proceeds from long-term debt	2,975,111	5,472,036
Annuity payments	(10,742)	(14,602)
Refunds of entrance fees	(871,289)	(82,064)
Proceeds from restricted contributions	204,839	79,397
	<u>223,105</u>	<u>3,814,767</u>
<b>Net Change in Cash, Cash Equivalents, and Restricted Cash</b>	1,353,133	(4,704,874)
<b>Cash, Cash Equivalents, and Restricted Cash – Beginning of Year</b>	<u>5,725,162</u>	<u>10,430,036</u>
<b>Cash, Cash Equivalents, and Restricted Cash – End of Year</b>	<u>\$ 7,078,295</u>	<u>\$ 5,725,162</u>
Interest paid	<u>\$ 2,115,389</u>	<u>\$ 1,950,100</u>
<b>Non-Cash Investing Activities</b>		
Purchase of property and equipment in accounts payable at year-end	<u>\$ 663,567</u>	<u>\$ 609,888</u>
Reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheets that sum to the total of the same such amounts in the statements of cash flows:		
Cash and cash equivalents	\$ 5,300,170	\$ 3,834,136
Funds held by a trustee under bond indenture	<u>1,778,125</u>	<u>1,891,026</u>
	<u>\$ 7,078,295</u>	<u>\$ 5,725,162</u>

<sup>(1)</sup> Includes entrance fee amortization related to the Medical Center and Care Center.



## **Note 1. Summary of Significant Accounting Policies**

### ***Organization***

Carolina Village, Inc. (the “Village”) was incorporated as a non-profit corporation on June 2, 1972 pursuant to the laws of the State of North Carolina. The objective of the Village is to provide lifetime care and shelter for retirees. The Village is tax-exempt under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation.

The facility contains 241 apartment units, 135 cottage units, a 58 bed skilled nursing facility and a 60 bed assisted living center. Residents purchase the privilege of occupying a specific living unit and the accompanying medical care for their lifetime. The agreement states that it is not a lease and does not create any interest in the real estate or property.

### ***Basis of Presentation***

The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

The Village classifies its net assets as net assets with or without donor restrictions:

- *Net assets without donor restrictions* – resources of the Village 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.
- *Net assets with donor restrictions* – resources that are subject to donor-imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those satisfied by the passage of time or actions of the Village. Other donor-imposed restrictions stipulate that donated assets be maintained in perpetuity, but may permit the Village to use or expend part or all of the income derived from the donated assets.

### ***Use of Estimates***

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date. Estimates also affect the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates and assumptions.

### ***Cash and Cash Equivalents***

Cash and cash equivalents include cash on hand, amounts on deposit in banks and highly liquid debt instruments with a maturity of 90 days or less when purchased, excluding amounts whose use is limited.

### ***Assets Limited as to Use***

Assets limited as to use represent; (1) funds required by the Village’s bond documents to be held by a Trustee, (2) funds that have been restricted by donors including endowment funds, (3) investments designated by the board for the statutory operating reserve, (4) assets held in charitable remainder trusts and (5) assets held under deferred compensation agreements.

**Carolina Village, Inc.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024 and 2023**

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***Accounts Receivable***

Doubtful accounts are accounted for using the allowance method. The allowance is increased or decreased, based upon management's evaluation, by provisions to bad debt expense charged against income. Uncollectible balances are written off against the allowance. Recoveries of previously written off balances are credited to income. Generally, no finance charges are assessed on trade receivables. The Village believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses.

***Accounts Receivable—Entrance Fees***

Entrance fees receivable consist of promissory notes signed by residents where a portion of the entrance fee was paid upon signing the residency agreement and the remaining balance is due within 12 months. These notes are charged 3.5 percent annually for the first 12 months and after that are charged 8 percent interest annually. The Village expects to collect the entrance fees receivable in the next 12 months.

***Supplies and Inventories***

Supplies and inventories are recorded at the lower of cost or net realizable value as determined by the first-in, first-out method.

***Fair Value Measurements***

Fair value as defined under GAAP is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Village utilizes market data or assumptions that market participants would use in pricing the asset or liability. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

***Property and Equipment***

Property and equipment are recorded at cost if purchased and fair value if donated. The Village capitalizes all assets over \$500. Major renewals and improvements are recorded to the property accounts, while replacements, maintenance, and repairs, which do not improve or extend the life of the assets, are expensed as incurred. Depreciation is provided by charges to operations using the straight-line method at rates designed to amortize the cost of the assets over their estimated useful lives:

Land improvements	5 – 40 years
Buildings and improvements	5 – 40 years
Cottages and improvements	5 – 40 years
Kitchen equipment	5 – 10 years
Medical and care centers equipment	5 – 10 years
Furniture and fixtures	5 – 10 years
Motor vehicles	5 – 10 years

**Carolina Village, Inc.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024 and 2023**

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***Capitalized Interest***

Interest costs incurred on borrowed funds during the period of capital asset construction are capitalized as a component of the cost of acquisition and were approximately \$49,000 and \$108,000 for the years ended March 31, 2024 and 2023, respectively.

***Deferred Revenue from Entrance Fees***

Fees paid by a resident upon entering into a contract agreement are recorded as deferred revenue and amortized into income using the straight-line method over the estimated remaining life expectancy of the resident, adjusted on an annual basis. Subject to certain exceptions, entrance fees, less 10 percent of the fee, are initially refundable, but become non-refundable at the rate of 1 percent per month until becoming fully non-refundable after 90 months. Refunds are paid based on the lesser of 30 business days after termination of the contract agreement or upon receiving payment of an entrance fee from an acceptable substitute resident. Total contractual refund obligations under existing contracts (that is if all residents with a refundable balance were to have withdrawn) totaled approximately \$39,200,000 and \$37,600,000 at March 31, 2024 and 2023, respectively. Based on historical experience, the estimated amount of the contractual refund obligations that are expected to be refunded in the coming year is \$247,238 and \$332,511 at March 31, 2024 and 2023, respectively, and is classified as a current liability on the balance sheets.

***Contributions and Donor-Imposed Restrictions***

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as restricted support that increases net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without restriction and reported in the statements of operations as net assets released from restrictions.

***Resident Revenue***

The Village is certified under the Medicare Program and is entitled to reimbursement for services provided to residents who are qualified and approved to be covered by these plans. Daily and prospective rates based upon costs incurred are used to determine the amounts claimed by the nursing facility for services provided to qualified residents. Income recognized and recorded on this basis is subject to adjustment based upon the final determination by the Medicare Program or its designated intermediary. The adjustment is reflected in the year made.

***Benevolent Assistance***

The Village provides benevolent assistance to residents who are unable to pay. Such residents are identified based on financial information obtained from the resident and subsequent review and analysis. The Village utilized certain net assets with donor restrictions, as well as earnings from certain net assets with donor restrictions and board designated net assets, to partially fund the care of such residents. The Village provided approximately \$94,600 and \$67,000 in benevolent assistance during the years ended March 31, 2024 and 2023, respectively.

**Carolina Village, Inc.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024 and 2023**

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***Social Accountability***

The Village provides office space to the Hendersonville Fire Department and Pharm Save Pharmacy rent free. The Hendersonville Fire Department and Pharm Save Pharmacy serve the Village residents and the greater community. The dollar amount of space provided based upon local fair market value rental rates is approximately \$622,000 for each of the years ended March 31, 2024 and 2023. Carolina Village also provides numerous community benefits which include charitable donations and tuition assistance in the amounts of \$53,000 and \$63,000 for the years ended March 31, 2024 and 2023, respectively. These contribution amounts are reflected in the statements of operations and changes in net assets as general and administrative expenses. The Village also provides meals to the Council on Aging of Hendersonville County and Hendersonville Rescue Mission every day. Approximately 3,800 meals were donated for each of the years ended March 31, 2024 and 2023.

***Obligation to Provide Future Services to Residents***

The Village enters into continuing-care contracts with various residents. A continuing-care contract is an agreement between a resident and the Village specifying the services and facilities to be provided to a resident over his or her remaining life for a monthly fee. Under the contracts, the Village has the ability to increase fees as deemed necessary. The Village annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from advance fees. If the present value of the net cost of future services and the use of the facilities exceeds the deferred revenue from advance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. The obligation was discounted at 5.0 and 3.7 percent for 2024 and 2023, respectively based on the Federal long-term rate. There was no obligation at March 31, 2024 or 2023.

***Statements of Operations***

The statements of operations includes excess of revenues over expenses. Changes in net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restrictions were to be used for the purposes of acquiring such assets). The Village considers excess of revenues over expenses to be its performance indicator.

***Income Tax***

The Village is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Village has determined that it does not have any material unrecognized tax benefits or obligations as of March 31, 2024.

***Methods Used for Allocation of Expenses Among Programs and Supporting Services***

The Village has presented a schedule of expenses by both function and nature in Note 16. The Village allocates expenses on a functional basis among its various programs and supporting services. The schedule of expenses in Note 16 reports certain categories of expenses that are attributable to one or more program or supporting services of the retirement community. These expenses include salaries and benefits, interest, and depreciation. Salaries and benefits are allocated based on an estimate of time spent on each activity and interest and depreciation are estimated based on square footage.

***Concentration of Credit Risk***

Financial instruments that potentially subject the Village to concentration of credit risk consist principally of cash, accounts receivable and investments. The Village maintains its cash in bank accounts which, at times, may exceed federally depository insurance ("FDIC") limits. Management believes the credit risk associated with these deposits is minimal.

### ***Recently Adopted Accounting Guidance***

*Allowance for Credit Losses* - In June 2016, the Financial Accounting Standards Board (“FASB”) issued guidance (“FASB ASC 326”) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren’t measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity’s exposure to credit risk and the measurement of credit losses. Financial assets held by the Village that are subject to the guidance in FASB ASC 326 were accounts receivable.

The Village adopted the standard effective April 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

### ***Subsequent Events***

The Village evaluated the effect subsequent events would have on the financial statements through June 21, 2024, which is the date the financial statements were issued.

### ***Reclassifications***

Certain reclassifications have been made to the 2023 financial statements to conform to the 2024 financial statement presentation. These reclassifications had no effect on change in net assets.

## **Note 2. Revenue Recognition**

The Village generates revenues, primarily by providing housing and health services to its residents. The following streams of revenue are recognized as follows:

### ***Monthly service fees:***

The life care contracts that residents select require an advanced fee and monthly fees based upon the type of independent living unit they are applying for. Resident fee revenue for recurring and routine monthly services is generally billed monthly in advance. Payment terms are usually due within 30 days. The services provided encompass social, recreational, dining along with assisted living and nursing care and these performance obligations are earned each month. Under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 606, management has determined that the performance obligation for the standing obligation to provide the appropriate level of care is the predominate component and does not contain a lease component under ASC Topic 842. Resident fee revenue for non-routine or additional services are billed monthly in arrears and recognized when the service is provided.

### ***Entrance fees:***

The nonrefundable entrance fees are recognized as deferred revenue upon receipt of the payment and included in liabilities in the balance sheets until the performance obligations are satisfied. Management has determined the contracts do not contain a significant financing component as the advanced payment assures residents the access to health care in the future. These deferred amounts are then amortized on a straight-line basis into revenue on a monthly basis over the estimated life of the resident as the performance obligation is the material right associated with access to future services as described in FASB ASC 606.

**Carolina Village, Inc.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024 and 2023**

*Health care services:*

The Village provides assisted and nursing care to residents who are covered by government and commercial payers. The Village is paid fixed daily rates from government payers. The fixed daily rates and other fees are billed in arrears monthly. The monthly fees represent the most likely amount to be received from the third-party payors. Most rates are predetermined from Medicare. Under ASC Topic 606, management has elected to utilize the portfolio approach in aggregating the revenues under these revenue streams.

The Village disaggregates its revenue from contracts with customers by payor source, as the Village believes it best depicts how the nature, timing and uncertainty of its revenues and cash flows are affected by economic factors. See details on a reportable segment basis in the table below:

	<b>March 31, 2024</b>			
	<b>Independent Living</b>	<b>Care Center</b>	<b>Medical Center</b>	<b>Total</b>
Private pay	\$ 16,749,353	\$ 2,851,639	\$ 1,403,594	\$ 21,004,586
Government reimbursement	-	-	2,285,997	2,285,997
<b>Total</b>	<b><u>\$ 16,749,353</u></b>	<b><u>\$ 2,851,639</u></b>	<b><u>\$ 3,689,591</u></b>	<b><u>\$ 23,290,583</u></b>
	<b>March 31, 2023</b>			
	<b>Independent Living</b>	<b>Care Center</b>	<b>Medical Center</b>	<b>Total</b>
Private pay	\$ 15,566,732	\$ 2,693,392	\$ 1,197,160	\$ 19,457,284
Government reimbursement	-	-	2,710,799	2,710,799
<b>Total</b>	<b><u>\$ 15,566,732</u></b>	<b><u>\$ 2,693,392</u></b>	<b><u>\$ 3,907,959</u></b>	<b><u>\$ 22,168,083</u></b>

**Note 3. Fair Value of Financial Assets and Liabilities**

Prices for certain investments are readily available in the active markets in which those securities are traded and the resulting fair values are categorized as Level 1. Prices for other investments are determined on a recurring basis based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets and the resulting fair values are categorized as Level 2. Prices for other investments that have unobservable inputs about which little or no market data exists are categorized as Level 3 and require an entity to develop its own assumptions.

There were no changes during the years ended March 31, 2024 and 2023 to the Village's valuation techniques used to measure asset and liability fair values on a recurring basis.

**Carolina Village, Inc.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024 and 2023**

The following tables set forth by level within the fair value hierarchy the Village's financial assets and liabilities accounted for at fair value on a recurring basis as of March 31, 2024 and 2023. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Village's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value of assets and liabilities and their placement within the fair value hierarchy levels. Assets and liabilities at fair value as of March 31, 2024 and 2023 consist of the following:

<b>Assets and Liabilities at Fair Value as of March 31, 2024</b>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments and assets limited as to use:				
Mutual funds - index funds	\$ 10,406,369	\$ -	\$ -	\$ 10,406,369
Stocks (1)	5,497,818	-	-	5,497,818
Corporate bonds	-	1,358,005	-	1,358,005
Government and agency securities	-	1,692,329	-	1,692,329
Total investments and assets limited as to use	<u>\$ 15,904,187</u>	<u>\$ 3,050,334</u>	<u>\$ -</u>	<u>\$ 18,954,521</u>
Liabilities:				
Charitable remainder trust annuities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,343</u>	<u>\$ 31,343</u>
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,343</u>	<u>\$ 31,343</u>

(1) These assets consist of the following: 64% domestic stocks and 36% international stocks.

<b>Assets and Liabilities at Fair Value as of March 31, 2023</b>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments and assets limited as to use:				
Mutual funds - index funds	\$ 7,839,808	\$ -	\$ -	\$ 7,839,808
Stocks (1)	5,011,371	-	-	5,011,371
Corporate bonds	-	1,111,032	-	1,111,032
Government and agency securities	-	1,243,351	-	1,243,351
Total investments and assets limited as to use	<u>\$ 12,851,179</u>	<u>\$ 2,354,383</u>	<u>\$ -</u>	<u>\$ 15,205,562</u>
Liabilities:				
Charitable remainder trust annuities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,022</u>	<u>\$ 53,022</u>
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,022</u>	<u>\$ 53,022</u>

(1) These assets consist of the following sectors: 67% domestic stocks and 33% international stocks.

**Carolina Village, Inc.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024 and 2023**

The Village has \$3,204,035 and \$1,852,001 of money market funds included in investments and assets limited as to use on the balance sheets as of March 31, 2024 and 2023, respectively, which is not classified as a level as prescribed within the provision.

The Village recognizes transfers between the levels as of the beginning of the reporting period. There were no gross transfers between the levels for the years ended March 31, 2024 and 2023.

The determination of fair value above incorporates various factors. These factors include not only the credit standing of the counterparties involved and the impact of credit enhancements, but also the impact of the Village's non-performance risk on its liabilities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Village believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table illustrates the activity of Level 3 assets measured at fair value on a recurring basis from March 31, 2022 to March 31, 2024:

	<b><u>Charitable Remainder Trust Annuity</u></b>
Balance, March 31, 2022	\$ 59,017
Unrealized activity, payments made and other	<u>(5,995)</u>
Balance, March 31, 2023	53,022
Unrealized activity, payments made and other	<u>(21,679)</u>
Balance, March 31, 2024	<u>\$ 31,343</u>

**Note 4. Funds Held by a Trustee**

Funds held by a Trustee are comprised of unspent monies received from bond issuances. The fixed rate bond issuance debt service reserve fund is required to be set aside until the last year of the 30-year term for the retirement of that issuance.

Funds held by Trustee consist of the following at March 31:

	<u>2024</u>	<u>2023</u>
Total assets limited as to use	<u>\$ 1,778,125</u>	<u>\$ 1,891,026</u>



**Carolina Village, Inc.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024 and 2023**

**Note 5. Property and Equipment**

Property and equipment consist of the following at March 31:

	<u>2024</u>	<u>2023</u>
Land and improvements	\$ 5,788,805	\$ 5,673,417
Buildings and improvements	113,483,126	105,899,168
Cottages and improvements	43,147,526	42,123,456
Kitchen equipment	2,290,384	2,259,636
Medical and care centers equipment	2,227,357	2,091,262
Furniture and fixtures	3,838,702	3,720,524
Motor vehicles	<u>683,589</u>	<u>654,172</u>
Total property and equipment	171,459,489	162,421,635
Less: accumulated depreciation	<u>(66,405,773)</u>	<u>(61,995,351)</u>
	105,053,716	100,426,284
Construction in progress	<u>2,192,776</u>	<u>867,360</u>
Total	<u>\$ 107,246,492</u>	<u>\$ 101,293,644</u>

The Village entered into a contract for approximately \$2,777,000 for medical center renovations. As of March 31, 2024, the balance to finish the project, including retainage, was approximately \$1,307,000. The addition is planned to be completed in August 2024.

**Note 6. Long-term Debt**

The Village is obligated under the following bonds payable and long-term notes, all collateralized by a deed of trust, at March 31:

	<u>2024</u>	<u>2023</u>
Series 2017 A bonds:		
Direct purchase bank loan with principal payments beginning fiscal year 2018 through 2038 with a fixed interest rate at 3.057%, payable on the first of every month with principal payments ranging from \$100,000 to \$220,000.	\$ 30,135,000	\$ 31,825,000
Series 2017 B bonds:		
Bonds with interest stated below and payable each April 1 and October 1. Principal payments beginning fiscal year 2038 through 2048 ranging from \$800,000 to \$2,360,000.		
4.250% Serial Bonds	7,200,000	7,200,000
5.000% Serial Bonds	11,745,000	11,745,000
Series 2021 A Note:		
Construction draw-down loan with interest payable the 24th of each month. Principal payments of \$47,129 beginning fiscal year 2024 through 2037. Interest rate at 3.620% for the first 24 payments then 3.500% for the remaining payments.	5,610,814	5,881,470

**Carolina Village, Inc.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024 and 2023**

Series 2021 B Note:

Construction draw-down loan with interest payable the 24th of each month. Principal payments of \$41,419 beginning fiscal year 2024 through 2034. Fixed interest rate at 3.800%.

	<u>3,972,245</u>	<u>1,111,293</u>
	58,663,059	57,762,763
Less: current maturities	(2,466,961)	(2,133,258)
Less: original issue discount	(100,663)	(107,887)
Less: net unamortized debt issuance costs	(1,042,671)	(1,121,582)
Plus: net unamortized bond premium	<u>406,210</u>	<u>424,690</u>
	<u>\$ 55,458,974</u>	<u>\$ 54,824,726</u>

In December 2017, the Village issued North Carolina Medical Care Commission (the "Commission") First Mortgage Refunding and Revenue Bonds, Series 2017, in the amount of \$83,830,000. The proceeds of the bonds and trusted funds on hand were used to refund the outstanding long-term debt related to the First Citizens Bank construction loan, Series 2008A bonds, and the Series 2013A bonds, pay the termination payment for the interest rate swap, and provide initial funds for the construction of the expansion project. The Series 2017 bonds are collateralized through mortgaged property.

The Village opened a \$2,500,000 line of credit with First Citizens Bank & Trust Company on July 29, 2019. This line of credit bears a variable interest rate based on the Prime Rate and is due November 1, 2024. There was no outstanding balance at March 31, 2024.

In June 2021, the Village issued two draw-down construction notes with First Citizens Bank & Trust Company. Note 2021 A was issued in the amount of \$5,881,470 and Note 2021 B was issued in the amount of \$4,118,530. These notes were used to fund construction of the dining room renovation project. As of March 31, 2024, the notes were fully drawn.

The trust indentures and loan agreements underlying the Series 2017 bonds, 2021 notes, and line of credit contain certain financial covenants and restrictions.

The aggregate annual principal maturities of long-term debt at March 31 are as follows:

2025	\$ 2,466,961
2026	2,549,131
2027	2,637,789
2028	2,726,775
2029	2,817,399
Thereafter	<u>45,465,004</u>
	<u>\$ 58,663,059</u>

**Note 7. Other Funds**

Several other funds have been established. These funds have been combined on the balance sheets with activity reflected in net assets.

***Charitable Remainder Annuity Trust Fund***

The Village acts as trustee under several charitable remainder annuity trusts. These trusts are given to the Village with the condition that a specified payment is made to the contributor over his or her life or until the trust agreement expires, whichever comes first. A liability is established based on the present value of the payments to be made. The anticipated remainder interest is recorded as a contribution. All variances in income earned and changes to life expectancy are recorded as changes in value of split interest agreements annually.

***Endowment Fund***

The Carolina Village Endowment Fund was established to receive gifts, devises, bequests, and other conveyances and to use them for property maintenance or improvements, for specific program needs of the Village, and to provide economic assistance to residents or to persons desiring to be residents.

***Quality Assurance Fund***

The Carolina Village Quality Assurance Fund was established as part of the endowment fund. The earnings will be used (in \$5,000 minimum amounts) to fund projects, which improve or maintain the residents' quality of life.

***Operating Reserve Fund***

The Carolina Village Operating Reserve Fund will be used to comply with the operating reserve requirements of N.C. General Statute Chapter 58, Article 64. The fund is included in investments restricted for statutory operating reserve on the balance sheets.

**Note 8. Net Assets With Donor Restrictions**

As disclosed in Note 1, contributions are accounted for based on donor-imposed restrictions. The following is a summary of net assets with donor restrictions at March 31:

	<u>2024</u>	<u>2023</u>
Charitable remainder trust annuities	\$ 214,204	\$ 187,090
Endowment fund earnings	707,868	572,484
Endowment funds	362,192	362,192
Quality assurance fund	74,556	62,689
Other restrictions	<u>450,908</u>	<u>520,630</u>
Total	<u>\$ 1,809,728</u>	<u>\$ 1,705,085</u>

**Note 9. Endowment Funds**

The endowment funds include donor-restricted funds and the earnings, including net appreciation, on these funds that are to be spent on those purposes. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

### ***Interpretation of Relevant Law***

The Board of Directors of the Village has interpreted the North Carolina Uniform 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, the Village has classified as net assets with donor restrictions (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 accumulated is added to the fund. Amounts are appropriated for expenditure by the Village in a manner consistent with the standard of prudence prescribed by the Act.

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

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. The investment policies of the Village

### ***Return Objectives and Risk Parameters***

The Village has adopted investment and spending policies for endowment assets that are intended to provide an ongoing stream of funding for financial assistance that is supported by the endowment. Endowment assets include assets of donor-restricted funds that the organization must hold in perpetuity as well as earnings that have not yet been appropriated. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce a high level of total investment return consistent with a prudent level of portfolio risk. The Village expects its endowment funds, over time, to achieve a rate of return, after fees, which exceeds the inflation rate as measured by the Consumer Price Index ("CPI"), by two percentage points per year and is consistent with the level of risk assumed by the Village portfolio. Actual returns in any given year may vary from this amount.

### ***Strategies Employed for Achieving Objectives***

To satisfy its long-term rate-of-return objectives, the Village 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). The Village targets a diversified asset allocation that includes fixed income instruments and equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### ***Spending Policy and How The Investment Objectives Relate to The Spending Policy***

The Village's objective is to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. During the years ended March 31, 2024 and 2023, the Village expended earnings on the endowment of \$28,800 and \$30,100, respectively.

**Carolina Village, Inc.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024 and 2023**

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

	<u>Earnings</u>	<u>Endowment</u>	<u>Total</u>
Endowment net assets March 31, 2023	\$ 572,484	\$ 362,192	\$ 934,676
Contributions	43,048	-	43,048
Investment earnings	3,160	-	3,160
Net appreciation	117,976	-	117,976
Appropriation of endowment assets for expenditure	<u>(28,800)</u>	<u>-</u>	<u>(28,800)</u>
Endowment net assets March 31, 2024	<u>\$ 707,868</u>	<u>\$ 362,192</u>	<u>\$ 1,070,060</u>

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

	<u>Earnings</u>	<u>Endowment</u>	<u>Total</u>
Endowment net assets March 31, 2022	\$ 595,415	\$ 362,192	\$ 957,607
Contributions	51,987	-	51,987
Investment earnings	1,557	-	1,557
Net depreciation	(46,375)	-	(46,375)
Appropriation of endowment assets for expenditure	<u>(30,100)</u>	<u>-</u>	<u>(30,100)</u>
Endowment net assets March 31, 2023	<u>\$ 572,484</u>	<u>\$ 362,192</u>	<u>\$ 934,676</u>

**Note 10. Statutory Operating Reserve Requirement**

North Carolina General Statute Chapter 58, Article 64 sets forth minimum operating reserve requirements. Under this legislation, the Village is required to maintain an operating reserve at least equal to 25 percent of the upcoming year's total operating costs as defined by the statute. The Village's reserves exceed the amount required by the state. The reserve is shown as investments restricted for statutory operating reserve on the balance sheets.

**Note 11. Employee Benefit Plans**

The Village sponsors a retirement plan, which is available to substantially all employees. The plan is a tax shelter annuity 403(b) plan, which the employees can contribute compensation, as defined in the plan document. The Village then matches employee contributions, up to a maximum rate set by the Board of Directors. The matching rate was up to 4 percent of gross employee earnings. The total matching portion expensed was \$261,764 and \$232,855 for the years ended March 31, 2024 and 2023, respectively.

The Village also has a qualified Welfare Benefit Plan providing comprehensive health care coverage. The Plan includes coverage provided by the Plan underwriter as well as self-funded coverage provided by the Village. The Village's self-funded liability is limited to \$90,000 per person per year. The liability for estimated unpaid claims was approximately \$193,000 and \$158,000 at March 31, 2024 and 2023, respectively, and is included in accounts payable—trade on the balance sheets.

## **Note 12. Deferred Compensation**

The Village has a deferred compensation agreement with certain key employees. The agreement is to make contributions to their account at the discretion of the Board of Directors with an intention to provide annual funding equal to at least 10 percent of the employee's annual compensation. The employee will be entitled to the funds upon the attainment of a minimum age of 62 and retirement, death, or disability. Deferred compensation expense was \$80,982 and \$74,228 for the years ended March 31, 2024 and 2023, respectively. The long-term deferred compensation liability at March 31, 2024 and 2022 was \$1,948,648 and \$1,575,711, respectively with current maturities of approximately \$150,000 and \$122,000 at March 31, 2024 and 2023, respectively, which is included in accounts payable—trade on the balance sheets.

## **Note 13. Contingencies**

The Village has in place occurrence basis insurance coverage for possible litigation in the ordinary course of business related to general and professional liability claims including medical malpractice. Management believes that claims, if asserted, would be settled within the limits of coverage. The Village believes that they are in compliance with all applicable laws and regulations and are not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

## **Note 14. COVID-19 Pandemic**

### Employee Retention Credit

In response to the economic impact of the COVID-19 pandemic, Congress introduced the Employee Retention Credit ("ERC"). The ERC is a refundable payroll tax credit available to taxpayers who experienced either a full or partial suspension of business operations due to government orders or had a significant drop in gross receipts during 2020 and 2021. In calendar year 2021, the credit is available for 70 percent of qualified wages with a maximum potential credit per qualified employee of \$21,000.

The Village qualifies for the ERC based on a partial shutdown and has elected to account for the ERC as a government grant by analogy to ASC 958-605. Under ASC 958-605, the ERC may be recognized once the conditions attached to the grant have been substantially met. From January 1, 2021 through June 30, 2021, the Village incurred qualifying wages and has recognized \$3,254,747 associated with the ERC as grant income on the statements of operations and changes in net assets and a corresponding receivable on the balance sheet for the year ended March 31, 2022. The related funds were received as of March 31, 2024. From July 1, 2021 through September 30, 2021, the Village incurred qualifying wages and has recognized \$1,756,165 associated with the ERC as grant income on the statement of operations and changes in net assets and a corresponding receivable on the balance sheet for the year ended March 31, 2023. The related funds have not been received as of March 31, 2024.

## **Note 15. Liquidity and Availability**

As part of its liquidity management, the Village has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due.

The following schedule reflects the Village's financial assets to meet cash needs for general expenses within one year. The financial assets were derived from the total assets on the balance sheets by excluding the assets that are unavailable for general expenses in the next 12 months.

**Carolina Village, Inc.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2024 and 2023**

The Village also has the ability to draw on a \$2,500,000 line of credit (as discussed in Note 6). The Village seeks to maintain sufficient liquid assets to cover three months' operating and capital expenses.

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 5,300,170	\$ 3,834,136
Investments	9,567,055	5,340,741
Accounts receivable, residents, net	154,609	289,405
Accounts receivable, entrance fees	171,050	618,500
Accounts receivable, other	617,430	567,181
Employee Retention Credit receivable	<u>1,756,165</u>	<u>5,010,912</u>
	<u>\$ 17,566,479</u>	<u>\$ 15,660,875</u>

**Note 16. Schedule of Expenses by Nature and Function**

The following is a schedule of expenses by both nature and function for the years ended March 31, 2024 and 2023:

	<u>2024</u>			
	<u>Program Services</u>	<u>Administrative and General</u>	<u>Marketing and Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 15,699,726	\$ 2,300,302	\$ -	\$ 18,000,028
Advertising	-	-	199,353	199,353
Supplies and other expenses	7,477,404	1,190,001	-	8,667,405
Depreciation	4,015,522	397,140	-	4,412,662
Interest	<u>1,998,488</u>	<u>197,653</u>	-	<u>2,196,141</u>
Total expenses	<u>\$ 29,191,140</u>	<u>\$ 4,085,096</u>	<u>\$ 199,353</u>	<u>\$ 33,475,589</u>

	<u>2023</u>			
	<u>Program Services</u>	<u>Administrative and General</u>	<u>Marketing and Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 14,711,699	\$ 2,125,220	\$ -	\$ 16,836,919
Advertising	-	-	213,543	213,543
Supplies and other expenses	7,307,722	901,325	-	8,209,047
Depreciation	3,704,029	366,333	-	4,070,362
Interest	<u>1,849,901</u>	<u>182,957</u>	-	<u>2,032,858</u>
Total expenses	<u>\$ 27,573,351</u>	<u>\$ 3,575,835</u>	<u>\$ 213,543</u>	<u>\$ 31,362,729</u>

**CAROLINA VILLAGE, INC.**

Compilation of a Financial Forecast

For Each of the Five Years  
Ending March 31, 2029

(with Accountant's Compilation Report thereon)



**CAROLINA VILLAGE, INC.**  
**Compilation of a Financial Forecast**  
**Five Years Ending March 31, 2029**

**TABLE OF CONTENTS**

---

Accountant’s Compilation Report .....	1
Forecasted Financial Statements:	
Forecasted Statements of Operations and Changes in Net Assets .....	2
Forecasted Statements of Cash Flows .....	3
Forecasted Balance Sheets .....	4
Summary of Significant Forecast Assumptions and Rationale.....	6

## Accountant's Compilation Report

Board of Directors  
Carolina Village, Inc.  
Hendersonville, North Carolina

Management of Carolina Village, Inc. (the "Corporation") ("Management") is responsible for the accompanying financial forecast of the Corporation, which comprises the forecasted balance sheets as of and for each of the five years ending March 31, 2029 and the related forecasted statements of operations changes in net assets, and cash flows for each of the years then ending, and the related summary of significant assumptions and rationale in accordance with guidelines for the presentation of a financial forecast established by the American Institute of Certified Public Accountants ("AICPA").

The accompanying forecast and this report were prepared for inclusion with the disclosure statement filing requirements of North Carolina General Statutes, Chapter 58, Article 64. Accordingly, this report should not be used for any other purpose.

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 financial forecast, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by Management. Accordingly, we do not express an opinion, a conclusion, or provide any form of assurance on this financial forecast. The forecasted results may not be achieved, as there will usually be differences between the prospective and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

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

**Forvis Mazars, LLP**

Atlanta, Georgia  
August 29, 2024

## CAROLINA VILLAGE, INC.

### Forecasted Statements of Operations and Changes in Net Assets For the Years Ending March 31, (In Thousands)

	2025	2026	2027	2028	2029
<b>Revenues, gains and other support:</b>					
Independent living units:					
Entrance fee amortization	\$ 8,093	\$ 8,067	\$ 8,075	\$ 8,192	\$ 8,412
Entrance fee forfeitures	1,296	1,348	1,402	1,458	1,516
Service fees	15,800	16,443	17,032	17,644	18,279
Medical center revenue	3,911	4,104	4,166	4,232	4,081
Care center revenue	2,030	2,202	2,218	2,298	2,381
Dietary revenue	3,791	4,036	4,235	4,442	4,655
Other revenue	193	202	210	218	226
Contributions	360	360	360	360	360
Interest income	468	479	540	606	675
<b>Total revenues, gains and other support</b>	<b>35,942</b>	<b>37,241</b>	<b>38,238</b>	<b>39,450</b>	<b>40,585</b>
<b>Expenses:</b>					
General and administrative	3,634	3,780	3,931	4,088	4,252
Independent living services	1,311	1,364	1,418	1,475	1,534
Operation of plant	5,837	6,070	6,313	6,566	6,828
Housekeeping	1,144	1,190	1,237	1,287	1,338
Medical center	6,729	6,998	7,278	7,569	7,872
Care center	3,019	3,139	3,265	3,396	3,531
Dietary	6,707	6,975	7,254	7,544	7,846
Depreciation	4,500	4,587	4,672	4,755	4,876
Interest expense:					
Series 2017A Bonds	859	724	676	628	575
Series 2017B Bonds	893	893	893	893	893
Construction Loans	341	313	285	256	225
Amortization	68	68	68	68	53
<b>Total expenses</b>	<b>35,042</b>	<b>36,101</b>	<b>37,290</b>	<b>38,525</b>	<b>39,823</b>
Operating income	900	1,140	948	925	762
Annuity expenditures	(5)	(5)	(5)	(5)	(5)
Annuity forfeitures	179	179	179	179	179
Excess of revenues over expenses	1,074	1,314	1,122	1,099	936
Change in net assets	1,074	1,314	1,122	1,099	936
Net assets, beginning of year	7,163	8,237	9,551	10,673	11,772
Net assets, end of year	\$ 8,237	\$ 9,551	\$ 10,673	\$ 11,772	\$ 12,708

**See accompanying Summary of Significant Forecast Assumptions and Rationale  
and Accountants' Compilation Report**

## CAROLINA VILLAGE, INC.

### Forecasted Statements of Cash Flows For the Years Ending March 31, (In Thousands)

	2025	2026	2027	2028	2029
<b>Cash flows from operating activities:</b>					
Change in net assets	1,074	1,314	1,122	1,099	936
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation	4,500	4,587	4,672	4,755	4,876
Amortization of deferred financing costs	94	94	94	94	79
Amortization of original issue discount	7	7	7	7	7
Amortization of original issue premium	(33)	(33)	(33)	(33)	(33)
Entrance fee amortization	(8,093)	(8,067)	(8,075)	(8,192)	(8,412)
Entrance fee forfeitures	(1,296)	(1,348)	(1,402)	(1,458)	(1,516)
Entrance fees - resident turnover	13,359	13,713	14,261	14,832	15,425
Change in Employee Retention Credit receivable	1,756	-	-	-	-
Net change in current assets and liabilities	(142)	44	64	62	71
<b>Net cash provided by operating activities</b>	<b>11,226</b>	<b>10,311</b>	<b>10,710</b>	<b>11,166</b>	<b>11,433</b>
<b>Cash flows from investing activities:</b>					
Change in assets limited as to use	(1,341)	(238)	(308)	(319)	(330)
Medical Center Project capital additions	(2,500)	-	-	-	-
Routine capital additions	(3,000)	(3,208)	(3,321)	(3,437)	(4,805)
Change in investments	(1,462)	(3,815)	(3,897)	(4,141)	(2,883)
<b>Net cash used by investing activities</b>	<b>(8,303)</b>	<b>(7,261)</b>	<b>(7,526)</b>	<b>(7,897)</b>	<b>(8,018)</b>
<b>Cash flows from financing activities:</b>					
Principal payments on Series 2017A Bonds	(1,745)	(1,800)	(1,860)	(1,920)	(1,980)
Principal payments on Construction Loans	(722)	(749)	(778)	(807)	(837)
Refunds of entrance fees	(313)	(283)	(320)	(306)	(354)
<b>Net cash provided by (used by) financing activities</b>	<b>(2,780)</b>	<b>(2,832)</b>	<b>(2,958)</b>	<b>(3,033)</b>	<b>(3,171)</b>
Change in cash, investments and restricted cash	143	218	226	236	244
Cash, investments and restricted cash, beginning of year	7,078	7,221	7,439	7,665	7,901
Cash, investments and restricted cash, end of year	\$ 7,221	\$ 7,439	\$ 7,665	\$ 7,901	\$ 8,145
<b>Reconciliation of cash, investments and restricted cash:</b>					
Cash and cash equivalents	5,443	5,661	5,887	6,123	6,367
Debt Service Reserve Fund - Series 2017B Bonds	1,778	1,778	1,778	1,778	1,778
Cash, investments, and restricted cash	7,221	7,439	7,665	7,901	8,145

**See accompanying Summary of Significant Forecast Assumptions and Rationale  
and Accountants' Compilation Report**

## CAROLINA VILLAGE, INC.

### Forecasted Balance Sheets At March 31, (In Thousands)

	2025	2026	2027	2028	2029
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	5,443	5,661	5,887	6,123	6,367
Investments and restricted cash	11,029	14,844	18,741	22,882	25,765
Assets limited as to use-current portion	807	773	786	798	810
Accounts receivable, residents, net	445	467	482	499	513
Accounts receivable-other	467	490	506	523	537
Accounts receivable-entrance fees	171	171	171	171	171
Supplies, inventories, and prepaid expenses	516	537	558	580	604
<b>Total current assets</b>	<b>18,878</b>	<b>22,943</b>	<b>27,131</b>	<b>31,576</b>	<b>34,767</b>
Assets limited as to use:					
Designated for Statutory Operating Reserve Fund	7,589	7,861	8,156	8,463	8,781
Debt Service Reserve Fund	1,778	1,778	1,778	1,778	1,778
Endowment funds	362	362	362	362	362
Charitable remainder trusts	246	246	246	246	246
Deferred compensation in marketable securities	1,949	1,949	1,949	1,949	1,949
Other donor-restricted assets	1,202	1,202	1,202	1,202	1,202
<b>Total assets limited as to use</b>	<b>13,126</b>	<b>13,398</b>	<b>13,693</b>	<b>14,000</b>	<b>14,318</b>
Property and equipment	179,152	182,360	185,681	189,118	193,923
Less: accumulated depreciation	(70,905)	(75,492)	(80,164)	(84,919)	(89,795)
<b>Property and equipment, net</b>	<b>108,247</b>	<b>106,868</b>	<b>105,517</b>	<b>104,199</b>	<b>104,128</b>
<b>Total assets</b>	<b>\$ 140,251</b>	<b>\$ 143,209</b>	<b>\$ 146,341</b>	<b>\$ 149,775</b>	<b>\$ 153,213</b>

**See accompanying Summary of Significant Forecast Assumptions and Rationale  
and Accountants' Compilation Report**

## CAROLINA VILLAGE, INC.

### Forecasted Balance Sheets (continued) At March 31, (In Thousands)

	2025	2026	2027	2028	2029
<b>Liabilities and net assets</b>					
Current liabilities:					
Accounts payable	\$ 850	\$ 883	\$ 919	\$ 956	\$ 994
Accrued interest-Series 2017A Bonds	64	60	56	51	47
Accrued interest-Series 2017B Bonds	447	447	447	447	447
Accrued interest-Construction Loans	38	47	56	65	73
Accrued payroll and benefits	1,794	1,866	1,941	2,018	2,099
Deposits on contracts	503	503	503	503	503
Current maturities of charitable remainder trust annuities payable	8	8	8	8	8
Refundable entrance fees	283	320	306	354	327
Current maturities of Series 2017A Bonds	1,800	1,860	1,920	1,980	2,040
Current maturities of Construction Loans	749	778	807	837	877
<b>Total current liabilities</b>	<b>6,536</b>	<b>6,772</b>	<b>6,963</b>	<b>7,219</b>	<b>7,415</b>
Long-term liabilities:					
Long-term debt-Series 2017A Bonds	26,590	24,730	22,810	20,830	18,790
Long-term debt-Series 2017B Bonds	18,945	18,945	18,945	18,945	18,945
Original issue discount, net	(95)	(88)	(81)	(74)	(67)
Original issue premium, net	393	360	327	294	261
Construction Loans	8,112	7,334	6,527	5,690	4,813
Deferred financing costs, net	(892)	(798)	(704)	(610)	(531)
<b>Total long-term debt</b>	<b>53,053</b>	<b>50,483</b>	<b>47,824</b>	<b>45,075</b>	<b>42,211</b>
Deferred compensation	1,948	1,948	1,948	1,948	1,948
Charitable remainder trust annuities payable	23	23	23	23	23
Deferred revenue from entrance fees	70,454	74,432	78,910	83,738	88,908
<b>Total long-term liabilities</b>	<b>125,478</b>	<b>126,886</b>	<b>128,705</b>	<b>130,784</b>	<b>133,090</b>
<b>Total liabilities</b>	<b>132,014</b>	<b>133,658</b>	<b>135,668</b>	<b>138,003</b>	<b>140,505</b>
Net assets:					
Without donor restriction	6,427	7,741	8,863	9,962	10,898
With donor restriction	1,810	1,810	1,810	1,810	1,810
<b>Total net assets</b>	<b>8,237</b>	<b>9,551</b>	<b>10,673</b>	<b>11,772</b>	<b>12,708</b>
<b>Total liabilities and net assets</b>	<b>\$ 140,251</b>	<b>\$ 143,209</b>	<b>\$ 146,341</b>	<b>\$ 149,775</b>	<b>\$ 153,213</b>

**See accompanying Summary of Significant Forecast Assumptions and Rationale  
and Accountants' Compilation Report**

# CAROLINA VILLAGE, INC.

## Summary of Significant Forecast Assumptions and Rationale

For Each of the Five Years Ending March 31, 2029

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### Basis of Presentation

The accompanying financial forecast presents, to the best of the knowledge and belief of management of Carolina Village, Inc. (the “Corporation”) (“Management”) the expected financial position, results of operations and changes in net assets, and cash flows of the Corporation as of and for each of the five years ending March 31, 2029. Accordingly, the accompanying forecast reflects Management’s judgment as of August 29, 2024, the date of this forecast, of the expected conditions and its expected course of action during the forecast period. However, there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Management’s purpose in releasing this financial forecast is for inclusion in the Corporation’s annual Disclosure Statement in accordance with Chapter 58, Article 64, of the North Carolina General Statutes. Accordingly, this report should not be used for any other purpose. The assumptions disclosed herein are those that Management believes are significant to the prospective financial statements. The Corporation recognizes that there will usually be differences between prospective and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

*Basis of Presentation* – The prospective financial statements included in the forecast have been prepared in accordance with the accounting principles generally accepted in the United States of America. Significant accounting policies are described in the appropriate assumptions and notes to the prospective financial statements. The assumptions described are not all-inclusive.

### Description of the Community

The Corporation is a North Carolina non-profit corporation formed in 1972 for the purpose of owning and operating a continuing care retirement community (“CCRC”) known as Carolina Village (the “Community”) in Hendersonville, North Carolina. The Community opened in 1974 and is licensed as a CCRC by the North Carolina Department of Insurance.

The Community is located on an approximate 96-acre campus and consists of 376 independent living apartment and cottage units (the “Independent Living Units”), a 60-unit assisted living facility (the “Assisted Living Units”), and 58 Medicare certified skilled nursing beds (the “Skilled Nursing Beds”), along with supportive common areas.

An expansion and renovation to the Community’s dining venues, certain common areas and office space was completed in November 2023. Renovation to the Medical Center was completed in August 2024 (the “Medical Center Project”).

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The unit configuration, monthly fees (“Monthly Service Fees”) and entrance fees (“Entrance Fees”) for the Independent Living Units are summarized in the following table.

**Table 1**  
**Independent Living Units Configuration**

Type of Unit	Units	Square Footage	Entrance Fees <sup>(1)(2)</sup>	Monthly Service Fees <sup>(1)</sup>
<b><u>Studios</u></b>				
Smoky Mountain – Efficiency <sup>(3)</sup>	7	440	–	\$2,174
Total/weighted averages	7	440	–	\$2,174
<b><u>One Bedroom Apartments</u></b>				
Pisgah – One Bedroom Standard	35	600	\$210,100	\$2,542
Pisgah – One Bedroom Deluxe	30	740	\$239,900	\$2,792
Summit – One Bedroom	12	814	\$271,200	\$3,435
Summit – One Bedroom with Den	12	1,050	\$348,600	\$4,273
Smoky Mountain – One Bedroom with Den	24	1,134	\$379,200	\$4,079
Total/weighted averages	113	826	\$277,523	\$3,243
<b><u>Two Bedroom Apartments</u></b>				
Blue Ridge – Two Bedroom Standard	23	740	\$239,900	\$2,792
Blue Ridge – Two Bedroom Expanded	20	900	\$276,900	\$3,154
Blue Ridge – Two Bedroom Custom	23	1,040	\$320,300	\$3,415
Blue Ridge – Two Bedroom Deluxe	4	1,200	\$369,000	\$3,722
Pinnacle – Two Bedroom	27	1,160	\$369,500	\$4,384
Pinnacle – Two Bedroom with Den	3	1,372	\$437,500	\$4,962
Pinnacle – Two Bedroom Corner	3	1,366	\$435,800	\$4,988
Pinnacle – Two Bedroom Corner with Den	6	1,541	\$490,500	\$5,330
Smoky Mountain – Two Bedroom	8	1,335	\$446,800	\$4,743
Smoky Mountain – Two Bedroom with Den	4	1,609	\$538,400	\$5,730
Total/weighted averages	121	1,053	\$334,916	\$3,766
<b><u>Cottages</u></b>				
Woods	27	945 – 1,260	\$316,700 – 421,900	\$3,229 – 3,757
Garden	27	1,482 – 1,742	\$496,300 – 583,400	\$4,276 – 4,732
Meadows	27	1,322 – 1,604	\$442,600 – 536,600	\$3,997 – 4,644
Clear Creek	54	1,180 – 1,570	\$414,200 – 551,000	\$4,013 – 5,181
Total/weighted averages	135	1,375	\$472,790	\$4,302
<b>Total ILUs /weighted averages</b>	<b>376</b>	<b>1,086</b>	<b>\$369,306</b>	<b>\$3,762</b>
Second person fees			\$78,800	\$1,511

Source: Management

(1) Fees effective April 1, 2024 through the fiscal year ending March 31, 2025.

(2) The Corporation offers a zero percent refundable Entrance Fee plan. The Entrance Fee plan amortizes ten percent upon move-in, plus two percent per month for 45 months, after which time the Entrance Fee is fully amortized.

(3) The efficiencies are no longer being marketed and are to be combined into two-bedroom units as current residents move out.

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The unit configuration and daily fees (“Daily Service Fees”) for the Assisted Living Units (the “Care Center”) and the Skilled Nursing Beds (the “Medical Center”) (collectively, the “Healthcare Center”) are summarized in the following table.

**Table 2**  
**Healthcare Center Configuration**

<b>Unit Type</b>	<b>Number of Units</b>	<b>Square Footage</b>	<b>Daily Service Fees <sup>(1)</sup></b>
Assisted Living Units	60	320	\$265
Skilled Nursing Beds	58	255	\$400
<b>Total / weighted averages</b>	<b>118</b>	<b>288</b>	<b>\$331</b>

Source: Management

(1) Daily Service Fees are effective April 1, 2024 through the calendar year ending March 31, 2025.

**See Accountants’ Compilation Report**

## Description of the Occupancy Agreement

### *Reservation Process*

Prospective residents of the Community complete the following process to reserve an Independent Living Unit.

Prospective residents pay \$1,000 to be added to the waitlist. In order to reserve an Independent Living Unit, a prospective resident must execute a reservation agreement (the “Reservation Agreement”), provide recent medical history, provide a self-disclosure of his or her finances, and place a deposit equal to \$25,000 (the “Deposit”) on the selected Independent Living Unit. The occupancy agreement (“Occupancy Agreement”) is executed and the Entrance Fee is due on or before the occupancy date (the “Occupancy Date”) of the Independent Living Unit.

Under the terms of the Occupancy Agreement, the Corporation generally accepts as a resident (“Resident”) persons at least 62 years of age at the time of occupancy who are able to care for themselves with limited or no assistance and are able to demonstrate the necessary financial resources to meet the Corporation’s minimum fee requirements. As defined in the Occupancy Agreement, a Resident is required to pay an initial Entrance Fee and also ongoing Monthly Service Fees. Payment of these amounts entitles the Resident to occupy and use the residence, common areas, amenities, programs, and services of the Corporation during the term of the Occupancy Agreement.

The Corporation offers the following services, which are included in the Monthly Service Fee:

- Access to assisted living and skilled nursing services without an increase in the Monthly Service Fee (except meals, drugs, supplies, coinsurance or co-pay and therapy services ordered by resident’s personal physician);
- Flexible meal plan;
- All utilities, except for phone service;
- 24-hour maintenance;
- Semi-monthly housekeeping service;
- Weekly flat laundry service;
- Free parking for residents and their guests;
- Emergency call system;
- On-site wellness coordinator and multiple fitness areas;
- Planned activities--social, cultural, recreational, intellectual, vocational, and spiritual; and
- Shuttle bus with regular schedule.

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In addition to the items included in the Monthly Service Fee, certain services are available to Residents for an additional charge. These services include, but are not limited to:

- Barber and beauty services;
- Personal care and assistance services;
- Personal laundry or dry cleaning;
- Private transportation;
- Guest meals and personalized catering events;
- Additional meals while utilizing the Healthcare Center;
- On-site pharmacy services;
- On-site specialty services including psychological service; and
- Other additional maintenance and housekeeping services performed beyond the normal scope of services offered by the Corporation.

#### *Entrance Fee Plan*

The Corporation offers one Entrance Fee plan for occupancy of an Independent Living Unit. The Resident agrees to pay an Entrance Fee as a condition of becoming a Resident under a zero percent refundable Entrance Fee plan. The plan amortizes ten percent (10%) at move in, plus two percent (2%) per month for a period of 45 months, after which time the Entrance Fee is no longer refundable. In the event the Resident moves out in less than 45 months, the unamortized portion of the Entrance Fee is refunded.

#### *Health Care Benefit*

If a Resident is unable to live independently within the range of the services provided in the Independent Living Units, as determined by the staff in appropriate consultation with the medical director of the Community and in conjunction with the Resident's physician and family, the Resident shall be transferred to the Healthcare Center, on either a temporary or permanent basis.

Under the Occupancy Agreement, the Corporation shall provide services above those covered by Medicare or other third-party insurance to the Resident in the Healthcare Center at the Resident's current Monthly Service Fee. The Resident shall pay for additional meals not covered in the Monthly Service Fee at the then current rate for additional meals and any extra charges for additional services as described in the Occupancy Agreement.

*Terminations and Refunds*

The Resident may terminate the Occupancy Agreement within thirty (30) days of execution of the Occupancy Agreement or the receipt of a Disclosure Statement that meets the requirements of N.C.G.S. § 58-64-20 (the “30-Day Rescission Period”). The Resident shall not be required to move into an Independent Living Unit before the expiration of this 30-Day Rescission Period. In the event of rescission, the Resident shall receive a refund of all monies transferred less (i) periodic charges specified in the Occupancy Agreement and applicable only to the period an Independent Living Unit was actually occupied by the Resident; and (ii) any non-standard costs specifically incurred by the Corporation at the Resident’s request and described in the Occupancy Agreement, or any amendment signed by the Resident.

The Resident may also voluntarily terminate the Occupancy Agreement after the 30-Day Rescission Period, and prior to the date of occupancy, provided that the Resident gives written notice of such termination. Any such refund paid will be paid in accordance with the Resident’s Occupancy Agreement.

Following expiration of the 30-Day Rescission Period and after the Resident’s occupancy of the Independent Living Unit, the Occupancy Agreement may be terminated at any time by the Resident by providing at least ninety (90) days’ written notice. The amount of refund due would be the Entrance Fee paid, less 10 percent (10%) of the Entrance Fee, less two percent (2%) per month of occupancy, less the cost of special features requested by the Resident and any medical charges incurred for the Resident’s care and any other periodic charges, including those incurred during the 90-day notice period. If a Resident, on account of illness, injury, incapacity, or other good reason acceptable to the Board would be precluded from occupying and Independent Living Unit, the amount retained by the Corporation would be the cost of any non-standard improvements requested by the Resident. After occupancy there is no refund at death.

*Services Provided for Care Center Units*

Care Center residents receive three meals per day, activity programs and housekeeping in private accommodations. Services designed to assist with the activities of daily living are delivered in accordance with applicable North Carolina statutes. Services include dressing, eating, bathing, toileting, and ambulating.

The resident is required to pay any additional charges for services and meals that are not covered in the applicable Monthly Service Fee.

*Services Provided for Medical Center Units*

Medical Center residents receive comprehensive 24-hour nursing services in private accommodations, special activity programs, social service programs, housekeeping and three meals per day.

The resident is required to pay any additional charges for services and meals that are not covered in the applicable Monthly Service Fee.

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**Summary of Significant Accounting Policies**

- (a) Basis of Accounting - The Corporation maintains its accounting and financial records according to the accrual basis of accounting.
- (b) Use of Estimates - The preparation of prospective 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 in the prospective financial statements and accompanying notes. Actual results could differ from those estimates.
- (c) Cash and Investments - Cash and investments includes cash on hand, amounts on deposit in banks and highly liquid debt instruments with a maturity of 90 days or less when purchased, excluding amounts whose use is limited. Financial instruments that potentially subject the Corporation to concentration of credit risk consist principally of cash, accounts receivable and investments. The Corporation maintains its cash in bank accounts which, at times, may exceed federally depository insurance (“FDIC”) limits. Management believes the credit risk associated with these deposits is minimal.
- (d) Restricted Cash - Restricted cash includes the Debt Service Reserve Fund held by the trustee under the bond indenture.
- (e) Assets Limited as to Use - Assets limited as to use represent; (1) funds required by the Corporation’s bond documents to be held by the trustee (the “Trustee”) (2) funds that have been restricted by donors including endowment funds, (3) investments designated by the board for the statutory operating reserve, (4) assets held in charitable remainder trusts and (5) assets held under deferred compensation agreements. Management assumes no material changes in fair values that would result in material net realized or unrealized gains or losses during the forecast period.

North Carolina General Statute Section 58-64-33 requires CCRCs to maintain an operating reserve equal to 50 percent of the total budgeted operating expenses (adjusted for non-cash items) in a given year, or 25 percent of such total operating expenses (adjusted for non-cash items) if occupancy of the Independent Living Units and Assisted Living Units exceeds 90 percent.

- (f) Accounts Receivable - Doubtful accounts are accounted for using the allowance method. The allowance is increased or decreased, based upon Management’s evaluation, by provisions to bad debt expense charged against income. Uncollectible balances are written off against the allowance. Recoveries of previously written off balances are credited to income. Generally, no finance charges are assessed on trade receivables. The Corporation believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses.

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- (g) Accounts Receivable, Entrance Fees - Entrance Fees receivable consist of promissory notes signed by Residents where a portion of the Entrance Fee was paid upon signing the Occupancy Agreement and the remaining balance is due within 12 months. These notes are charged 3.5 percent annually for the first 12 months and after that are charged 8 percent interest annually.
- (h) Supplies and Inventories - Supplies and inventories are valued at cost determined by the first-in, first-out method.
- (i) Property and Equipment - Property and equipment are stated at cost less accumulated depreciation. Donated property is recorded at its estimated fair value at the time of receipt. Depreciation is computed using the straight-line method based on the following estimated useful lives:
- |                            |                |
|----------------------------|----------------|
| Land improvements          | 5 to 40 years  |
| Buildings and improvements | 20 to 40 years |
| Furniture and equipment    | 5 to 10 years  |
- (j) Deferred Financing Costs - Costs associated with the issuance of debt is capitalized and amortized over the expected life of the debt instrument using the effective interest method. The debt issuance costs are netted against the related debt on the forecasted balance sheet and the amortization is included in interest expense on the forecasted statement of operations.
- (k) Deferred Compensation - The Corporation has a deferred compensation agreement with certain key employees. The agreement is to make contributions to their account at the discretion of the Corporation's board of directors (the "Board") with an intention to provide annual funding equal to at least 10 percent of the employee's annual compensation. The employee shall be entitled to the funds upon the attainment of a minimum age of 62 and retirement, death, or disability.
- (l) Deferred Revenue from Entrance Fees - Entrance Fees paid by a Resident upon entering into an Occupancy Agreement are recorded as deferred revenue and amortized into income using the straight-line method over the estimated remaining life expectancy of the Resident, adjusted on an annual basis. The estimated amount of the contractual refund obligations that are expected to be refunded in a subsequent year are classified as a current liability on the forecasted balance sheet. In the event of death of the Resident after occupying the Independent Living Unit, no refund is due to the Resident and the unamortized refundable portion is amortized into income as entrance fee forfeitures.
- (m) Deposits on Contracts - Potential Residents pay a \$1,000 fee to be added to the waitlist. Once an Independent Living Unit becomes available, potential Residents sign a Reservation Agreement and pay a \$25,000 Deposit on the Independent Living Unit selected. The Occupancy Agreement is executed and the Entrance Fee is due on or before the Occupancy Date of the Independent Living Unit.

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- (n) Net Assets - The Corporation reports its net assets using the following two classes: net assets without donor restrictions and net assets with donor restrictions depending on the presence and type of donor-imposed restrictions limiting the Corporation's ability to use or dispose of specific contributed assets or the economic benefits embodied in those assets. Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Net assets with donor restrictions are those net assets whose use by the Corporation has been limited by donors (a) to later periods of time or after specified dates, or (b) to specified purposes.
- (o) Contributions and Donor-Imposed Restrictions - All contributions are considered available for unrestricted use unless specifically restricted by the donor. The Corporation reports gifts of cash and other assets as restricted contributions 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 restriction and reported in the statements of operations as net assets released from restrictions.
- (p) Income Taxes - The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. For purposes of the forecast, the Corporation has assumed no material unrecognized tax benefits or obligations during the forecast period.
- (q) Obligation to Provide Future Services to Residents - The Corporation enters into continuing care contracts with various Residents. A continuing care contract is an agreement between a Resident and the Corporation specifying the services and facilities to be provided to a Resident over his or her remaining life for a monthly fee. Under the Occupancy Agreements, the Corporation has the ability to increase fees as deemed necessary. The Corporation calculates annually the present value of the net cost of future services and the use of facilities to be provided to current Residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and the use of the facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. No liability was recorded at March 31, 2024, because the present value of the estimated net costs of future services and use of facilities is less than deferred revenue from entrance fees. For purposes of the forecast, Management has assumed no future service obligation liability.

**See Accountants' Compilation Report**

**Summary of Revenue and Entrance Fee Assumptions***Independent Living Revenue*

Service fee revenue for Residents living in the Independent Living Units is based upon the assumed occupancy and the Monthly Service Fee of the respective units. The Independent Living Unit Monthly Service Fees are assumed to increase 4.0 percent beginning April 1, 2025 and annually thereafter.

Management assumes the Independent Living Units shall average approximately 95 percent occupancy throughout the forecast period. The following table summarizes the assumed utilization of the Independent Living Units during the forecast period:

Years Ending March 31,	Average Number of Units Occupied	Average Number of Units Available <sup>(1)</sup>	Average Occupancy
Historical:			
2022	363.8	386.9	94.0%
2023	350.7	380.7	92.1%
2024	356.3	375.7	94.9%
2025 <sup>(2)</sup>	358.3	376.0	95.3%
Forecasted:			
2025	357.2	376.0	95.0%
2026	359.1	378.0	95.0%
2027	359.1	378.0	95.0%
2028	359.1	378.0	95.0%
2029	359.1	378.0	95.0%

Source: Management

- (1) Management is combining Independent Living Units, including approximately 16 units which are currently offline. Management estimates the Independent Living Units available shall increase to 378 by fiscal year 2026, due to unit reconfiguration and combining.
- (2) Average occupancy through July 31, 2024.

The double occupancy percentage for the Independent Living Units is assumed to approximate 31 percent throughout the forecast period as provided by Management and the Corporation's actuary (the "Actuary").

**See Accountants' Compilation Report**



*Care Center Revenue*

Service fee revenue for Residents living in the Assisted Living Units is based upon the assumed occupancy and the Daily Service Fee of the respective units. The Assisted Living Unit Daily Service Fees are assumed to increase 4.0 percent beginning April 1, 2025 and annually thereafter.

Management assumes the Assisted Living Units shall average approximately 86 percent occupancy in fiscal year 2025 and approximately 90 percent throughout the remainder of the forecast period. The assumed occupancy levels for the Assisted Living Units are presented in the following table:

**Table 4**  
**Utilization of the Assisted Living Units**

Years Ended March 31,	Average Units Occupied – Permanent	Average Units Occupied – Temporary	Average Units Occupied – Private Pay	Average Units Occupied - Total	Total Units Available	Average Occupancy
Historical:						
2022	39.8	7.3	2.6	49.7	60.0	82.8%
2023	48.3	3.7	1.0	53.0	60.0	88.3%
2024	50.4	2.0	1.0	53.3	60.0	90.0%
2025 <sup>(1)</sup>	51.6	1.8	0.2	53.6	60.0	89.3%
Forecasted:						
2025	50.2	-	1.1	51.3	60.0	85.5%
2026	52.9	-	1.1	54.0	60.0	90.0%
2027	54.0	-	-	54.0	60.0	90.0%
2028	54.0	-	-	54.0	60.0	90.0%
2029	54.0	-	-	54.0	60.0	90.0%

Source: Management

(1) Average occupancy through July 31, 2024.

**See Accountants' Compilation Report**

*Medical Center Revenue*

Service fee revenue for Residents living in the Medical Center is based upon the assumed occupancy and the service fees of the respective beds. The Skilled Nursing Beds Daily Service Fees are assumed to increase 4.0 percent for private pay and 2.0 for Medicare beginning April 1, 2025 and annually thereafter.

Management has assumed the Skilled Nursing Beds shall average approximately 81 percent occupancy in fiscal year 2025 and 82 percent throughout the remainder of the forecast period. The assumed occupancy levels for the Skilled Nursing Beds are presented in the following table:

Years Ended March 31,	Permanent Lifecare Transfers	Temporary Lifecare Transfers	Private Pay	Medicare	Total	Total Beds Available	Average Occupancy
Historical:							
2022	22.0	11.3	1.6	8.0	42.9	58.0	74.1%
2023	21.8	9.6	0.4	10.8	42.6	58.0	73.4%
2024	23.6	9.4	0.4	7.4	40.8	58.0	70.4%
2025 <sup>(1)</sup>	22.5	5.4	0.6	9.1	37.6	58.0	64.9%
Forecasted:							
2025	23.2	10.9	0.6	12.1	46.8	58.0	80.7%
2026	23.6	10.9	0.9	12.1	47.6	58.0	82.0%
2027	23.9	10.9	0.7	12.1	47.6	58.0	82.0%
2028	24.1	10.9	0.4	12.1	47.6	58.0	82.0%
2029	25.2	10.9	0.3	11.1	47.6	58.0	82.0%

Source: Management

(1) Average occupancy through July 31, 2024.

*Investment Income*

Interest earnings are assumed to approximate 1.5 percent annually throughout the forecast period on the Corporation's cash and investments, assets limited as to use-current portion, Designated for Statutory Operating Reserve Fund, Debt Service Reserve Fund, endowment funds, charitable remainder trusts, deferred compensation in marketable securities, and other donor-restricted assets.

*Other Revenue*

Management assumes meal revenue and other miscellaneous revenue to increase approximately 4.0 percent annually throughout the forecast period.

**See Accountants' Compilation Report**

*Entrance Fees*

The assumed number of Independent Living Units becoming available due to Resident turnover, the double occupancy rate, the number of annual Resident Entrance Fee funds, and the movement of Residents into the Healthcare Center due to death, withdrawal or transfer are provided by the Management and the Actuary.

Independent Living Units Entrance Fees from attrition are assumed to increase 5.5 percent in fiscal year 2026 and 4.0 percent in 2027 and annually for the remainder of the forecast period. The following table presents the assumed attrition Entrance Fees received and Entrance Fees refunded.

	2025	2026	2027	2028	2029
Annual attrition	35.0	34.0	34.0	34.0	35.0
Vacant unit refill	2.0	1.0	1.0	1.0	1.0
Number of Entrance Fees Received	37.0	35.0	35.0	35.0	36.0
Entrance Fees Received	\$ 13,359	\$ 13,713	\$ 14,261	\$ 14,832	\$ 15,425
Entrance Fees Refunded	(313)	(283)	(320)	(306)	(354)
Entrance Fees Received, Net of Refunds	\$ 13,046	\$ 13,430	\$ 13,941	\$ 14,526	\$ 15,071

Source: Management and the Actuary

*Employee Retention Credit*

In response to the economic impact of the COVID-19 pandemic, Congress introduced the Employee Retention Credit (“ERC”). The ERC is a refundable payroll tax credit available to taxpayers who experienced either a full or partial suspension of business operations due to government orders or had a significant drop in gross receipts during 2020 and 2021.

The Corporation qualified for the ERC based on a partial shutdown and elected to account for the ERC as a government grant by analogy to ASC 958-605. Under ASC 958-605, the ERC may be recognized once the conditions attached to the grant have been substantially met. In fiscal years 2022 and 2023 the Corporation recognized approximately \$3,255,000 and \$1,756,000, respectively, associated with the ERC as grant income and recorded a corresponding ERC receivable. At March 31, 2024, the ERC receivable was approximately \$1,756,000. The Corporation anticipates receiving the outstanding ERC payment of \$1,756,000 during fiscal year 2025.

**See Accountants’ Compilation Report**

**Summary of Operating Expense Assumptions**

Management assumes departmental, residential, assisted living, and long-term care expenses to increase approximately 4.0 percent annually throughout the forecast period. The table below illustrates the assumed staffing during the forecast period.

<b>Department</b>	<b>2025</b>
General and administrative	18
Independent living services	17
Dining services	91
Operation of plant	15
Security	13
Housekeeping	19
Medical center	63
Care center	41
Therapy	9
<b>Total FTE's</b>	<b>286</b>

Source: Management

Other non-salary operating expenses are assumed to include ongoing marketing costs, utilities, supplies, property taxes, maintenance, security, building and general liability insurance, legal and accounting fees, and other miscellaneous expenses and are assumed to increase 4.0 percent annually throughout the forecast period.

**See Accountants' Compilation Report**

**Assets Limited as to Use**

Assets limited as to use represents funds required by the Corporation's bond documents to be held by a Trustee, statutory required funds, and Board designated funds. Amounts required to meet current liabilities of the Corporation have been classified as current assets in the forecasted balance sheet.

- (1) Designated for Statutory Operating Reserve Fund, required by the North Carolina General Statute Section 58-64-33 maintain an operating reserve equal to 50 percent of the total budgeted operating expenses (adjusted for non-cash items) in a given year, or 25 percent of such total operating expenses (adjusted for non-cash items) if the Community's occupancy exceeds 90 percent. The Statutory Operating Reserve Fund requirement as of March 31, 2024 was \$7,055,000.
- (2) The Debt Service Reserve Fund for the Series 2017B Bonds (defined hereafter) was funded at the closing of the Series 2017B Bonds.
- (3) Endowment funds include investments that carry a donor-imposed restriction that permits the Corporation to use or expend the donated investments as specified and is satisfied by the passage of time or the actions of the Corporation.
- (4) Charitable remainder trusts are those which the Corporation acts as trustee under several charitable remainder annuity trusts. These trusts are given to the Corporation with the condition that a specified payment is made to the contributor over his or her life or until the trust agreement expires. A liability is established based on the present value of the payments to be made. The anticipated remainder interest is recorded as a contribution.
- (5) Deferred compensation in marketable securities includes contributions under a deferred compensation agreement between the Corporation and key employees. The Corporation is to make contributions at the discretion of the Board with an intention to provide annual funding equal to at least 10 percent of the employees' annual compensation.
- (6) Other donor-restricted assets include other funds and accounts that have been received by donors. These funds and accounts are donor-restricted as specified by the donor and is satisfied by the passage of time or the actions of the Corporation.

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**Property and Equipment and Depreciation Expense**

The Corporation is to incur routine capital additions during the forecast period that are to be capitalized as property and equipment. Depreciation expense for all capital assets is computed based on the straight-line method for buildings and equipment over estimated average useful lives of 30 and 15 years, respectively. The Corporation's property and equipment costs, net of accumulated depreciation, during the forecast period are summarized in the table below.

**Table 8**  
**Schedule of Property and Equipment**  
**(In Thousands)**

<b>Years Ended March 31,</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
Property and equipment, gross	\$ 173,652	\$ 179,152	\$ 182,360	\$ 185,681	189,118
Beginning balance					
Medical Center Project capital additions <sup>(1)</sup>	2,500	–	–	–	–
Routine capital additions	3,000	3,208	3,321	3,437	4,805
Property and equipment, gross	179,152	182,360	185,681	189,118	193,923
Accumulated depreciation	(70,905)	(75,492)	(80,164)	(84,919)	(89,795)
Property and equipment, net	\$ 108,247	\$ 106,868	\$ 105,517	\$ 104,199	\$ 104,128

Source: Management

(1) The Medical Center Project was completed in August 2024 (fiscal year 2025).

**See Accountants' Compilation Report**

**Long-Term Debt and Interest Expense***Series 2017A Bonds*

As of March 31, 2024, \$30,135,000 of long-term debt was related to a direct purchase bank loan (the “Series 2017A Bonds”). The Series 2017A Bonds were issued in December 2017 at a par amount of approximately \$39,885,000 with an average interest rate of 3.057 percent per annum. Interest on the Series 2017A Bonds is to be paid monthly. Principal on the Series 2017A Bonds is paid monthly, with a final maturity on April 1, 2038.

*Series 2017B Bonds*

As of March 31, 2024 \$18,945,000 of long-term debt was related to North Carolina Medical Care Commission First Mortgage Refunding and Revenue Bonds, Series 2017 (the “Series 2017B Bonds”). The Series 2017B Bonds include serial bonds issued at both a discount and a premium, with interest rates ranging from 4.25 to 5.00 percent per annum. Interest on the Series 2017B Bonds is to be paid semi-annually on April 1 and October 1 of each year. Principal on the Series 2017B Bonds is to be paid annually commencing on April 1, 2037, with a final maturity on April 1, 2047.

*Construction Loans*

In June 2021, the Corporation entered into two draw-down construction loans (the “Construction Loans”) with First Citizens Bank & Trust Company, with a combined obligation up to \$10,00,000 were drawn and outstanding, with interest rates ranging from 3.50 to 3.80 percent per annum. As of March 31, 2024 approximately \$9,583,000 of the Construction Loans remain. Interest on the Construction Loans is paid monthly. Principal on the Construction Loans is paid monthly.

The following table presents the forecasted debt service for the Series 2017A Bonds, the Series 2017B Bonds, and the Construction Loans.

**Table 9**  
**Annual Debt Service**  
**(In Thousands)**

Years Ending March 31,	<u>Series 2017A Bonds</u>		<u>Series 2017B Bonds</u>		<u>Construction Loans</u>		Total Debt Service
	Principal Payment	Interest Payment	Principal Payment	Interest Payment	Principal Payment	Interest Payment	
2025	1,745	859	–	893	722	341	4,560
2026	1,800	724	–	893	749	313	4,479
2027	1,860	676	–	893	778	285	4,492
2028	1,920	628	–	893	807	256	4,504
2029	1,980	575	–	893	837	225	4,510
Thereafter	20,830	2,601	18,945	14,027	5,690	682	62,775
Total	\$ 30,135	\$ 6,063	\$ 18,945	\$ 18,492	\$ 9,583	\$ 2,102	\$ 85,320

Source: Management

**See Accountants’ Compilation Report**

**Current Assets and Current Liabilities**

Operating revenue, as used below, includes long-term care revenue, residential revenue, assisted living revenue and residential food service revenue. Operating expenses exclude amortization, depreciation, and interest expense. Management has assumed working capital components based on the Corporation's historical trends and are outlined in the following table:

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Accounts receivable, residents, net	6 days of operating revenues
Accounts receivables-other	7 days of operating revenues
Supplies, inventories, and prepaid expenses	7 days of operating expenses
Accounts payable	11 days of operating expenses
Accrued payroll and benefits	23 days of operating expenses

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Source: Management

**See Accountants' Compilation Report**



## CAROLINA VILLAGE, INC.

### Report on material variances between prior year's forecast and actual audited results For the year ended March 31, 2024

*The threshold of \$1,035,000 is calculated as .75% of total assets.*

<u>Statements of Operations</u>		<u>FORECASTED</u>	<u>AUDITED</u>	<u>Variance greater than \$1,035,000 and 5%</u>	
<b>Revenues:</b>					
	Resident Service Fees	\$ 15,000,000	\$ 14,647,892		
	Entrance Fee amortization and forfeitures	8,388,000	8,983,964		
	Medical Center	3,462,000	2,986,051		
	Care Center	1,774,000	1,937,830		
	Dietary	3,810,000	3,718,810		
1)	Investment Gain/(Loss)	264,000	2,285,808	2,021,808	765.8%
	Miscellaneous Income	2,360,000	1,403,797		
	Total Revenues	<u>35,058,000</u>	<u>35,964,152</u>		
<b>Expenses:</b>					
	General and Administration	3,515,000	3,666,875		
	Operation of Plant	5,401,000	5,526,197		
	Housekeeping	1,055,000	1,094,133		
	Medical Center	6,572,000	6,211,374		
	Care Center	2,773,000	2,896,448		
	Dietary	6,037,000	6,244,476		
	Independent Living Support	1,183,000	1,216,541		
	Annuity Expenditures	(22,000)	10,742		
	Depreciation	4,405,000	4,412,662		
	Amortization	74,000	-		
	Interest Expense	<u>2,138,000</u>	<u>2,196,141</u>		
	Total Expenses	<u>33,131,000</u>	<u>33,475,589</u>		
	Change in Net Assets	1,927,000	2,488,563		
	Net Deficits - Beginning Of Year	<u>4,674,000</u>	<u>4,674,500</u>		
	Net Assets - End Of Year	<u>\$ 6,601,000</u>	<u>\$ 7,163,063</u>		

## CAROLINA VILLAGE, INC.

### Report on material variances between prior year's forecast and actual audited results For the year ended March 31, 2024

#### Cash Flow Statements

	FORECASTED	AUDITED	Variance greater than \$1,035,000 and 5%	
<b><u>Cash flows from operating activities</u></b>				
Change in Net Assets	\$ 1,927,000	\$ 2,488,563		
Adjustment to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	4,405,000	4,412,662		
Amortization of Deferred Marketing & Financing Costs	74,000	67,655		
2) Entrance Fee amortization and forfeitures	(8,388,000)	(9,543,434)	(1,155,434)	13.8%
3) Entrance Fees received - net of refunds	13,471,000	15,533,050	2,062,050	15.3%
Realized gains on investments	-	(801,417)		
1) Unrealized gains on investments	-	(1,693,316)	(1,693,316)	100.0%
4) Change in Employee Retention Credit receivable	5,011,000	3,254,747	(1,756,253)	-35.0%
Change in current & other assets and liabilities	(421,000)	441,871		
Net Cash provided by operating activities	16,079,000	14,160,381		
<b><u>Cash flows used by investing activities:</u></b>				
1) Change in investments and assets limited to use	(1,312,000)	(2,717,562)	(1,405,562)	107.1%
Project Costs	(5,007,000)	(5,059,478)		
Capitalized Interest	(134,000)	-		
5) Purchases of property and equipment	(2,769,000)	(5,253,313)	(2,484,313)	89.7%
Net cash (used) by investing activities	(9,222,000)	(13,030,353)		
<b><u>Cash flows provided (used) by financing activities:</u></b>				
Annuity Payments and Restricted Contributions	-	194,097		
Proceeds from Construction Loans	3,007,000	2,975,111		
Refunds of Entrance Fees	(360,000)	(871,289)		
Principal payments on long-term debt	(2,238,000)	(2,074,814)		
Net Cash Flows (used) by Financing Activities	409,000	223,105		
Change in cash and cash equivalents	7,266,000	1,353,133		
Cash and cash equivalents, beginning of year	11,066,000	5,725,162		
Cash and cash equivalents end of year	\$ 18,332,000	\$ 7,078,295		
<b>Reconciliation of Cash, cash equivalents and restricted cash</b>				
Cash and Cash Equivalents	\$ 6,941,000	\$ 5,300,170		
Funds held by a trustee under Bond Indenture	1,891,000	1,778,125		
Investments	9,500,000			
Total Cash and Cash Equivalents	\$ 18,332,000	\$ 7,078,295		

## CAROLINA VILLAGE, INC.

### Report on material variances between prior year's forecast and actual audited results For the year ended March 31, 2024

<u>Balance Sheets</u>		<u>FORECASTED</u>	<u>AUDITED</u>	<u>Variance greater than \$1,035,000 and 5%</u>	
<u>Assets</u>					
Current Assets:					
6)	Cash and Investments	\$ 16,441,000	\$ 14,867,225	(1,573,775)	-9.6%
	Assets limited as to use-current portion	802,000	-		
	Accounts receivable	1,972,000	943,089		
4)	Employee Retention Credit receivable	-	1,756,165	1,756,165	#DIV/0!
	Inventories And Prepaid Expenses	297,000	538,108		
	Total Current Assets	19,512,000	18,104,587		
Non-Current Assets:					
	Designated for Operating Reserve	7,055,000	7,055,000		
	Funds held by a trustee under Bond Indenture	1,891,000	1,778,125		
	Total Assets Limited to Use	8,946,000	8,833,125		
Property and Equipment:					
	Total Property and Equipment, net	104,798,000	107,246,492		
Assets limited as to use:					
	Long-Term Restricted Investments	3,281,000	3,758,376		
	Total Other Assets	3,281,000	3,758,376		
	Total Assets	\$ 136,537,000	\$ 137,942,580		
<u>Liabilities and Net Assets</u>					
Current Liabilities:					
	Accounts Payable	\$ 3,268,000	\$ 3,472,396		
	Deposits on Contracts	428,000	503,000		
	Current Maturities-Long Term Debt	2,476,000	2,466,961		
	Total Current Liabilities	6,172,000	6,442,357		
Long term Liabilities:					
	Exclusive Of Current Maturities				
	Long-Term Debt	55,323,000	55,458,974		
	Other Long-term Liabilities	1,615,000	1,971,954		
	Total Long-Term Liabilities	56,938,000	57,430,928		
Deferred revenue:					
	Deferred revenue from entrance fees	66,826,000	66,906,232		
	Total Liabilities	129,936,000	130,779,517		
Net Assets (Deficit):					
	Without Donor Restrictions	4,896,000	5,353,335		
	With Donor Restrictions	1,705,000	1,809,728		
	Total Net Assets	6,601,000	7,163,063		
	Total Liabilities and Net Assets	\$ 136,537,000	\$ 137,942,580		

## **CAROLINA VILLAGE, INC.**

### **Report on material variances between prior year's forecast and actual audited results For the year ended March 31, 2024**

- 1) The audited Investment Gains were higher than forecasted due to favorable market returns.
- 2) The audited Entrance Fee Amortization and Forefeitures were higher than forecasted, causing this adjustment on the cash flow statement to be a larger negative than forecasted. This type of amortization income is based on the resident's estimated life expectancy. Entrance Fee forfeitures are recongized when a resident has passed away.
- 3) The audited Entrance Fees received-net of refunds were higher than forecasted due to an increase in our independent living occupancy.
- 4) The audited Change in Employee Retention Credit receivable is lower than forecasted. This is the result of collecting 2 of the 3 refunds due to the Village, instead of all 3 during FY 2024, resulting in a remaining receivable of \$1.8M as of 3/31/2024.
- 5) The audited Purchase of Property and Equipment is higher than forecasted due to more independent living units being renovated than expected, leading to higher occupancy in Independent Living.
- 6) See the Cash Flow Statement and explanations of variances within the Cash Flow Statement to explain why audited Cash and Investments is lower than forecasted.

# **Appendix B**

## Interim Financial Statements

For the four months ended

July 31, 2024

**CAROLINA VILLAGE, INC.**  
**BALANCE SHEETS**  
**July 31, 2024**

	<u>July 31</u> <u>2024</u>	<u>March 31</u> <u>2024</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS:</b>		
Cash and Cash Investments	\$ 5,384,062	\$ 5,300,170
Investments in Marketable Securities	16,133,591	17,674,058
Accounts Receivable	2,595,485	2,528,204
Entrance Fees Receivable	1,885,466	171,050
Inventories and Prepaid Expenses	602,176	538,107
Total Current Assets	26,600,780	26,211,589
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Land and Improvements	5,801,144	5,788,804
Building and Cottages	157,896,425	156,630,651
Construction in Progress	4,155,637	2,192,770
Equipment	9,111,433	9,040,027
Total Property, Plant & Equipment	176,964,639	173,652,252
Less: Accumulated Depreciation	67,905,774	66,405,775
Total Property, Plant & Equipment --net	109,058,865	107,246,477
<b>OTHER ASSETS:</b>		
Debt Service Reserve Fund	1,809,006	1,778,125
Long - Term Investments	2,657,110	2,460,840
Assets held in Charitable Trusts	76,061	245,549
Total Other Assets	4,542,177	4,484,514
<b>TOTAL ASSETS</b>	<b>\$ 140,201,822</b>	<b>\$ 137,942,580</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 1,110,690	\$ 1,291,850
Accrued Payroll and Payroll Taxes	3,932,177	3,873,919
Current Maturities of Long Term Debt	2,549,131	2,466,961
Total Current Liabilities	7,591,998	7,632,730
<b>LONG TERM LIABILITIES:</b>		
Long-Term Debt	54,586,780	55,458,974
Annuity and Trust Payables	17,729	31,343
Total Long Term Liabilities	54,604,509	55,490,317
<b>DEFERRED INCOME:</b>		
Deferred Entrance Fee Income	69,559,357	67,153,470
Occupancy Contracts - Deposits	130,000	503,000
Total Deferred Income	69,689,357	67,656,470
Total Liabilities	131,885,864	130,779,517
<b>NET ASSETS:</b>		
Without Donor Restrictions	6,730,516	5,434,301
With Donor Restrictions	1,585,442	1,728,762
Total Net Assets	8,315,958	7,163,063
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 140,201,822</b>	<b>\$ 137,942,580</b>

**CAROLINA VILLAGE, INC.**  
**Statement of Operations and Changes in Net Assets**

	April 2024 thru July 2024	12 months ended March 2024
<b>Revenues</b>		
Apartments:		
Service Fees	\$ 5,207,260	\$ 14,647,892
Entrance Fee Amortization	2,388,260	7,051,288
Entrance Fee Forfeitures	914,206	1,932,676
Other Apartment revenue	94,374	206,401
Medical Center	1,134,357	2,986,051
Care Center	761,980	1,937,830
Dietary - Main Complex	721,008	2,101,460
Dietary - Nursing	526,477	1,617,349
Contributions	329,127	542,946
Miscellaneous	109,433	418,784
Total Revenues	12,186,482	33,442,677
<b>Expenses</b>		
General and Administrative	1,348,889	3,666,041
Operation of Plant	1,696,555	5,526,198
Housekeeping	383,608	1,094,133
Independent Living Support	448,867	1,216,541
Medical Center	2,183,836	6,211,375
Care Center	1,048,628	2,896,448
Dietary - Main Complex	1,589,344	4,356,864
Dietary - Medical	721,769	1,887,616
Depreciation	1,500,000	4,412,662
Interest Expense	706,202	2,196,141
Total Expenses	11,627,698	33,464,019
Operating Gain (Loss)	558,784	(21,342)
<b>Non-Operating Revenues (Expenses)</b>		
Unrealized/Realized Gain (Loss) on Investments	250,465	1,857,072
Investment Income	343,646	652,833
Net Non-Operating Revenues (Expenses)	594,111	2,509,905
Change in Net Assets	1,152,895	2,488,563
Net Assets - Beginning of Period	7,163,063	4,674,500
Net Assets - End of Period	\$ 8,315,958	\$ 7,163,063

**CAROLINA VILLAGE, INC.  
STATEMENT OF CASH FLOWS**

	<b>April 2024 thru July 2024</b>	<b>12 months ended March 2024</b>
<b>Cash Flows from Operating Activities:</b>		
Change in Net Assets	\$ 1,152,895	\$ 2,488,563
Entrance Fee Amortization	(2,388,260)	(7,051,288)
Entrance Fee Forfeitures	(914,206)	(1,932,676)
Depreciation	1,500,000	4,412,662
Amortization of Bond Costs	22,551	67,654
Deferred Income LCP	(327,552)	(559,470)
Entrance Fees (New Contracts) - Net of Refunds	4,321,489	14,661,761
Net Trust Forfeitures & Actuarial Adjustments	(13,614)	(21,679)
Loss on Disposal of Asset	-	(640)
<b>Changes in Operating Assets and Liabilities:</b>		
Receivables	(67,281)	3,339,295
Inventories & Prepaid Expenses	(64,069)	(125,795)
Accounts Payable	(122,903)	678,014
Deposits on Occupancy Contracts	(373,000)	75,200
Net Cash Flows Provided (Used) by Operating Activities	2,726,050	16,031,601
<b>Cash Flows from Investing Activities:</b>		
Change in Assets held in Charitable Remainder Trusts	169,488	(5,434)
Change in Investments	(196,270)	(400,950)
Capital Additions	(3,312,387)	(10,366,457)
Proceeds from Sale of Asset	-	1,600
Net Cash Used by Investing Activities	(3,339,169)	(10,771,241)
<b>Cash Flows from Financing Activities:</b>		
Principal Payments - Long-Term debt	(812,575)	(2,074,814)
Proceeds from Construction Loan	-	2,975,112
Funds held by Trustee - Net of Transfers	(30,881)	112,901
Net Cash Provided (Used) by Financing Activities	(843,456)	1,013,199
Net Increase (Decrease) in Cash and Cash Investments	(1,456,575)	6,273,559
<b>Cash and Cash Investments - Beginning of Period</b>	22,974,228	16,700,669
<b>Cash and Cash Investments - End of Period</b>	<u>\$ 21,517,653</u>	<u>\$ 22,974,228</u>



## **Appendix C**

Waiting List Agreement

Reservation Agreement

Occupancy Agreement



<b>INTERNAL USE ONLY</b>
Sequence No. _____
Estimated Timeframe _____

**WAITING LIST AGREEMENT**

It is understood and agreed that for and in consideration of the sum of \$1,000.00, which the undersigned applicant has paid to CAROLINA VILLAGE, INC., the applicant will be placed upon the waiting list for a unit at CAROLINA VILLAGE, INC., effective this date. It is further understood and agreed by the applicant and CAROLINA VILLAGE, INC. as follows:

1. That the applicant will be notified in the order that his or her name appears on the waiting list for the availability of ALL UNITS or these specific unit types: \_\_\_\_\_
2. That CAROLINA VILLAGE, INC. has made no representation to the applicant as to when such unit may be offered for occupancy to said applicant, or as to what the entrance fee or monthly food and service fees will be at the time of occupancy of such unit, other than that the entrance fee and monthly food and service fees will be those then being charged to all new residents at the time of occupancy.
3. That in the event the applicant is offered and accepts a unit and in the further event the applicant does make payment for said unit and enters upon residence therein, the aforesaid waiting list fee will be credited toward the total entrance fee.
4. In the further event the applicant withdraws for consideration for a unit for any reason, including but not limited to physical disability, death, senility, mental illness, withdrawal of application, etc., the said waiting list fee will not be refunded, but will be the property of CAROLINA VILLAGE, INC. If the Village refuses to accept the applicant for a unit due to admission criteria, the fee will be refunded.
5. That this agreement pertains only to applicant’s position on the waiting list and the order in which the apartments and cottages will be offered for occupancy.

Applicant 1 Printed Name \_\_\_\_\_

Applicant 1 Date of Birth \_\_\_\_\_

Applicant 1 Address \_\_\_\_\_

Applicant 1 Phone Number(s) \_\_\_\_\_

Applicant 1 Email Address \_\_\_\_\_

Applicant 1 Signature \_\_\_\_\_

Applicant 2 (if applicable) Printed Name \_\_\_\_\_

Applicant 2 Date of Birth \_\_\_\_\_

Applicant 2 Address \_\_\_\_\_

Applicant 2 Phone Number(s) \_\_\_\_\_

Applicant 2 Email Address \_\_\_\_\_

Applicant 2 Signature \_\_\_\_\_

Dated at Hendersonville, NC the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

\_\_\_\_\_  
 CAROLINA VILLAGE, INC.  
 MARKETING REPRESENTATIVE



600 Carolina Village Road, Suite Z Hendersonville, NC 28792  
(828) 692-6275 Fax: (828) 692-7876 www.carolinavillage.com

STATE OF NORTH CAROLINA  
COUNTY OF HENDERSON

## RESERVATION AGREEMENT

This agreement made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_,  
by and between Carolina Village, Inc., hereinafter referred to as the Village, and  
\_\_\_\_\_, hereafter referred to as Occupant.

WITNESSETH:

WHEREAS, THE OCCUPANT, having made application for residence number \_\_\_\_\_, a  
\_\_\_\_\_, (herein the "Residence") at Carolina Village, and the Village,  
having accepted Occupant's application, agree that the Occupant shall occupy the Residence and the  
Village shall reserve and prepare the Residence for such occupancy by Occupant;

WHEREAS, the Village will expend significant resources to prepare for Occupant's occupancy of  
the Residence;

WHEREAS, the Occupant will rely upon the reservation and preparation of the Residence for  
their use; and

WHEREAS, the parties have agreed to enter into this Agreement to provide for the terms and  
conditions of the reservation, preparation and occupation of the Residence.

It is therefore agreed as follows:

- (1) THE OCCUPANT agrees to pay the Village a deposit in the amount of \$25,000 to reserve the  
Residence upon execution of this Agreement. This deposit will be applied to the Entrance Fee for  
the Residence.
- (2) THE PROJECTED date of occupancy of the unit is on \_\_\_\_\_, \_\_\_\_\_.

- (3) Occupant shall pay the monthly service fee for the Residence, beginning ninety (90) days from the date of this Reservation Agreement or at the time of occupancy, whichever is earlier, and shall be \$\_\_\_\_\_. Monthly payment shall continue thereafter on the 25th day of each month. The Village will provide thirty (30) days' notice before rate changes.
- (3a) The Village reserves the right to change or adjust the monthly service fee according to the living costs incurred and other economic necessities as they arise.
- (4) The Occupant may terminate this Reservation Agreement prior to entering into the Occupancy Agreement for any reason by giving written notice to the Village. Upon giving proper notice, the Occupant shall be refunded the entire amount of the \$25,000 deposit, minus any costs incurred by the Village for standard and non-standard features for the Residence.
- (5) The parties shall enter into an Occupancy Agreement within ninety (90) days from the date of this Reservation Agreement or at the time of occupancy, whichever is earlier. This Reservation Agreement is preliminary in nature and precedent to the Occupancy Agreement, which will supersede this Reservation Agreement upon execution.
- (6) IT IS UNDERSTOOD that The Village, a North Carolina Not-For-Profit Corporation, has no stockholders and governed by a volunteer local Board of Directors. The Board of Directors of the Village are non-salaried personnel and offer their services gratuitously for the express purpose of permitting the Village to operate at the lowest possible cost with resulting savings in the payment of the monthly service fee. Carolina Village is not affiliated with any religious or charitable organization that could be considered responsible for the financial or contractual obligations of the Village.
- (7) NO AMENDMENT between the parties hereto is valid unless contained in writing executed by the Village and Occupant.
- (8) THE CONTRACT shall be automatically canceled due to death, illness, injury, or incapacity prior to occupancy that would preclude the Occupant from occupying a living unit. The resident or the resident's legal representative shall receive a refund of all money or property transferred to the provider, less (i) those standard and non-standard feature costs specifically incurred by the provider or facility at the request of the resident and described in the selection sheet signed by the resident; (ii) nonrefundable fees, if set out in the contract.
- (9) THE EXECUTION of this contract is Occupant's warranty and representation that all of the information contained in the Occupant's Medical Report, the financial confidential data, and other information provided by Occupant therewith are true, complete, and accurate.

IN WITNESS WHEREOF, the Parties have hereto affixed their signatures, the day and year first mentioned above.

\_\_\_\_\_  
ATTEST

\_\_\_\_\_  
OCCUPANT

\_\_\_\_\_  
ATTEST

\_\_\_\_\_  
OCCUPANT

CAROLINA VILLAGE, INC.

BY: \_\_\_\_\_  
MARKETING REPRESENTATIVE



600 Carolina Village Road, Suite Z Hendersonville, NC 28792  
(828) 692-6275 Fax: (828) 692-7876 www.carolinavillage.com

STATE OF NORTH CAROLINA  
COUNTY OF HENDERSON

## OCCUPANCY AGREEMENT

This agreement made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between Carolina Village, Inc., hereinafter referred to as the Village, and \_\_\_\_\_, hereafter referred to as Occupant.

WITNESSETH:

- (1) THE OCCUPANT, having made application for residence number \_\_\_\_\_, a \_\_\_\_\_, at Carolina Village, and the Village, having accepted Occupant's application, agree that the Occupant shall comply with policies and operating procedures now existing or as hereinafter amended by the Village. It is further agreed that such residence shall be subject to the following terms and conditions. A copy of Occupant's financial disclosure is attached hereto and by this reference made a part of hereof.
- (2) THE OCCUPANT agrees to pay the Village an Entrance Fee in the amount of \$\_\_\_\_\_ for the particular living unit selected by the Occupant. The full Entrance Fee is payable at the signing of this Occupancy Agreement. Also, at that time, the Occupant assumes control of the residence.
- (3) THE PRIVILEGE of occupying said living unit shall continue throughout the lifetime of the Occupant unless canceled in the manner hereinafter provided. It being understood, however, and agreed that this Agreement is neither a lease nor shall it inure to the use or benefit of the heirs, assignees, or representatives of the Occupant.
- (4) A MONTHLY service fee shall be paid by the Occupant upon receipt of a statement from the Village for the month to follow, in such amounts as determined by the Board of Directors of the Village for which the Village proposes to provide the following services and facilities:
  - Access to Assisted Living & Skilled Nursing Services without increase in monthly service fee (except meals, drugs, supplies, any applicable deductible, co-payment, and/or co-

- insurance amounts not paid by the resident's Medicare and supplemental or replacement plans and therapy services ordered by resident's personal physician)
- Flexible meal plan
  - All utilities, except for phone service
  - 24-hour Maintenance
  - Semi-monthly housekeeping service
  - Weekly flat laundry service
  - Free parking for residents and their guests
  - Emergency call system
  - On-site Wellness Coordinator and multiple fitness areas
  - Planned activities--social, cultural, recreational, intellectual, vocational, spiritual
  - Shuttle bus with regular schedule
  - Private transportation (Additional cost)
  - On-site pharmacy (Additional cost)
  - Beauty/Barber Shop available (Additional cost)

- (4a) The monthly service fee will begin ninety (90) days from the date of the Occupant's Reservation Agreement or at the time of occupancy, whichever is earlier, and shall be \$ \_\_\_\_\_. The Village will provide thirty (30) days' notice before rate changes.
- (4b) The Village reserves the right to change or adjust the monthly service fee according to the living costs incurred and other economic necessities as they arise.
- (4c) Upon timely payment of the aforesaid monthly service fee, Occupant shall be entitled to utilize all of the physical facilities that are generally made available to other residents of the Village whether such facilities exist on the date of this Agreement or not.
- (5) IT IS UNDERSTOOD that The Village, a North Carolina Not-For-Profit Corporation, has no stockholders and governed by a volunteer local Board of Directors. The Board of Directors of the Village are non-salaried personnel and offer their services gratuitously for the express purpose of permitting the Village to operate at the lowest possible cost with resulting savings in the payment of the monthly service fee. Carolina Village is not affiliated with any religious or charitable organization that could be considered responsible for the financial or contractual obligations of the Village.
- (6) THE VILLAGE will designate a member in good standing of the North Carolina Medical Board as Medical Director who will treat Occupants on an emergency basis only and will be available for consultation with the Village staff. The Occupant, at his/her own expense, will engage the services of a personal physician and will update the Village on any changes in the status of his/her health or a change in personal physician.
- (7) FURNISHINGS WITHIN the individual living units will be provided by the Occupant. Occupant further agrees to keep unit in a neat and orderly fashion to avoid fire and health hazards.

(8) IN THE EVENT the personal physician and/or the Medical Director determines in his/her sole judgment that the Occupant is infected with a dangerous or contagious disease, or that the Occupant has become mentally or emotionally disturbed to the degree that his/her presence in the Village shall be deemed detrimental to the health or peace of other residents, or is adjudged incapacitated or incompetent by virtue of any disease or condition for which the Village is not permitted to provide care, the Village shall have authority to immediately transfer the Occupant to an appropriate hospital or other care facility that can, in the sole opinion of the Village, meet the Occupant's needs. In the event the Village cannot meet the Occupant's needs pursuant to this paragraph, reimbursement to the Occupant will be made as determined in Section 10c.

If Occupant has been transferred to another facility as provided in this paragraph and Occupant's personal physician certifies in writing that Occupant is no longer infectious or contagious or has recovered from such mental or emotional disturbance to the degree that his/her presence in the Village no longer poses any risk of detriment to the health or peace of other residents and that the Village can provide the appropriate level of care, Occupant will be allowed to return to his/her most recent place of residency at the Village, if Occupant did not receive a reimbursement as determined in Section 10c

Changes in the location of an occupant's living unit or in services provided may be required if, in the judgment of the Medical Director, the health or safety or general interest or welfare of the Village or its residents would be best served by such change in location or services or if the level of services necessary to care for the Occupant can be better provided in a different living unit or area within the Village or cannot be provided by the Village.

The Village is not capable of providing care to severely cognitively impaired occupants and has no locked unit. The Village will not provide any one-on-one care or sitters. In addition, the Village does not have the facilities to offer all medical treatment and care, such as dialysis, care for ventilator-dependent patients or care for patients with a tracheotomy. If, in the sole judgment of the Medical Director, the Occupant is cognitively impaired to the degree that or in need of treatment such that (i) the Occupant cannot be kept safe at any of the facilities within the Village; (ii) the Occupant presents a risk to other occupants at or employees of the Village; OR (iii) the appropriate care needed for the Occupant is not available at the Village, the Village can require the Occupant to move from the Village into another more appropriate care/living environment.

(9) THE CONTRACT may be rescinded within 30 days following the later of the execution of the contract or the receipt of a Disclosure Statement and the Occupant is not required to move in during the rescission period. The refund of all money or property transferred shall be made to the Occupant, or the Occupant's legal representative less periodic charges applicable to period a unit was occupied, non-standard feature costs requested by the Occupant, and nonrefundable administrative fee set out in paragraph 10 of this Agreement.



- (10) THE OCCUPANT shall have the right to terminate this Agreement after assuming residency in the Village for reasons under the following terms and conditions:
- (10a) The Occupant shall not under any circumstance terminate this agreement after Occupancy without serving the Village with ninety(90) days' written notice of intention to so terminate. The Occupant will be charged with the established monthly service fee until the expiration of the 90-day period mentioned above.
- (10b) In the event Occupancy is terminated by an Occupant who is competent to make a valid decision as provided in this paragraph, or his or her confirmed Power of Attorney or guardian, the departing Occupant will be reimbursed for the amount of the Entrance Fee paid less an appropriate charge for the period of Occupancy as stated in 10c. The refund will be made within 30 business days from the date when the 90-day notice period expires.
- (10c) An administrative fee in an amount equal to ten percent (10%) of the entrance fee is non-refundable and will be retained by the Village. In addition, any costs of non-standard features requested by the Occupant, any medical charges incurred for Occupant's care during residency and any other periodic charges, including any charges occurring during the ninety (90)-day notice period shall be considered as credit to the Village and shall reduce the amount refunded to Occupant. In addition to these reductions, the refundable portion of the entrance fee will amortize and become nonrefundable at the rate of two percent (2%) per month for a period of forty-five (45) months from the date of occupancy or the date of this occupancy agreement, whichever is earlier. After the forty-five (45) month period, there will be no refund of the entrance fee.
- (10d) If residents move in as a couple and one resident passes away and the surviving Occupant requests to move out, any reimbursement of the entrance fee amount will be calculated using the single-person entrance fee that was in place at the time of the move in date for the Occupant's specific unit type. The calculation of the reimbursement of the single-person entrance fee will follow the calculation stated in 10c.
- (10e) After Occupancy there is no refund in the event of the death of Occupant.
- (10f) In the event the Occupant finds it necessary to cancel the agreement for good reason before Occupancy, and after expiration of the thirty (30)-day period provided in paragraph 9 herein above, the Village shall be allowed to retain the administrative fee and all costs of non-standard improvements requested by the resident and shall reduce the amount refunded to the Occupant.
- (10g) Nothing in this paragraph 10 shall be construed to limit or modify Occupant's right to rescind this contract as provided in paragraph 9 herein above.

- (11) If residents move in as a couple and one resident passes away, the monthly service fee will be adjusted to the single rate.
- (12) THE VILLAGE shall not be responsible for the loss or damage suffered by the Village as a result of negligence or actions of the Occupant. The Occupant agrees to indemnify and hold harmless the Village for any injury to the person or property of others resulting from the negligence or intentional act of the Occupant.
- (13) OCCUPANT AGREES to provide the Village provisions for final testamentary disposition of all furniture, possessions and property located on the property of the Village should be made by Occupant. In the event such disposition is not made or in the event removal is not accomplished within 30 days after termination of occupancy by reason of death or otherwise, the Village shall have the right to remove and store the said furniture, possessions and property at the expense of the Occupant or the Occupant's estate.
- (14) THE VILLAGE may terminate the Occupant's residency upon a showing of good cause that the Occupant is not complying with the operating procedures and/or is creating a disturbance within the Village detrimental to the health or peaceful lodging of others. In the event the Occupant's residency is terminated as provided in this paragraph 14, reimbursement shall be made as described in Section 10 (except for the 90-day notice which shall not be required).
- (15) OCCUPANT AGREES to make payment herein provided for at the time and in the manner specified by the Village. Upon failure to do so, the Board of Directors shall have the right to terminate and cancel this Agreement if any such payment shall be in default for more than ninety (90) days, without any obligation to make any refunds of monies. It is the declared policy of the Village that an Occupant's residence shall not be terminated solely by reason of the financial inability of the Occupant to pay monthly fees. The Occupant must apply for and establish facts to justify special financial consideration and dispensation provided such application can be granted (within the sole discretion of the Board of Directors of the Village) without impairing the ability of the Village to operate on a sound financial basis. The Village does not require residents to apply for public assistance programs such as Medicaid. The Occupant must move to a smaller size living unit upon receiving special financial consideration.
- (16) VILLAGE AND OCCUPANT recognize that a situation may arise where it may become necessary for Occupant to be admitted to the Medical or Care Center for an extended period of time, and the parties hereto further recognize that it is not economically possible for Village to provide unlimited Medical or Care Center care while at the same time allowing Occupant to retain his/her independent living unit indefinitely. Accordingly, the parties hereto agree that at such time as Village shall be advised by the Occupant's physician that in his/her medical opinion, Occupant will not be able to return permanently to his/her independent living unit to live, then and in that event, Village shall make such information, together with all other facts and circumstances, known to its Board of Directors which shall be authorized to reacquire

possession of said unit from Occupant for reassigning, and upon such approval being obtained, Village shall be authorized to forfeit Occupant's interest in said unit and to reassign the same; provided, that in the event Occupant's condition becomes such that Occupant's physician certifies that Occupant may return to a living unit, Village will provide Occupant a living unit substantially equivalent to the one formerly possessed by Occupant within such period of time as Village may reasonably have such unit available. However, no provision of this paragraph shall be construed to deprive a Co-Occupant of his/her use of the living unit unless said Co-Occupant also becomes admitted to the Medical or Care Center according to the terms of this paragraph.

- (17) THE OCCUPANT agrees that his/her rights under this agreement shall at all times be subordinate and junior to the lien of all mortgages executed by the Village covering the real estate known as Carolina Village.
- (18) THE INVALIDITY of a restriction, condition, or other provisions of this agreement, or any part of the same, shall not impair or affect in any way the validity, enforceability, or effect of the rest of this agreement.
- (19) NO AMENDMENT between the parties hereto is valid unless contained in writing executed by the Village and Occupant.
- (20) THE CONTRACT shall be automatically canceled due to death, illness, injury, or incapacity prior to occupancy that would preclude the Occupant from occupying a living unit. The resident or the resident's legal representative shall receive a refund of all money or property transferred to the provider, less (i) those standard and non-standard feature costs specifically incurred by the provider or facility at the request of the resident and described in the selection sheet signed by the resident; (ii) nonrefundable fees, if set out in the contract.
- (21) Notwithstanding anything contained herein to the contrary, the Village shall have the right to impose any reasonable rule, regulation or restriction which is necessary, in the discretion of the Village, to protect the health and safety of all residents of the Village. Any such restriction, rule or regulation shall supersede the terms of this Agreement.
- (22) THE EXECUTION of this contract vests the privilege in the Occupant to change his/her mind within the first 30 days of execution of this contract or receipt of a Disclosure Statement as provided in paragraph 9 herein above.

The execution of this contract is also contingent upon the receipt by the Village of (1) financial statement from the Occupant that he/she has financial resources sufficient to meet his/her obligations during the years of residency in the Village and (2) the receipt of a certificate of health signed by his/her physician indicating that the applicant meets the physical and mental requirements of the Village that the applicant must be ambulatory and have mental status permitting living in an independent living unit.

(23) THE EXECUTION of this contract is Occupant’s warranty and representation that all of the information contained in the Occupant’s Medical Report, the financial confidential data, and other information provided by Occupant therewith are true, complete, and accurate.

IN WITNESS WHEREOF, the Parties have hereto affixed their signatures, the day and year first mentioned above.

\_\_\_\_\_  
ATTEST

\_\_\_\_\_  
OCCUPANT

\_\_\_\_\_  
ATTEST

\_\_\_\_\_  
OCCUPANT

CAROLINA VILLAGE, INC.

BY: \_\_\_\_\_  
PRESIDENT OF BOARD OF DIRECTORS