



PENICK VILLAGE

Disclosure Statement Dated as of February 28, 2019

As required by Chapter 58, Article 64 of the North Carolina General Statutes:

- **This Disclosure Statement may be delivered, if not earlier revised, up to July 28, 2020;**
- **This Disclosure Statement must be delivered to a contracting party before execution of a contract for continuing care with Penick Village;**

Please Note: 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.



PENICK VILLAGE

Mission:

We are family creating a loving community by making each day great for one another.

Vision:

Penick Village has an uncompromising commitment to deinstitutionalize the aging experience.

Core Values:

Protect:

Safety first - for all residents, staff, and family. We create a safe environment and practices for all who live, work, and visit Penick Village. We protect the residents' wishes and quality of life.

Exceed Expectations:

Anticipate needs, over-deliver, and go the extra mile for the residents, their families, and each other.

Nurture:

We seek to understand, we act with compassion, we encourage, we are caring, and we support growth.

Integrity:

Trustworthy and Honest. We say what we do and we do what we say.

Communications:

Listen, share information, "no-surprise" philosophy, and have meaningful conversations.

Kindness:

Demonstrate love in all situations.

Penick Village Receipt of Disclosure Statement

I, _____ and _____, have

received Penick Village's _____ Disclosure Statement on _____.

Signature: _____

Signature: _____

Witness: _____

DISCLOSURE STATEMENT
Dated as of February 28, 2019

Name of Facility: Penick Village, Inc. is located at 500 East Rhode Island Avenue, Southern Pines, North Carolina 28387.

Telephone: (910) 692-0300

Facsimile: (910) 692-5509

Website: www.penickvillage.org

As required by Chapter 58, Article 64 of the North Carolina General Statutes:

- **This Disclosure Statement may be delivered if not earlier revised up to July 26, 2020.**
- **This Disclosure Statement must be delivered to a contracting party before execution of a contract for continuing care with Penick Village;**

Please Note: 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.

Whenever appropriate in this Disclosure Statement, the singular shall include the plural and the masculine shall include the feminine and vice versa.

Penick Village, Inc.

By: 

Jeffrey I. Hutchins
Chief Executive Officer

TABLE OF CONTENTS

- I. **ORGANIZATION INTRODUCTION and INFORMATION**
 - Narrative description of the organization and its operation.
 - Non-Profit/For-Profit Status Affiliation(s)
 - Accreditation(s)
 - Legal Description

- II. **FACILITY INTRODUCTION and INFORMATION**
 - Narrative description of the facility and its operations.
 - Identification and background of Board of Directors, Officers, and Officers.
 - Persons Who Provide Goods or Services to Either Penick Village or its Residents
 - Criminal Violation Statement
 - Location and Description of Physical Property
 - Current Actions on Long Range Plan
 - Long Range Plan
 - Estimated Number of Residents
 - Non-Resident Services
 - Health and Safety Requirements

- III. **POLICIES**
 - Admission
 - Health Criteria
 - Financial and Insurance Criteria
 - Benevolent Assistance/Charity Care
 - Entrance Fees
 - Pets
 - Notice of Right for a Resident to Rescind the Residency Agreement
 - Termination Prior to Occupancy
 - Termination of Residency After Occupancy
 - Effect of Double Occupancy
 - Refund of Resident Entrance Fee
 - Moves
 - Marriages/New Second Occupant

- IV. **SERVICES**
 - General Services and Facilities

- V. **FEES AND CREDITS**
 - Application/Reservation Fee
 - Ready List Agreement Fee
 - Entrance Fee (Refundable/Non-Refundable)
 - Monthly Service Fees

- Additional Service Fees
- Current Entrance Fees and Monthly Service Fees
- Changes in Fees for the Previous Five Years

VI. FINANCIAL INFORMATION

- Financial Overview Statement
- Current Certified Financial Statements
- Current Interim Financial Statements
- Five Year Projection Statement
- Actuarial Summary Report

VII. OTHER MATERIAL INFORMATION, AS APPLICABLE

VIII. ATTACHMENTS

ATTACHMENT 1

- Penick Village Fees.

ATTACHMENT 2

- Change in Monthly Fees for Previous Five Years.

ATTACHMENT 3

- Current Audit for latest fiscal year ending September 30, 2018.

ATTACHMENT 4

- Projected Consolidated Financial Statements as of and for the Years Ending September 30, 2019 through 2023.

ATTACHMENT 5

- Actual Results Compared to Five Year Forecast for Fiscal Year Ending September 30, 2018.

ATTACHMENT 6

- Current Residency Agreement with Addendums.

ATTACHMENT 7

- Reservation Agreement.

ATTACHMENT 8

- Ready List Agreement.

ATTACHMENT 9

- Optional Service Fees, Home Care Fees, Store to Door Fees.

ATTACHMENT 10

- First Three Months of Fiscal Year 2019 Financial Statements (December 2018).

ATTACHMENT 11

- Actuarial Study Summary compiled by A.V. Powell & Associates

I. ORGANIZATION INTRODUCTION AND INFORMATION

Narrative Description of the Organization and Its Operations

The Episcopal Home for the Ageing, in the Diocese of North Carolina, Inc. (the "Corporation") was incorporated February 4, 1957 at the direction of the Diocese of North Carolina of the Protestant Episcopal Church. The Corporation began the operation of its only facility in Southern Pines, North Carolina in April of 1964. The community, Penick Village, was formerly known as the Bishop Edwin A. Penick Memorial Home. In October 2015, after Board approval, the corporation filed Amended Articles of Incorporation and By-Laws with the North Carolina Secretary of State to change the name to Penick Village, Inc. Penick Village continues to operate successfully to the present time as a community for senior adults on the life plan community concept. This concept recognizes and addresses the needs of each resident along a continuum from initial entry to and through each increasing health related need for his/her entire life. As a faith based ministry with deep Episcopal roots, it is a vibrant and caring community for older adults which values and encourages the individuality and contribution of each resident.

Admission to Penick Village is open to any person at least 60 years old, who is independently able to attend Life Enrichment events of normal daily living, and meets certain financial qualifications. From time to time, persons who do not meet the 60 year age requirement are admitted, on a limited basis, to the Health Services Center, Residential Assisted Living, Blanche Robertson Garden Cottage, and Independent Living. Admission is contingent upon the needs of those currently residing in those areas. The admission policy is non-discriminatory (except for age) and Penick Village is open to all, regardless of gender, race, creed, national origin, marital status, sexual orientation, or religion.

The Corporation and Penick Village are both located at 500 East Rhode Island Avenue, Southern Pines, NC 28387.

- **Mailing address:** 500 East Rhode Island Avenue, Southern Pines, NC 28387
- **Telephone number:** 910-692-0300
- **Fax number:** 910-692-5509
- **Website:** www.penickvillage.org

Not-For-Profit Status

The Corporation is a non-stock not-for-profit North Carolina corporation, and with its only facility, Penick Village, is a 501(c)(3) tax-exempt organization to which tax exempt contributions may be made. Its federal tax identification number is 56-0729010.

The Corporation and its retirement community have no guaranteed sources of funds if revenues from the operation of Penick Village and contributions are not sufficient to meet expenses.

Affiliations

The Corporation and its retirement community are affiliated with the Episcopal Church to the extent that the Bishop of the Diocese of North Carolina shall serve as Honorary Chair of the Board of Directors. The Board of Directors is an independent body.

The Corporation and its retirement community hold memberships in LeadingAge, LeadingAge North Carolina, and the North Carolina Health Care Facilities Association.

Licensure

The Corporation and its retirement community are licensed by the North Carolina Department of Insurance as required by law and otherwise operate legally within the state of North Carolina. Penick Village's skilled nursing center, assisted living apartments as well as the Home Care department are licensed by the North Carolina Department of Health and Human Services as detailed hereinafter under that part of Section II "Location and Description of Physical Property."

Legal Description

Penick Village is the only facility of Penick Village, Inc. a North Carolina corporation.

Fees and Charges

Following admission to Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Skilled Nursing Center from an Independent Living Residence, Penick Village provides 14 days of care in Residential Assisted Living, the Blanche Robertson Garden Cottage, or Skilled Nursing Center at the individual Residential Rate, if applicable. This benefit is provided in addition to the services covered by Medicare or insurance. Residents are subject to the terms outlined in their

individual Residency Agreement.

II. COMMUNITY INTRODUCTION AND INFORMATION

Board of Directors

The business and other affairs of the Corporation are managed by a Board of Directors composed of no less than 12 and no more than 18 members and the Bishop of the Diocese of North Carolina. Directors are elected for staggered three-year terms by the current Board of Directors. The Board of Directors may fill any vacancy occurring prior to the end of a Director's term. The current members of the Board of Directors, the length of their terms and their principal business affiliations are as follows:

The Rt. Reverend Samuel Rodman Honorary Chair of the Board	Office of the Bishop 200 W. Morgan St., Suite 300 Raleigh, NC 27601
The Rt. Reverend Anne Hodges- Copple Honorary Member of the Board	Office of the Bishop Suffragan 301 N. Elm Street, Suite 308-C Greensboro, NC 27401
Dr. Gary Krasicky President Class of 2019	Retired Physician 77 Abbottsford Drive Pinehurst, NC 28374
Lynne Healy First Vice President Class of 2020	Caretaker of Family and Community Volunteer 565 East Massachusetts Avenue Southern Pines, NC 28387
John R. Frizzell, III Second Vice President Class of 2020	Retired Bank Executive 3312 Bondwood Circle Johnson City, TN 37604
Richard Higginbotham Treasurer Class of 2021	CFO of Pinehurst Resort 800 Linden Road Pinehurst, NC 28374
Rick Smith Secretary Class of 2019	Retired Community College Fundraiser 104 Pinelake Drive Whispering Pines, NC 28327
Douglas Gill	Retired Attorney

Class of 2020	850 E. Massachusetts Avenue Southern Pines, NC
Mrs. Marsha Coles Class of 2021	4030 Cardinal at North Hills St. Apartment #335 Raleigh, NC 27609
D. Byrd Gwinn Class of 2021 Executive Committee	Retired Insurance Executive P.O. Box 2338 Pinehurst, NC 28370
Mike Penick Class 2019	Vice President/Commercial HVAC 7813 Hardwick Drive Raleigh, NC 27615
Edna Stephens Class of 2019	LCSW 229 Pine Ridge Drive Whispering Pines, NC 28327
Gary Hildebrand Class of 2019	Resident Retired Businessman Penick Village #5204 514 East New Jersey Ave. Southern Pines, NC 28387
Kay Rhoades Class of 2019	Resident Retired Nurse Practitioner Penick Village, #5006 514 East New Jersey Ave. Southern Pines, NC 28387
Darlene Vaughn Class of 2020	Accountant 180 Woodland Drive Pinehurst, NC 28374
Steve Leggett Class of 2020	Retired Executive 65 Pinewild Drive Pinehurst, NC 28374

The Chief Executive Officer of Penick Village, Jeffrey I. Hutchins, is employed by the Board of Directors and has served in that role since September 2001. Mr. Hutchins holds a Bachelor of Social Work from North Carolina State University and a Master of Arts in Gerontology with a concentration in administration from the University of Northern Colorado. Mr. Hutchins is a licensed North Carolina Nursing Home Administrator. Prior to becoming Chief Executive Officer, he held several different positions in long-term care in his career including, Nursing Assistant, Central Supply Clerk, Activity Director, Social Worker and Director of an Assisted Living Facility. He came to Penick Village in August 2000 as the Assistant to the Executive Director. Mr. Hutchins is actively involved in community organizations, including the Leading Age North Carolina, the Kiwanis Club of the Sandhills, Moore County Chamber of Commerce, Friend to Friend and Boy Scouts of America.

The Chief Operating Officer, Caroline Hendricks, joined Penick Village in September 2017. Ms. Hendricks has over 25 years of healthcare experience in nursing and administration. She has a Bachelor's Degree in Nursing from Fayetteville State University and is a Registered Nurse. Ms. Hendricks has worked in Life Plan communities for over 17 years and has focused her attention on improving the aging experience and creating home and community based models of care. Ms. Hendricks most recent position was as Vice President of Home & Community Based Services for a Life Plan Community.

Persons Who Provide Goods or Services to Either Penick Village or its Residents

Darlene Vaughn, Board Member – Johnson and Vaughn CPAS PLLC, 295 Olmstead Boulevard, Pinehurst, NC 28374, provides tax return preparations and tax planning services which residents of Penick Village may utilize. The anticipated cost to residents cannot presently be estimated.

Lynne Healy, Board Member – Healy Wholesale, Fayetteville NC provides alcoholic beverages for our dining service area as one of our vendors.

Criminal Violations Statements

To the best of the knowledge of the Corporation and its Village, no one connected with the Corporation or Penick Village, either as an Officer, Director, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, or in any other capacity, nor any other person or entity, having any ownership or equity or

beneficial interest in the Corporation or Penick Village 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 that involved action involving fraud, embezzlement, fraudulent conversion, or misappropriation of property; or is subject to a currently effective injunctive or restrictive court order, or within the past five years, has had any State or federal license or permit suspended or revoked as a result of an action by brought by a governmental agency or department, if the order or action arose out of or related to business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for aged, or facility subject to G.S. 58-64-20(a)(3)c or similar laws in any other state.

Location and Description of Physical Property

Penick Village is located on 38 acres in the town of Southern Pines in Moore County, North Carolina at 500 East Rhode Island Avenue. The campus is presently composed of one multi-level of care building (North), three independent living apartment buildings (Woodlands, Parkview and South), 46 Cottage type residences, one assisted living 10-bed small-house, and a community center (the Village House).

The South Building contains 35 independent living apartments with twenty-six being utilized as guest rooms, staff offices and storage. A choice of four different independent living apartment styles is available. Residents of the South Building independent living apartments provide their own furniture and personal belongings.

The North Building was completed in 1986 and contains 1 independent living apartment, a 32 bed Residential Assisted Living area in 30 apartment style residences, and the 50 bed Skilled Nursing Center. Residents of the North Building independent living apartment provide their own furniture and personal belongings. Currently the Skilled Nursing Center has 50 beds licensed for nursing services and certified by the North Carolina Department of Health & Human Services for participation in the Medicare program; 24 beds are also certified for participation in the Medicaid program. Beds certified for Medicare or Medicaid are available to those residents who themselves have been certified by such program or programs. Out of the 50 skilled beds, 17 are closed for use of residents covered under the Penick Village continuing care residency agreement. All 50 beds are in private rooms. The Residential Assisted Living area opened in January of 2013 and is now licensed for 32 of Penick Village's assisted living beds, 15 beds are closed for use of residents covered under the Penick Village continuing care residency agreement.

The 47 Cottage residences are of varying size and are designed for independent living and contain two bedrooms, kitchen, living room, and one and a half or two

bathrooms. They consist of the following:

- 30 Weymouth Cottages.
- 9 Woodlands Cottages.
- 8 other cottage types.

Residents of the Cottages provide their own furniture, curtains/draperies, and personal belongings. Thirty-Eight of these residences were built between 1974 and 1990. Nine cottages were constructed during 2007 through 2019.

The Blanche Robertson Garden Cottage is licensed for 10 of Penick Village's assisted living beds. This Garden Cottage utilizes the small house model of care.

The Woodlands apartments, an independent living building, housing 71 residences and 2 guest rooms opened in July of 2011. There are one and two bedroom floor plans ranging from 700 to 1,800 square feet.

The Parkview apartments, an 18-residence independent living building, opened in August of 2016. There are one and two bedroom floor plans ranging from 600 to 1,600 square feet.

The Village House is the central hub of all of Penick Village's events. It houses Dining Services with four different dining venues. In addition, Life Enrichment is centrally located in the Village House with two creative arts rooms, a library, two card/activity rooms, a cinema, a shop, and a Chapel. Marketing, Resident Services, and Administration are also located in the Village House.

Long Range Plan

Penick Village continues to work on its long range plan to best strengthen the sustainability of the mission and to best serve future generations of residents, their families, and its employees.

- Complete construction of a 20-apartment Independent Living building, The Wharton.
- Continue to emphasize its marketing program, including the major renovation of existing cottages.
- Expand Penick Village's Home Care program to give choice to residents and off campus clients choice to maintain residency in their preferred location.
- Renovate the Healthcare (North) Building to provide a household model of care and implement additional education and training for enhanced care and services.
- In order to support the approximate \$1,600,000 of charity care provided annually, the Penick Village Foundation will strive to raise \$800,000 for its annual fund and grow its permanent funds from \$10,000,000 to \$20,000,000 over the next 10 years.

- Develop a five-year strategic plan in 2019 that addresses:
 - Optimizing operational strategies
 - Creation and implementation of a master site plan
 - Fundraising to support the strategic plan
 - Off campus services
 - Whole wellness program for residents and staff
 - Compensation programs for all hands-on care and service providers

Estimated Number of Residents

The number of residents at the present time averages approximately 258.

Non-Resident Services

Penick Village historically has been involved in developing non-resident services to help meet the needs of the greater community of Southern Pines. One such service currently includes Meals-on-Wheels. Since 1973, Penick Village has provided an average of 95 meals per day for five days a week to the community based Meals on Wheels of the Sandhills program for the housebound. Volunteers from the community deliver the meals, for which Penick Village is reimbursed at the rate of \$3.00 per meal. Typically, several times a year, Penick Village hosts blood drives on campus, sponsored by the American Red Cross. On a routine basis, Penick Village donates furniture, fixtures and equipment to Habitat for Humanity, Helping Hands, and Goodwill. Penick Village also tries to make annual donations to the Southern Pines Fire Department and Police Department, Friend to Friend, and annually funds a nursing scholarship at Sandhills Community College. Several members of the leadership team serve on not-for-profit boards and advisory committees.

Health and Safety Requirements

Smoking: Except in a designated area, Penick Village became a Limited Tobacco Use Campus on January 1, 2010. Smoking or the use of tobacco, including vaping and e-cigarettes, in any form is prohibited to all persons, residents, guests, staff and other visitors in any of the community, public, health care, assisted living, residential or dining areas, or halls of the North Building, the South Building, the Parkview Apartment Building, the Village House or the Woodlands Apartment Building. If for some reason, a resident or their guest smokes or vapes in the resident's apartment or cottage or on campus, he/she will be responsible for all charges the damage the smoking or vaping may have caused and may be at risk for Residency Agreement termination.

Drugs: The use of any illegal and addictive drugs in any form whatsoever on any part of the campus, indoors or outdoors, except as may have been legally prescribed by their licensed medical doctor is prohibited to all persons, whether staff, residents, guests, or visitors.

Fire Arms: No one shall possess, carry or use any pistol, rifle, gun, ammunition or other firearms while on the Penick Village Campus.

Drug Testing: All new personnel are required to undergo a criminal history check and must satisfactorily pass a drug screening. For reasonable cause, subsequent drug testing may be required.

III. POLICIES

Admission

The following are the admission requirements to Penick Village.

To an Independent Living Residence, the applicant(s) must:

1. Be at least 60 years old.
2. Be independently able to attend to events of daily living.
3. Submit a medical report completed by his or her physician.
4. Be interviewed and evaluated by a member of the Penick Village Health Services team.
5. Be able to adjust to group living.
6. Submit a Confidential Application and meet certain financial requirements.

Directly to the Skilled Nursing Center, Blanche Robertson Garden Cottage, or Residential Assisted Living Residence, the applicant must:

1. Be admitted on the recommendation of the resident's attending physician.
2. Submit physical examination form before admission. Also submit a complete transcript of medical records for review by Penick Village's Health Services staff.
3. Meet the financial requirements as hereinafter stated to include Medicare coverage if the Resident meets the coverage criteria.

NOTE: Independent Living residents have admission priority to the Skilled Nursing Center, Residential Assisted Living or the Blanche Robertson Garden Cottage. Direct Penick Village Disclosure Statement

admission to the Skilled Nursing Center, Residential Assisted Living, or the Blanche Robertson Garden Cottage non-closed beds, will be considered if two or more beds are available.

Financial and Insurance Criteria

Residents are expected to meet the financial requirements based upon ability to pay or the availability of third party assistance, e.g., family, church, foundation, government programs (including Medicare and Medicaid). Where Penick Village considers it appropriate or necessary, it may, at the time of the execution of the Residency Agreement and in its sole and exclusive discretion, require a guarantor endorsement of the Agreement guaranteeing the Resident's performance of his or her financial obligations to Penick Village.

Should a resident become unable to pay Penick Village for the care furnished or being furnished by Penick Village, the resident shall make application to the proper authorities for financial assistance from Medicaid or any other available form of public or private assistance.

Benevolent Assistance/Charity Care

Mainly through general contributions, fundraising events, grants from foundations, and interest income from the Permanent Funds, Penick Village provides financial assistance to residents who are unable to meet the full cost of the applicable Entrance Fee or ongoing monthly or daily fees. Such assistance, in the form of advances, extended credit or reduction of some or all of the aforesaid costs, is rendered from time to time on a case by case basis depending on an individual's financial needs and, except to the extent it may be expressly and unambiguously embodied in a Residency Agreement or other written agreement, Penick Village cannot promise or guarantee in advance to that resident the continuing availability or extent of such assistance or reduced rates. The absent day credit for off-campus hospitalization or other absences from Penick Village outlined later in this document is not available to any resident who is benefiting from such assistance. Historically, approximately 13% of the residents have received some level of financial assistance from Penick Village, and approximately 10% of the current residents receive some level of financial assistance. Non-reimbursed health services have been approximately \$970,077 and financial assistance for Independent and Assisted Living housing and services have averaged approximately \$668,594 annually.

In order to maintain the availability of funds for future benevolent assistance to others, Penick Village shall have the right to claim and collect on a preferred basis from any resident beneficiary of such assistance whose financial situation subsequently improves, or from his/her estate, up to the total amount of the assistance rendered him or her by Penick Village.

The Penick Village Foundation is a separate 501 (c) (3) tax exempt organization. Its main purpose is to raise money for the benefit of Penick Village. The Village's Benevolent Assistance Program is a central part of the Foundation's mission.

Entrance Fees

There are four categories of Entrance Fees, in differing amounts, available for irrevocable selection at the time a Residency Agreement is initially entered into by or for each residence and/or person, as the case may be. Penick Village reserves the right to limit entrance fee options to potential residents based on information provided to the community. The categories are as follows:

12-Month Declining Refundable Entrance Fee: Once the Resident(s) has (have) chosen and paid the required 12-Month Declining Refundable Entrance Fee and has (have) taken occupancy of a residence at Penick Village under a continuing care contract, the Entrance Fee shall be reduced and become non-refundable at the rate of one-twelfth (1/12) per month of the total Entrance Fee for any portion of each month the Resident(s) occupied the Residence. After the beginning of the 12th month of occupancy, the Entrance Fee paid by the Resident(s) is fully amortized and not refundable. Except as provided in the last paragraph of this section, if a refund is applicable, the amount will be refunded within 30 days after receipt of proceeds from the next re-sale of the residence listed in the resident's Residency Agreement. "Occupancy" is defined as the time the residence is occupied by the resident or any of the resident's belongings.

48-Month Declining Refundable Entrance Fee: Once the Resident(s) has (have) chosen and paid the required 48-Month Declining Entrance Fee and has (have) taken occupancy of a residence at Penick Village under a continuing care contract, the Entrance Fee shall be reduced and become non-refundable at the rate of six percent (6%) the first day of the first month occupied, then two percent (2%) per month for any portion of each month the Resident(s) occupied the residence for the next 47 months. After the beginning of the 48th month of occupancy, the Entrance Fee paid by the Resident(s) is fully amortized and not refundable. Except as provided in the last paragraph of this section, if a refund is applicable, the amount will be refunded within 30 days after receipt of proceeds obligation from the next re-sale of the residence listed in the resident's Residency Agreement. "Occupancy" is defined as the time the residence is occupied by the resident(s) or any of the resident's belongings.

Fifty Percent (50%) Refundable Entrance Fee: Once the Resident(s) has (have) chosen and paid the required Entrance Fee and has (have) - taken occupancy of a Residence at Penick Village under a life plan care contract, the amount of the Fifty Percent Refundable Entrance Fee will reduce five percent the first day of the first month occupied, four percent monthly for any portion of each month the Residence is occupied for the next 11 months, and one percent on the first day of the 13th month the Residence is occupied. At this time, 50 percent of the entrance fee is fully exhausted. Except as provided in

the last paragraph of this section, the refund, if applicable, will be 50 percent of the original Entrance Fee. This amount will be refunded within 30 days after receipt of proceeds from the next re-sale of the Residence listed in the resident's Residency Agreement. "Occupancy" is defined as the time the unit is occupied by the resident or any of the resident's belongings.

Ninety Percent (90%) Refundable Entrance Fee: Once the Resident(s) has (have) chosen and paid the required Entrance Fee and has (have) taken occupancy of a Residence at Penick Village under a life plan care contract, the amount of the Ninety Percent Refundable Entrance Fee will reduce five percent on the first day of the first month the Residence is occupied and then one percent monthly for any portion of each month the Residence is occupied for the next five months. At this time 10 percent of the Entrance Fee is fully exhausted. Except as provided in the last paragraph of this section, the refund, if applicable, will be 90 percent of the original Entrance Fee. This amount will be refunded within 30 days after receipt of proceeds from the next re-sale of the Residence - listed in the resident's Residency Agreement. "Occupancy" is defined as the time the unit is occupied by the resident or any of the resident's belongings.

Second Person Refundable Entrance Fee: If applicable, a second person entrance fee will be charged and will amortize fully over a six month period at a rate of 25% the first month and 15% per month for the next five months. After six months the entrance fee is fully amortized and non-refundable.

The 50 and 90 Percent Refundable Entrance Fee option is not available to potential residents 85 years of age and older as of the date of residency agreement signing. All couple entrance fees age qualifications will apply to the older of the two applicants.

Penick Village reserves the right to off-set against the refund of the Entrance Fee any fees or amounts payable to the organization under this Agreement including any charges deferred or unpaid and as stated in Section 4.7 of Penick Village's Residency Agreement. Termination of the Residency Agreement for any reason will not affect or impair the exercise of any right or remedy granted to Penick Village or the Resident under his or her Residency Agreement for any claim or cause of action occurring prior to the date of such termination.

Please note: Since residents have moved into Penick Village at different times and under different contracts, as these contracts have evolved over the years, the terms outlined in the signed Residency Agreement apply.

Pets

Penick Village accepts the following pets in independent living: cats, small caged bird, fish and in-house dogs in all residences with the exception that dogs are only allowed in direct exterior exit apartments in the Woodlands Apartment Building. Penick Village reserves the right to refuse pet residency and limit the number of pets.

Residents are also responsible for providing the community with the name and contact number of a responsible party who will care for the pet if the resident is unable to do so. Otherwise, Penick Village may board the pet and the cost of the services will be the responsibility of the resident.

Pets must be properly vaccinated and they must wear identification tags with the resident's name and phone number. Residents will be responsible for damage associated with their pet. When outside the apartment, the pets must be kept properly restrained (caged or leashed where appropriate), and their waste must be disposed of by placing it in a sealed bag and putting it in a designated pet waste container. Observance of these rules will ensure continued pet residency. When a pet gets sick, clean-up is the responsibility of the resident. Housekeeping will shampoo the carpet, if requested, and a fee will apply.

A minimum \$500.00 non-refundable pet deposit will be required and an additional fee(s) will apply if the pet has done any damage that the non-refundable pet deposit does not cover.

NOTICE OF RIGHT FOR A RESIDENT TO RESCIND THE RESIDENCY AGREEMENT

A Resident(s) may rescind Penick Village's Residency Agreement at the later of (i) 30 days following the execution date hereof or (ii) the date of delivery of Penick Village's Disclosure Statement. The resident(s) to whom the contract pertains is not required to move into Penick Village before the expiration of the 30-day period. A full refund, minus any agreed upon non-refundable fees, will be refunded to the Resident(s) within 30 days of receipt of the rescission of his and/or her Residency Agreement.

Termination Prior to Occupancy

A resident will be entitled to full reimbursement of any monies paid to Penick Village less any amounts contractually agreed upon non-refundable charges and a \$1,000 administrative fee within sixty (60) days upon receipt of the written termination of the Residency Agreement and will be released from liability to pay to Penick Village any other amount under the Residency Agreement under the

following condition:

If a resident dies before occupying the Independent Living Residence at Penick Village, or if, because of illness, injury, or incapacity, the resident would be precluded from occupying the Residence consistent with the representations made by the resident in the Confidential Application or, the Confidential Medical Application, the Residency Agreement will be automatically canceled.

The resident will be entitled to full reimbursement of any monies paid to Penick Village less any contractually agreed upon non-refundable charges for resident requested specific upgrades and an administrative fee of one thousand dollars (\$1,000) within sixty (60) days upon receipt of the written termination of the Residency Agreement and will be released from liability to pay Penick Village any other amount under this Agreement under the following condition:

If the resident terminates this Agreement prior to the date they occupy the residence for reasons or conditions other than those described in the Residency Agreement.

Termination of Residency After Occupancy

After the resident has assumed occupancy of the residence, the Residency Agreement is subject to termination as follows:

By the resident at any time upon thirty (30) days prior written notice to Penick Village. Also, Penick Village may terminate the Residency Agreement after the occupancy date for the following non-medical reasons:

1. A material misrepresentation or omission by the resident in the Confidential Data Profile, Confidential Medical Profile, or related materials, which, if such information had been accurately provided, would have been material to the decision whether or not to accept the resident for residency;
2. If the resident fails to comply with the policies and procedures of Penick Village or creates a situation detrimental to the health, safety or quiet enjoyment of the community for other residents, staff or neighboring property users;
3. If the resident fails to pay the Monthly Service Fee or other amounts when due, unless other mutually satisfactory arrangement have been made. However it is the policy of Penick Village that the Residency Agreement shall not be terminated solely because of financial inability to pay the fees to the extent that (1) the residents inability to pay is not the result of the resident's willful action and (2) in Penick Village's judgment, the ability of Penick Village to operate on

a sound financial basis will not be impaired.

4. Material breach by the resident of the terms and conditions of the Residency Agreement; or,
5. If the Residence is no longer fit for occupancy and Penick Village elects not to restore the Residence to habitable condition. To the extent another Residence is available; Penick Village will relocate the resident.

Penick Village may terminate the Residency Agreement subsequent to Occupancy Date for medical reasons. If it is determined by the Medical Director, Health Care Administrator, Chief Operating Officer, or Chief Executive Officer of Penick Village (after consultation to the extent feasible with the resident, their personal physician, and their family and/or designated representative) that:

1. The resident has developed a dangerous or contagious disease or mental illness;
2. The resident is in need of drug or alcoholic rehabilitation or any other condition for which Penick Village is not licensed or for which care cannot be provided by Penick Village without a significant and unique expenditure; or,
3. The resident becomes mentally or emotionally disturbed to a degree that their continued presence in Penick Village is determined to be detrimental to the health safety and welfare of himself/herself, other residents, or staff.

Therefore, should any of these situations occur, Penick Village is expressly authorized (after consultation with the Medical Director or the appropriate Penick Village personnel, the resident's personal physician and their family and/or the designated representative to the extent feasible) to transfer the resident, at their expense, to an appropriate hospital facility or alternative care facility.

If Penick Village seeks to terminate the Residency Agreement and the resident's occupancy, Penick Village shall give the resident sixty (60) days prior written notice of termination which shall reasonably describe the conduct alleged to warrant the termination of the Residency Agreement and shall set the time, place and date for a meeting between the resident and Penick Village's representative(s), which shall not be earlier than thirty (30) days nor later than forty-five (45) days after the notice of termination. At this meeting the resident may avoid termination by showing to Penick Village reasonable satisfaction that they have cured the conduct alleged to warrant the termination.

Effect of Double Occupancy

If the residence is occupied by two (2) residents and one (1) resident dies, the Residency Agreement will continue in full legal force and effect as to the surviving resident, except the Monthly Service Fee will be adjusted to reflect the then applicable single occupancy rate payable for the type of Independent Living Residence occupied. If applicable, no refund of the Entrance Fee will occur until the surviving resident leaves the campus and all conditions of the Residency Agreement are met.

Refund of Entrance Fee

After termination of the Residency Agreement or, in the event of the resident's death, or in the case of double occupancy, both occupants' death, Penick Village will refund what is contractually due to the resident(s). The refund, if applicable, will be paid within thirty (30) days after receipt of proceeds from the next resale of the residence listed in the residents Residency Agreement.

Moves

If for reasons not occasioned by changing health requirements, a resident may elect to move to another Independent Living Residence. This is subject to availability and may be limited due to refund obligations due. For moves from one Independent Living Residence to another Independent Living Residence, he or she will be required to pay a minimum transfer fee of 25 percent (25%) and possibly up to 100 percent (100%) of the prevailing Entrance Fee for the Independent Living Residence to which he or she is moving to. If a resident wishes to move from an existing Independent Living Residence into a new Independent Living Residence being constructed, the resident will be required to pay 100 percent of the entrance fee of the new Independent Living Residence. This is in addition to the initial Entrance Fee paid for the current residence. If a resident moves from their current Independent Living Residence into a different Independent Living Residence that has a refund due, the minimum transfer fee will be at least 25 percent (25%) and the amount of the refund due on the new Independent Living Residence. All transfer fees must be paid in advance and cannot be applied to any possible credits or future refunds owed by Penick Village back to the Resident(s). There is no refund of the Entrance Fee for the new Residence if the Entrance Fee is less than what was previously paid. In all moves, the moving resident shall pay in advance the cost of painting and re-carpeting the new Residence, all the costs of any other requested renovations or additions, all costs of the physical move and, when the move is complete, the monthly rate applicable for the new Residence.

Residents are responsible for the cost of moving their personal belongings for any permanent moves from their Independent Living residence to Residential Assisted Living, the Blanche Robertson Garden Cottage or Health Center. Penick Village, at its discretion, may issue a credit to the monthly service fee for a portion of the moving company expense. The resident will, also, be responsible for paying the prevailing daily rate for services in the particular level of care needed.

Marriage/New Second Occupant

In the event of the marriage of a resident to another resident, they may: continue to maintain two Residential Apartments/Cottages and pay the applicable Monthly Service Fee for single occupancy for each residence then in effect; or release either Residence occupied by them, and pay the applicable Monthly Service Fee for first and second person occupancy then in effect. All benefits provided in each Residency Agreement shall remain and continue in effect.

There shall be no refund of the Entrance Fee to either resident until both residents leave and the conditions of the Residency Agreement(s) have been met, or unless otherwise agreed upon in writing.

If a resident and a non-resident (such as a new spouse) desire to share the Independent Living Residence, the non-resident may become a resident and live in the Independent Living Residence only if he/she meets the qualifications for residency set forth in the Residency Agreement and both persons execute a new Residency Agreement. In such event, the Monthly Service Fee shall be adjusted to reflect the additional charge per month for a second person-and the non-resident will be required to pay an Entrance Fee in accordance with the then current policies established by Penick Village.

In the event that a resident marries an individual while at Penick Village who does not meet the residency requirements, Penick Village, in its sole discretion, may allow such person to reside at Penick Village. However, this person would not have any rights, privileges or protection under the Residency Agreement.

IV. SERVICES

General Services and Facilities

Basic Agreement. In consideration of payment of an Entrance Fee and Monthly Service Fee the resident is entitled to occupy the Independent Living Residence selected and to receive the services and use of the facilities described in the Residency Agreement.

Residence Furnishings. The Residence is furnished at Penick Village's expense with floor coverings, blinds, self-defrosting refrigerator/freezer with ice maker,

range and oven, dishwasher, microwave oven, garbage disposal, washer/dryer, emergency call system, telephone jack(s) and internet/cable TV connections.

Parking. Parking areas are provided for the Resident(s) and Penick Village guests as defined in the Resident Handbook. Based on availability, covered parking is an option for the Woodlands apartments for (i) an upfront fee and (ii) a monthly maintenance fee (See Optional Service Fee schedule for rates). Residents of the Parkview Building are provided one parking space per apartment in the garage area. Golf Cart parking for all IL residents is available on a limited basis and needs to be arranged with Resident Services.

Community Space. The Resident(s) may use Penick Village community space in accordance with the Penick Village Resident Handbook, as modified and amended from time to time. Community spaces are non-smoking and are anticipated to include but are not guaranteed or warranted to include:

- a. Chapel
- b. Living rooms
- c. Dining rooms
- d. Library
- e. Barber/beauty salon
- f. Card/life enrichment room
- g. Multi-purpose/media room
- h. Mail center
1. Fitness center

Food Service. Breakfast, lunch and dinner are served on a daily basis. The Resident(s) is entitled to receive a \$300.00 monthly allowance allocated to food in Penick Village dining venues per person covered in this Residency Agreement. A maximum \$100.00 unused food allowance in any one month is allowed to be carried over to the following month. Meal allowances are to be used for standard dining service prepared meals and meal portions only. If a resident goes over his or her monthly allowance, it will be billed directly to his or her account to be paid with his or her monthly statement. If a Resident(s) is absent from Penick Village for seven (7) or more consecutive days, he or she will receive a credit in conformance with our absent day credit policy which will be applied against the meal credit. Food prices are subject to change per market costs and no 60-day notice is required to be given by Penick Village for these changes. Allowances may not be used for raw, frozen or seared meat, store to door items, bulk orders of food or guest holiday and guest special occasion meals (Thanksgiving, Christmas, Valentine's Day, or others as determined by Penick Village Dining). When a Resident(s) permanently leave Penick Village or reside(s) in a different level of care, the monthly food allowance is discontinued and will be prorated in proportion to the number of days the Resident(s) occupied his or her Independent Living Residence.

Housekeeping. Residential Housekeeping includes vacuuming, dusting, bathroom cleaning, mopping, sweeping, etc. occurs on a weekly scheduled basis. Linen and supplies (trashcan liners, toilet paper, paper towels) are not included in this service but may be purchased for a fee.

Utilities. The costs of sewer, natural gas (if applicable) water, waste disposal, electricity, are included in the Monthly Service Fee. In consideration of the evolving new alternate forms of fuels and power sources, Penick Village reserves the right to apply up-front and/or ongoing charges to cover such costs. Basic cable television service is included in the Monthly Service Fee. While the Independent Living Residence is centrally wired for cable television and telephone service, the resident is responsible for all telephone, premium cable television, if available, and internet service provider charges.

Security and Emergency Alert System. Residences are equipped with smoke/heat detection and emergency alert systems. The Health Care Building, Parkview Residences and Woodlands Residences are also equipped with a fire sprinkler system. The South, Woodlands and Parkview Independent Residences buildings are secured buildings while the North Healthcare building and Village House is secured after normal business hours. The staff of Penick Village monitors the emergency alert systems around the clock and coordinates emergency response as appropriate.

Laundry. Penick Village provides scheduled weekly laundry service of personal bed linens if supplied by Penick Village, unless otherwise specified by the Residency Agreement.

Maintenance. Penick Village maintains all community space and grounds as well as repair, maintain and replaces Penick Village provided equipment and furnishings, unless such repairs are required as a result of the resident's negligence. Damages to the residence (including appliances and cleaning) will result in additional fees. The resident is responsible for maintenance of their personal property.

Mail. A mailbox is provided for each resident as are mail slots for intra-Penick Village communication.

Transportation. Penick Village will provide scheduled group transportation to designated shopping, social and cultural events, medical facilities, and other local destinations. For larger group events requiring transportation or destinations outside of Southern Pines, a transportation charge will apply. Please reference the Resident Handbook of hours of operations and the Optional Services Fee schedule for a list of fees.

Spiritual Programs. A full-time Chaplain coordinates a variety of spiritual programs for those residents wishing to participate.

Social, Educational, Cultural and Recreational Programs. A full-time Director of Life Enrichment coordinates a variety of social, recreational, educational, fitness, wellness, and cultural programs for those residents wishing to participate.

Storage Area. Except for Residents who live in a cottage, storage areas located in Penick Village are assigned and available for a Resident's use. Additional storage may be available for a fee.

Insurance. Penick Village maintains property and casualty insurance coverage on the buildings and grounds. Such coverage will not insure against loss or damage to the residents personal property or damage or injury to others caused by the resident. Penick Village recommends that the resident purchase appropriate comprehensive insurance typically referred to as renter's insurance as well as, if you elect flood and personal "excess" insurance policies.

Medical Director. Penick Village retains the services of a qualified physician ("Medical Director") to be responsible for the oversight of the appropriateness and quality of medically related events and services provided by Penick Village.

Long Term Care Benefit. If it is determined that a resident requires assisted living or nursing services, such resident will receive priority access to the Residential Assisted Living, Blanche Robertson Garden Cottage, or Skilled Nursing Health Center. Penick Village will provide the resident with basic assisted living services available in the Residential Assisted Living or Blanche Robertson Garden Cottage or nursing services available in the Skilled Nursing Health Center as described below and subject to changes in law.

Assisted Living. Penick Village provides to the residents, in a Residential Assisted Living studio or apartment, services that are designed to assist with the events of daily living in accordance with applicable North Carolina statutes and regulations. Services included are assistance with medication administration, dressing, grooming, bathing, toileting and ambulating.

Skilled Nursing Services. Penick Village provides to residents, in a private room, licensed skilled nursing services in accordance with applicable North Carolina statutes and regulations. The service provided includes services covered by the basic published daily rate for a private nursing room then in effect. Such service may include those areas required by statute to be supervised or administered by a professional licensed nursing staff, e.g., medication administration, condition and behavior observation and assessment, creation and administration of a care plan, assistance with events of daily living, and communication with physicians and other service providers.

Home Care. Penick Village's Home Care can provide services to residents and the greater community such as Nursing Services, Companion, Sitter, and Respite Services. The care provided is fee for service and includes services that are listed

in Attachment 10

Optional Services. The following Optional Services and other services may be available to Residents on a fee-for-service basis:

- a. Guest meals
- b. Catering for special occasions
- c. Barber and beauty services
- d. Meal delivery service
- e. Additional transportation
- f. Additional housekeeping and linen services.
- g. Computer & IT services
- h. Usage of guest suites, and community space, if available
- i. Personal business services
- j. On-site storage services
- k. Additional maintenance and landscaping services
- l. Electric Car and Golf Cart charging stations

Charges for these Optional Services and others that may be offered are made in accordance with the Resident Handbook then in effect and will be billed to the Resident(s) monthly. Prices for Optional Services are listed in Attachment 9.

V. FEES AND CREDITS

Wait List Fees

It is the policy of Penick Village to charge a refundable Wait List Fee of \$1,000, which, to the extent not previously refunded, is applied as a credit to the Residency Agreement Entrance Fee if the applicant actually takes up residence in Penick Village. If an applicant decides to not take residency at Penick Village the Application Fee refund will be reduced by a \$250 administrative fee.

Reservation Deposit

It is the policy of Penick Village to charge a refundable Reservation Deposit of \$10,000, which, to the extent not previously refunded, is applied as a credit to the Residency Agreement Entrance Fee if the applicant actually takes up residence in Penick Village. If an applicant decides to not take residency at Penick Village the Reservation Deposit refund will be reduced by a \$1,000 administrative fee.

Ready List Agreement

It is the policy of Penick Village to give the opportunity to applicants to show that they are ready to move in as soon as a residence is available. This is done by

making a Ready List Agreement with a Ten Percent (10%) deposit, which is applied as a credit to the Residency Agreement Entrance Fee if the applicant actually takes up residence in Penick Village. This moves the applicant to the top of the waitlist. If there is more than one person on the Ready List for a particular apartment, the applicant's place on that list is dependent on the date the Agreement was made and the deposit received. The applicant may terminate the agreement prior to entering into a Residency Agreement for any reason by giving written notice to Penick Village. Penick Village shall refund the amount of the Ready List Deposit paid less a \$1,000 administrative and processing fee within 30 days of such notice.

Entrance Fee

Prior to admission, the Applicant and Penick Village enter into a contract known as a "Residency Agreement". Under the Residency Agreement the Applicant agrees to pay an Entrance Fee, in an amount that varies with the size of the residential unit and chooses the Entrance Fee option of 12-Month Declining Refundable, 48-Month Declining Refundable, Fifty Percent (50%) Refundable, or Ninety Percent (90%) Refundable. Please note that the 50% and 90% Refundable Entrance Fees are calculated per individual's age, or in the case of two people, it will be based on actuarial calculated multipliers and is not available to potential residents 85 years of age or older, based on the age of the older of the two potential residents on the Residency Agreement signing date. Penick Village agrees to provide Applicant continuing services for life pursuant to said Agreement. (The varying required Entrance Fee amounts are tabulated together with the on-going Monthly Service Fees for the various residences and services in the next item ("Monthly Service Fee"). Upon executing the Residency Agreement the Resident shall pay Penick Village 10% of the Entrance Fee, and shall be required to take financial occupancy of the Independent Living Residence within sixty (60) days. The resident will also arrange with Penick Village a mutually satisfactory schedule of subsequent payments thereon, and shall complete the payment of the full amount by the time the Residence is occupied.

Provisions for cancellation and termination of the Agreement or for making it final, or pertaining to Entrance Fees are set forth in Section III – Policies. Except as modified by the provisions referred to once a resident takes up actual residence at Penick Village under a life plan contract, any then unpaid balance of the Entrance Fee is due and payable absolutely and in full to Penick Village.

Please note, any specific upgrade costs to the Resident's Independent Living Residence, Residential Assisted Living Residence, Garden Cottage or Skilled Nursing Health Center Room will be non-refundable and due in full in advance of the construction of the specific upgrades and become a permanent part of the residence and property of Penick Village.

Monthly Service and Daily Service Fees

A listing of current Entrance Fees, Independent Living Monthly Service Fees (please note that the residents who waived the Entrance Fee, the Monthly Service Fees are the same, however, the benefits are significantly less per Addendum C of the Residency Agreement), Assisted Living Fees and Nursing Care fees may be found on Attachment 1.

The Monthly Service Fee and/or Daily Service Fee shall be due beginning on the Occupancy Date and will be prorated, if necessary, on a daily basis for the first and last months of occupancy. Penick Village may increase the Monthly Service Fee and/or Daily Service Fee, upon sixty (60) days written notice to the resident. This is applicable to residents who have paid an entrance fee or utilized the entrance fee waiver. Changes in fees are determined by considering actual expenses and revenues, projected expenses and revenues, and actuarial projections at times. It is Penick Village's intent to make adjustments to the Fees only once a year, but the organization reserves the right to raise them more frequently if it serves the best interest of the organization.

When a determination is made by the resident's physician and approved by the appropriate Penick Village representative that the resident needs assisted living or nursing services, Penick Village will admit the resident to the Residential Assisted Living, the Blanche Robertson Garden Cottage, or Skilled Nursing Health Center or another facility under the conditions set forth in the following paragraph.

If a resident is residing in the Residential Assisted Living or the Blanche Robertson Garden Cottage and requires skilled nursing services leading to a transfer to the skilled nursing center and the resident would like to keep his or her room in Residential Assisted Living or the Blanche Robertson Garden Cottage, the resident will be responsible for paying for a room hold of his or her room in the Residential Assisted Living or the Blanche Robertson Garden Cottage as well as the fees he or she are incurring in the nursing center. The cost of the room hold is the current daily published rate minus \$10.00 per day.

In the event that, for any reason, space for the resident is not available in Residential Assisted Living, the Blanche Robertson Garden Cottage, or Skilled Nursing Health Center, upon determination that a permanent transfer is required, Penick Village will arrange for the care at the resident's cost in their Independent Living Residence by a certified Home Health Care Agency or Home Care Agency, if reasonably possible, until space becomes available in Residential Assisted Living, the Blanche Robertson Garden Cottage, or Skilled Nursing Health Center. The aforementioned is contingent upon the terms outlined in the individual's Residency Agreement. If Home Health Care is not medically possible Penick Village will contact another facility of Penick Village's choice that can provide similar care that would otherwise have been provided by Penick Village until space becomes available. Penick Village will provide transportation to another facility as

appropriate and pay for transportation costs above those costs paid by third party payors such as Medicare.

All monthly payments and all daily payments for the full month are due and payable in advance on the fifteenth (15th) day of each month. Penick Village has a late payment policy for all payments not received by the 15th of the month; a late charge of eighteen percent (18%) annually will be applied to any unpaid balance.

If a resident is away from Penick Village for seven (7) or more consecutive days, he/she shall be entitled to an absent day credit according to the policy in effect. However, this absent day credit is not available to a resident who is benefiting from financial assistance in the form of advances, extended credit or in reduction of Entrance Fee or monthly or daily fees.

Should a resident have a temporary need for Assisted Living or Nursing services while still occupying his/her Independent Living Residence, he/she will be required to pay the prevailing Monthly Service Fee for their Independent Living Residence. Penick Village will provide, without additional charge, Assisted Living or Nursing services for 14 days per calendar year following admission to Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Skilled Nursing Health Center. This benefit is provided in addition to the Nursing Services covered by Medicare or insurance. Thereafter, the resident will pay the prevailing applicable daily rate for Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Skilled Nursing Health Center as well as the monthly service fee for their Independent Living Residence.

In the case of Double Occupancy, should one or both residents have a temporary need for Assisted Living or Nursing services while they are still occupying the Independent Living Residence, he/she will be required to pay the prevailing Monthly Service Fee plus the prevailing second person Monthly Service Fee for his/her Independent Living Residence. Penick Village will provide, without additional charge, basic Assisted Living or Nursing Care for 14 days annually per person. This benefit is provided in addition to the services covered by Medicare or insurance. Thereafter, the resident will pay the prevailing applicable daily rate for Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Skilled Nursing Health Center and the remaining resident will pay the prevailing single person Monthly Service Fee.

If a resident does not use his or her 14 days, he or she may "bank" those days for a maximum of 28 days. The resident may not accumulate more than 28 days.

Additional Service Fees

A listing of additional services where a fee may be applied is listed in Attachment 9.

Changes in Fees for the Previous Five Years

During the past five years, the monthly service fees and daily fees have increased on an annual basis in January. Residential rates are by the month; Nursing, Garden Cottage, and Assisted Living rates are by the day. Changes in fees are determined by considering actual expenses and revenues from previous years, projected expenses and revenues, and actuarial projections. The Board of Directors reviews and approves Fees and Fee changes associated with Residency at Penick Village at least annually. All changes in Fees will be in accordance with the terms of the Continuing Care Residency Agreement. The table denoting the fee increases for the past five years is Attachment 2.

Absent Day Credit Policy: If a resident or residents is/are absent from Penick Village for seven (7) or more consecutive days and has informed the Resident Services Desk of his or her absence, an absent day credit of \$10.00 per day will apply and will be credited against the meal allowance and will retro back to the first day of the absence. Any resident absences under seven (7) days will receive no credit.

Penick Village
Actuarial Calculations for Refundable Entrance Fees as of February 2019

50% REFUNDABLE ENTRANCE FEES

90% REFUNDABLE ENTRANCE FEES

50% REFUNDABLE ENTRANCE FEES				90% REFUNDABLE ENTRANCE FEES			
AGE	LIFE EXP YEARS	PERCENT INCREASE	MULTIPLIER	AGE	LIFE EXP YEARS	PERCENT INCREASE	MULTIPLIER
60-62	24	12.3	1.123	62	24	24.5	1.245
63	23	13.0	1.130	63	23	26.2	1.262
64	22	13.9	1.139	64	22	28.0	1.280
65	21	14.8	1.148	65	21	30.0	1.300
66	20	15.7	1.157	66	20	32.2	1.322
67	19	16.6	1.166	67	19	34.4	1.344
68	19	17.7	1.177	68	19	37.0	1.370
69	18	18.8	1.188	69	18	39.6	1.396
70	17	20.0	1.200	70	17	42.7	1.427
71	16	21.1	1.211	71	16	45.5	1.455
72	16	22.7	1.227	72	16	49.2	1.492
73	15	23.7	1.237	73	15	52.5	1.525
74	14	25.2	1.252	74	14	56.6	1.566
75	13	26.7	1.267	75	13	60.6	1.606
76	13	28.2	1.282	76	13	65.6	1.656
77	12	29.7	1.297	77	12	70.0	1.700
78	11	31.4	1.314	78	11	75.4	1.754
79	11	33.0	1.330	79	11	80.6	1.806
80	10	34.9	1.349	80	10	87.2	1.872
81	10	36.7	1.367	81	10	92.8	1.928
82	9	38.4	1.384	82	9	96.8	1.968
83	9	40.3	1.403	83	9	106.7	2.067
84	8	42.1	1.421	84	8	114.2	2.142
85	8	44.1	1.441	85	8	122.6	2.226
86	7	46.2	1.462	86	7	132.0	2.320
87	7	48.1	1.481	87	7	141.0	2.410
88	6	49.9	1.499	88	6	148.2	2.482
89	6	51.8	1.518	89	6	158.6	2.586
90	6	54.0	1.540	90	6	170.5	2.705
91	5	55.9	1.559	91	5	181.0	2.810
92	5	57.3	1.573	92	5	189.5	2.895
93	5	59.3	1.593	93	5	202.0	3.020
94	4	60.8	1.608	94	4	212.3	3.123
95	4	62.5	1.625	95	4	223.5	3.235
96	4	64.0	1.640	96	4	236.0	3.360
97	4	65.8	1.658	97	4	249.0	3.490
98	3	67.0	1.670	98	3	258.7	3.587
99	3	69.4	1.694	99	3	280.0	3.800
100	3	71.0	1.710	100	3	293.0	3.930

VI. FINANCIAL INFORMATION

Financial Overview Statement

Penick Village is fiscally sound and maintains its properties in excellent condition in order to serve all of its residents to the full extent of its obligations. Occupancy has averaged 90 percent throughout the history of the organization. Turnover of independent living units averages approximately 10 percent a year.

Current Certified Financial Statements

In Attachment 3 of this Disclosure Statement is the current audit report of Penick Village's independent auditors, the certified public accounting firm of CliftonLarsonAllen, LLP for the latest fiscal year ending September 30, 2018.

Current Interim Financial Statements

Included as Attachment 10 is an unaudited financial report for the first three months of Fiscal Year 2019 (December 2018).

Five Year Forecasted Statement

In Attachment 4 of this Disclosure Statement is the Compilation of a Financial Projection for each of the five years ending September 30, 2023 compiled by CliftonLarsonAllen, LLP.

Actuarial Summary Report

In Attachment 11 of this Disclosure Statement is the Actuarial Summary for the fiscal year ending September 30, 2018 compiled by A.V. Powell & Associates.

Reserves, Escrow and Trusts

- **Reserves**

Provisions for reserve funding required by G.S. 58-64-20(a)(9), 58-64-33, and 58-64-35 are as follows:

(a) Capital Indebtedness. None at this time.

(b) Operating Reserve. Section 58-64-33 of the North Carolina General Statutes requires continuing care retirement facilities that maintain an occupancy level in excess of 90 percent to establish an operating reserve equal to 25 percent of its projected operating expenses; otherwise a 50 percent reserve is required. Penick Village is in compliance with this General Statute. The operating cash reserve for Fiscal Year 2019 is calculated as follows:

Projected 2019- Operating Expenses	\$18,247,946
Add Principal	729,730
Less Depreciation	(\$2,085,492)
Less Amortization	
	\$16,892,184
25% Requirement	\$4,223,046

As of December 31, 2018, the operating reserve fund's cash estimated value is \$4,425,804 and is deposited in the name of Penick Village at Franklin Street Partners, Inc. in Chapel Hill, North Carolina

All operating reserve funds are invested by the Finance Committee of the Board of Directors of Penick Village, in cash, invested cash, or in investment grade securities, including bonds, stocks, U.S. Treasury obligations or obligations of U.S. government agencies. No Escrow Agreements are held at this time.

VII. OTHER MATERIAL INFORMATION, AS APPLICABLE

Penick Village is not the subject of bankruptcy filing, receivership, liquidation or the like.

VIII. ATTACHMENTS

The following Attachments as described in the Table of Contents comply with currently applicable statutory and regulatory requirements.

ATTACHMENTS

The following attachments comply with applicable statutory and regulatory requirements:

Attachment 1: Penick Village Fees.

Attachment 2: Change in Monthly Fees for Previous Five Years.

Attachment 3: Current audit report for latest fiscal year ending September 30, 2018.

Attachment 4: Current Projection for each of the five years ending September 30, 2023.

Attachment 5: Actual Results Compared to Five Year Forecast for fiscal year ending September 30, 2018.

Attachment 6: Current Residency Agreement.

Attachment 7: Reservation Agreement.

Attachment 8: Ready List Agreement.

Attachment 9: Optional Service Fees, Home Care Fees, Store2Door Fees

Attachment 10: First Three Months of Fiscal Year 2019 Financial Statements (December 30, 2018).

Attachment 11: Actuarial Study Summary compiled by A.V. Powell & Associates

PENICK VILLAGE FEES

Effective January 1, 2019

Includes 3% increase for all levels

<u>Type of Unit</u>	<u>48 month Declining</u>	<u>MONTHLY SERVICE FEE</u>
Azalea Single Room - South, B&E wings	\$ 33,835	1,893
Camellia Large Room -South, C&D wings	\$ 41,107	1,947
Gardenia 2 Room Suite - South, B&E wings	\$ 81,153	2,137
Lilac 2 Room Suite - South, C&D wings	\$ 86,860	2,258
Forsythia Large 2 Room Suite - South	\$ 124,230	2,314
Hydrangea A 3 Room Suite - South	\$ 140,340	2,442
Hibiscus 4 Room Suite - South	\$ 162,206	2,561
Duplex 1 Duplex - 1 Bedroom	\$ 168,014	2,852
Duplex 2 Duplex - 2 Bedroom	\$ 183,618	3,038
Park Cottage Cottage	\$ 188,820	3,023
Weymouth Cottage Weymouth #1	\$ 203,818	3,436
Large Park Cottage A Weymouth #2	\$ 248,662	3,436
Large Park Cottage B Weymouth #3	\$ 259,974	3,436
Woodland Home- Dogwood	\$ 328,000	4,285
Woodland Home-Magnolia	\$ 359,900	4,285
Woodland Home-Longleaf	\$ 359,900	4,285
Woodland Apt-Crape Myrtle	\$ 99,500	2,197
Woodland Apt-Linden	\$ 130,900	2,408
Woodland Apt-Periwinkle	\$ 155,000	2,821
Woodland Apt-Redbud	\$ 155,000	2,821

PENICK VILLAGE FEES

Effective January 1, 2019

Includes 3% increase for all levels

MONTHLY

Woodland Apt-Birch	\$ 187,000	3,023
Woodland Apt-Pin Oak	\$ 219,900	3,436
Woodland Apt-Poplar	\$ 253,000	3,708
Woodland Apt-Chestnut	\$ 279,900	3,916
Parkview Apt.-Topanga	\$ 99,000	2,051
Parkview Apt.-Acadia 1st Fl	\$ 105,000	2,051
Parkview Apt.-Acadia 2nd Fl	\$ 109,000	2,051
Parkview Apt.-Lincoln 1st Fl	\$ 177,000	2,807
Parkview Apt.-Lincoln 2nd Fl	\$ 182,000	2,807
Parkview Apt.-Griffith	\$ 218,000	3,022
Parkview Apt.-Franklin	\$ 272,000	3,346
Parkview Apt.-Aurora 1st Fl	\$ 272,000	3,346
Parkview Apt.-Aurora 2nd Fl	\$ 277,000	3,346
Parkview Apt.-Hyde 1st Fl	\$ 302,000	3,670
Parkview Apt.-Hyde 2nd Fl	\$ 317,000	3,670
Second Person Fee		\$ 950

50% and 90% Refundable Entrance Fee options are also available.

Prices subject to change and may be higher due to upgrades.

Second Person Entrance Fee = \$15,000

<u>Residential Assisted Living</u>	<u>Entrance Fee</u>	<u>Internal Daily Rate</u>	<u>External Daily Rate</u>
Studio	\$2,000	\$160	\$165
Large Studio	\$3,500	\$193	\$200
Extended Studio	\$4,000	\$200	\$215
1 Bedroom	\$5,000	\$230	\$250
2 Bedroom	\$10,000	\$266	\$290
2nd Person Fee = \$145.00 per day			
<u>Garden Cottage - Assisted Living</u>			
Individual Residents	\$10,000	\$220	\$230
Skilled Nursing Health Center		\$309	\$309

Attachment #2

CHANGES IN MONTHLY FEES FOR PERVIOUS FIVE YEARS

	2014	2015	2016	2017	2018
Single Room - South, B&E Wing	\$ 1,645	\$ 1,694	\$ 1,753	\$ 1,806	\$ 1,837
Large Room - South, C&D Wing	\$ 1,692	\$ 1,743	\$ 1,804	\$ 1,858	\$ 1,891
Large Room - North	\$ 1,751	\$ 1,743	\$ 1,804	\$ 1,858	\$ 1,891
2 Room Suite - South, B&E Wing	\$ 1,857	\$ 1,913	\$ 1,980	\$ 2,039	\$ 2,075
2 Room Suite - South, C&D Wing	\$ 1,962	\$ 2,021	\$ 2,092	\$ 2,154	\$ 2,192
Large 2 Room Suite - South	\$ 2,011	\$ 2,071	\$ 2,143	\$ 2,208	\$ 2,246
2 Room Suite - North	\$ 1,962				
3 Room Suite - South (Hydrangea A)	\$ 2,122	\$ 2,186	\$ 2,263	\$ 2,330	\$ 2,371
3 Room Suite - North	\$ 2,225				
4 Room Suite - South (Hibiscus)	\$ 2,225	\$ 2,292	\$ 2,372	\$ 2,443	\$ 2,486
Duplex - 1 Bedroom	\$ 2,479	\$ 2,553	\$ 2,642	\$ 2,722	\$ 2,769
Duplex - 2 Bedrooms	\$ 2,627	\$ 2,706	\$ 2,814	\$ 2,899	\$ 2,949
Park Cottage	\$ 2,627	\$ 2,706	\$ 2,801	\$ 2,885	\$ 2,935
Weymouth	\$ 2,985	\$ 3,075	\$ 3,183	\$ 3,278	\$ 3,335
Homes at Penick - Dogwood	\$ 3,722	\$ 3,834	\$ 3,968	\$ 4,087	\$ 4,159
Homes at Penick - Magnolia, Longleaf	\$ 3,722	\$ 3,834	\$ 3,968	\$ 4,087	\$ 4,159
Woodlands - Crape Myrtle	\$ 1,909	\$ 1,966	\$ 2,035	\$ 2,096	\$ 2,133
Woodlands - Linden	\$ 2,092	\$ 2,154	\$ 2,229	\$ 2,296	\$ 2,336
Woodlands - Redbud, Periwinkle	\$ 2,450	\$ 2,525	\$ 2,613	\$ 2,692	\$ 2,739
Woodlands - Birch	\$ 2,627	\$ 2,706	\$ 2,801	\$ 2,885	\$ 2,935
Woodlands - Pin Oak	\$ 2,985	\$ 3,075	\$ 3,183	\$ 3,278	\$ 3,335
Woodlands - Poplar	\$ 3,222	\$ 3,319	\$ 3,435	\$ 3,538	\$ 3,600
Woodlands - Chestnut	\$ 3,404	\$ 3,505	\$ 3,628	\$ 3,737	\$ 3,802
Parkview - Topanga Ground Floor			\$ 1,900	\$ 1,957	\$ 1,991
Parkview - Acadia - First Floor			\$ 1,900	\$ 1,957	\$ 1,991
Parkview - Acadia - Second Floor			\$ 1,900	\$ 1,957	\$ 1,991
Parkview - Lincoln - First Floor			\$ 2,600	\$ 2,678	\$ 2,725
Parkview - Lincoln - Second Floor			\$ 2,600	\$ 2,678	\$ 2,725
Parkview - Griffith - First Floor			\$ 2,800	\$ 2,884	\$ 2,934
Parkview - Franklin - Second Floor			\$ 3,100	\$ 3,193	\$ 3,249
Parkview - Aurora - First Floor			\$ 3,100	\$ 3,193	\$ 3,249
Parkview - Aurora - Second Floor			\$ 3,100	\$ 3,193	\$ 3,249
Parkview - Hyde - First Floor			\$ 3,400	\$ 3,502	\$ 3,563
Parkview - Hyde - Second Floor			\$ 3,400	\$ 3,502	\$ 3,563
Second Person Fee	\$ 915	\$ 915	\$ 925	\$ 935	\$ 950
Assisted Living per day	\$138 - \$238	\$142 - \$245	\$147 - \$245	\$152 - \$245	\$155-\$232
Garden Cottage per day	\$ 190	\$ 196	\$ 203	\$ 210	\$ 214
Nursing Care per day	\$ 267	\$ 275	\$ 285	\$ 295	\$ 300
<i>Annual Rate Increase</i>					
January 1st Annually	3.5%	3.5%	3.50%	3%	1.75%
Average IL Monthly Rate Increase	\$ 81	\$ 79	\$ 90	\$ 80	\$ 48

PENICK VILLAGE, INC. AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

CliftonTARSONAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**PENICK VILLAGE, INC. AND AFFILIATES
TABLE OF CONTENTS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED BALANCE SHEETS	3
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS	5
CONSOLIDATED STATEMENTS OF CASH FLOWS	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	9
SUPPLEMENTARY INFORMATION	
CONSOLIDATING BALANCE SHEET	25
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS	27



CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Penick Village, Inc. and Affiliates
Southern Pines, North Carolina

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Penick Village, Inc. and Affiliates (the Organization), which comprise the consolidated balance sheet as of September 30, 2018, and the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to consolidated the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2018, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The consolidated financial statements as of and for the year ended September 30, 2017 were audited by other auditors whose report dated December 27, 2017, expressed an unmodified opinion on those consolidated financial statements.

Report on Supplementary Information

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 25 to 28 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



CliftonLarsonAllen LLP

Charlotte, North Carolina
January 25, 2019

**PENICK VILLAGE, INC. AND AFFILIATES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2018 AND 2017**

ASSETS	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,240,542	\$ 2,557,156
Assets Limited as to Use	104,464	150,399
Investments	7,100,113	6,344,433
Receivables:		
Accounts and Notes, Net of Allowance	608,168	517,949
Unconditional Promises to Give	-	30,555
Other	96,841	102,201
Prepaid Assets	148,201	136,680
Total Current Assets	<u>10,298,329</u>	<u>9,839,373</u>
 ASSETS LIMITED AS TO USE		
Investments – Operating Reserve Requirement	4,223,046	3,939,512
 PROPERTY AND EQUIPMENT, NET		
	41,693,868	42,481,397
 OTHER ASSETS		
Deposits	915	190,548
Interest Rate Cap Agreement	5,420	11,960
Beneficial Interest in Annuities	187,920	111,972
Intangible Asset	85,455	-
Total Other Assets	<u>279,710</u>	<u>314,480</u>
 Total Assets	 <u>\$ 56,494,953</u>	 <u>\$ 56,574,762</u>

See accompanying Notes to Consolidated Financial Statements.

**PENICK VILLAGE, INC. AND AFFILIATES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
SEPTEMBER 30, 2018 AND 2017**

	2018	2017
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 738,662	\$ 673,095
Current Maturity of Lease Liability	9,531	-
Payable from Assets Limited as to Use	81,706	126,469
Accounts Payable	478,814	415,439
Accrued Liabilities	697,315	534,468
Application and Prepaid Admission Deposits	883,079	344,400
Refund Liability, Current Portion	1,205,475	1,228,154
Total Current Liabilities	4,094,582	3,322,025
REFUND LIABILITY, LESS CURRENT PORTION	5,951,636	6,785,805
DEFERRED REVENUE	15,136,594	15,507,119
LONG-TERM DEBT, LESS CURRENT MATURITIES	22,082,489	23,079,076
LEASE LIABILITY, LESS CURRENT MATURITY	35,882	-
Total Liabilities	47,301,183	48,694,025
NET ASSETS		
Unrestricted	8,270,346	7,020,648
Temporarily Restricted	594,017	530,682
Permanently Restricted	329,407	329,407
Total Net Assets	9,193,770	7,880,737
Total Liabilities and Net Assets	\$ 56,494,953	\$ 56,574,762

PENICK VILLAGE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT		
Independent Living	\$ 6,150,708	\$ 5,915,472
Healthcare Revenue	8,433,141	8,318,578
Less: Contractual Adjustments	<u>(1,043,802)</u>	<u>(1,234,720)</u>
Net Resident Service Revenue	13,540,047	12,999,330
Earned Entrance Fees	2,626,775	2,961,711
Other Operating Revenue	815,084	638,980
Contributions	897,936	630,245
Net Assets Released from Restriction	<u>34,010</u>	<u>68,154</u>
Total Unrestricted Revenues, Gains, and Other Support	17,913,852	17,298,420
 OPERATING EXPENSES		
Program Services:		
Dining Services	2,746,396	3,248,506
Housekeeping	657,154	688,593
Nursing	3,425,114	3,120,141
Residential Assisted Living	686,924	675,788
Resident Services	228,709	207,880
Facility Services	1,803,516	1,764,507
Life Enrichment	301,068	291,479
Home Care	384,032	240,019
Garden Cottage	<u>460,256</u>	<u>415,331</u>
Total Program Services	10,693,169	10,652,244
Support Services:		
General and Administrative	2,214,216	2,220,140
Human Resources	349,374	319,790
Information Technology	500,268	340,591
Marketing and Development	480,579	495,508
Depreciation and Amortization	2,170,436	2,219,231
Interest	<u>1,015,481</u>	<u>804,002</u>
Total Supporting Services	6,730,354	6,399,262
Total Operating Expenses	<u>17,423,523</u>	<u>17,051,506</u>
 OPERATING INCOME	490,329	246,914

See accompanying Notes to Consolidated Financial Statements.

**PENICK VILLAGE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	2018	2017
NONOPERATING INCOME (LOSS)		
Interest and Dividends	\$ 301,208	\$ 318,738
Realized Gains on Sale of Investments, Net of Expenses	346,630	121,638
Unrealized Loss on Fair Value of Interest Rate Cap Agreement	<u>(6,540)</u>	<u>(21,148)</u>
Total Nonoperating Income	<u>641,298</u>	<u>419,228</u>
EXCESS OF REVENUES, GAINS, AND OTHER SUPPORT OVER EXPENSES	1,131,627	666,142
Net Assets Released from Restriction for Capital Improvements	127,157	-
Transfers of Unrestricted Net Assets to Temporarily Restricted Net Assets	(110,905)	-
Net Unrealized Gains on Investments	<u>101,819</u>	<u>443,080</u>
INCREASE IN UNRESTRICTED NET ASSETS	1,249,698	1,109,222
TEMPORARILY RESTRICTED NET ASSETS		
Change in Fair Value of Split-Interest Agreement	75,948	16,258
Contributions	7,846	85,613
Interest and Dividends	10,945	-
Realized Gains on Sale of Investments, Net of Expenses	1,315	-
Net Unrealized Gains on Investments	17,543	-
Transfers of Unrestricted Net Assets to Temporarily Restricted Net Assets	110,905	-
Net Assets Released from Restriction	<u>(161,167)</u>	<u>(68,154)</u>
Increase in Temporarily Restricted Net Assets	<u>63,335</u>	<u>33,717</u>
INCREASE IN NET ASSETS	1,313,033	1,142,939
Net Assets – Beginning of Year	<u>7,880,737</u>	<u>6,737,798</u>
NET ASSETS – END OF YEAR	<u>\$ 9,193,770</u>	<u>\$ 7,880,737</u>

See accompanying Notes to Consolidated Financial Statements.

PENICK VILLAGE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 1,313,033	\$ 1,142,939
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	2,170,436	2,219,231
Bad Debt Expense	58,000	50,613
Amortization of Debt Issuance Costs	30,258	26,447
Amortization of Entrance Fees	(2,626,775)	(2,961,711)
Nonrefundable Entrance Fees Received	2,426,490	1,677,130
Gain on Disposal of Property and Equipment	-	(500)
Interest and Dividends	(312,153)	(318,738)
Realized Gains on Sale of Investments, Net of Expenses	(347,945)	(121,638)
Unrealized Gains on Investments	(119,362)	(443,080)
Unrealized Gains on Beneficial Interest in Annuities	(75,948)	(18,930)
Unrealized Loss on Fair Value of Interest Rate Cap Agreement	6,540	21,148
Net Changes in Operating Assets and Liabilities:		
Accounts and Notes Receivable	(148,219)	(356,019)
Unconditional Promises to Give	30,555	43,629
Other Receivables	5,360	(57,072)
Prepays	(11,521)	3,853
Deposits	189,633	(65,000)
Accounts Payable	63,375	(1,038,466)
Accrued Liabilities	162,847	(15,544)
Payables from Assets Limited as to Use	(44,763)	(268,921)
Application and Prepaid Admission Deposits	540,668	(382,365)
Unamortized Intangible Assets	(85,455)	-
Net Cash Provided (Used) by Operating Activities	3,225,054	(862,994)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase of Assets Limited as to Use	(237,599)	259,805
Purchase of Property and Equipment	(1,331,428)	(4,496,492)
Proceeds from Sale of Property and Equipment	-	500
Proceeds from Sale of Investments	216,385	3,195,313
Purchase or Other Acquisition of Investments	(192,605)	(3,192,225)
Net Cash Used by Investing Activities	(1,545,247)	(4,233,099)

See accompanying Notes to Consolidated Financial Statements.

**PENICK VILLAGE, INC. AND AFFILIATES
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	\$ 267,000	\$ 3,750,000
Cash Paid for Financing Costs	(45,730)	-
Principal Payments on Long-Term Debt	(1,182,548)	(1,183,590)
Principal Payments on Lease Liability	(6,066)	-
Refundable and First Generation Entrance Fees Received	639,548	2,225,178
Refunds of Entrance Fees	<u>(1,668,625)</u>	<u>(650,404)</u>
Net Cash Provided (Used) by Financing Activities	<u>(1,996,421)</u>	<u>4,141,184</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(316,614)	(954,909)
Cash and Cash Equivalents – Beginning of Year	<u>2,557,156</u>	<u>3,512,065</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 2,240,542</u>	<u>\$ 2,557,156</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	<u>\$ 946,239</u>	<u>\$ 777,555</u>
SUPPLEMENTAL NONCASH ACTIVITY		
Reduction of Refund Liability Due to the Offset of Accounts Receivable	<u>\$ -</u>	<u>\$ 233,362</u>
Purchase of Equipment through Lease Agreements	<u>\$ 51,479</u>	<u>\$ -</u>

See accompanying Notes to Consolidated Financial Statements.

PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Penick Village, Inc. (the Village), operates a life plan community. The Village is a nonprofit corporation under Internal Revenue Code (IRC) Section 501(c)(3) and is, therefore, exempt from federal and state income taxes.

The Penick Village Foundation, Inc. (the Foundation) was organized in September 2003 to raise funds for the Village's support. The Foundation is a nonprofit corporation under IRC Section 501(c)(3) and is, therefore, exempt from federal and state income taxes. The Foundation began receiving contributions in October 2005 and is not classified as a private foundation.

JA Greer Group, LLC (the Group) was organized in November 2016 to manage a multi-family property purchased by the Group in December 2016. The Group is a limited liability company formed and organized in the state of North Carolina.

Basis of Consolidation

These consolidated financial statements include the accounts of the Village and Affiliates (collectively referred to as the Organization). All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Organization considers cash and cash equivalents to include all cash and highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, including restricted cash.

Assets Limited as to Use

Assets limited as to use includes reserves required by state statute, limitations placed on assets by the board of directors, and funds held for the residents and other purposes. In accordance with North Carolina General Statute 58-64-33, if a facility maintains an as-defined occupancy level in excess of 90% as of its fiscal year-end date, a provider is required to maintain an operating reserve equal to 25% of the total operating costs, including debt service not accounted for in a separate reserve, forecasted for the following year, otherwise an operating reserve equal to 50% is required. Occupancy levels were in excess of 90% at September 30, 2018 and 2017. Management has designated unrestricted investments to meet the 25% operating reserve requirement. Total required reserve at September 30, 2018 and 2017 was equal to \$4,223,046 and \$3,939,512, respectively.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in accordance with accounting requirements for certain investments held by nonprofit organizations, in the consolidated balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments, short and long-term capital gains, interest, and dividends) is reported as an increase (decrease) in unrestricted net assets unless the income or loss is restricted by donor or law.

PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

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

Fair Value Measurements

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Organization emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

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

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

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

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

Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets. Assets and liabilities valued using Level 2 inputs include the interest rate swap agreement. Assets or liabilities valued using Level 3 inputs include the beneficial interest in funds held by others (split interest agreements).

PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

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

Accounts and Notes Receivable

Accounts receivable are uncollateralized resident obligations due under normal trade terms generally requiring payment within 30 days from the invoiced date. Notes receivable represent written promissory notes from residents to fulfill past due accounts based on agreed payment schedules. The carrying amount of accounts and notes receivable is reduced by an allowance that reflects management's estimate of the amounts that will not be collected. Management reviews each accounts receivable balance that exceeds 120 days from the invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. Additionally, management applies an estimated write-off percentage to total outstanding accounts and notes receivable, not previously reviewed, to estimate an allowance covering those amounts. At September 30, 2018 and 2017, the allowance was approximately \$111,000 and \$125,000, respectively.

Property, Equipment, and Depreciation

Property and equipment are carried at cost. Expenditures for maintenance, repairs and minor renovations are expensed as incurred. Major renovations and improvements are capitalized. Depreciation is provided on the straight-line method over the following estimated useful lives:

Buildings and Improvements	7 – 50 Years
Equipment and Furnishings	3 – 10 Years
Land Improvements	5 – 15 Years
Paving	5 – 10 Years
Motor Vehicles	3 – 5 Years

Application and Admission Deposits

Application and admission deposit payments are made by prospective residents for the purpose of establishing their name on the Village's waiting list or requesting a certain model of residence. These advance payments are applied to the resident's entrance fee once admitted or are refunded if not admitted.

Deferred Entrance Fees and Refund Liability

New residents enter the Village under one of the following contracts, 1) traditional amortized plan, 2) 50% refundable upon separation from the campus and re-occupancy of the residence, or 3) 90% refundable upon separation from the campus and re-occupancy of the residence. Under the traditional amortized plan, residents are not entitled to refunds after 12 months or 48 months depending on the contract. The nonrefundable portion of an entrance fee paid by a resident is amortized to income using the straight-line method over the estimated life expectancy of the resident. The nonrefundable portion of entrance fees is classified as deferred revenue. The refundable portion of entrance fees is carried as a liability as the Village's residency contracts generally do not explicitly limit the refundable portion of the entrance fees to the proceeds of the same residence's re-occupancy.

PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

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

Obligations to Provide Future Services

The Village enters into various life plan contracts with residents. A life plan contract is an agreement between a resident and the Village specifying the services and facilities to be provided over the resident's remaining life. Under the contracts, the Village has the ability to increase fees as deemed necessary. For the year ended September 30, 2018, the Village engaged a specialist to calculate the present value of the estimated net cost of future services to be provided, including the cost of facilities to current residents, and compared that calculated amount with deferred revenue from entrance fees. Under GAAP, if the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, an additional liability is shown in the consolidated balance sheets. No such liability was recorded as of September 30, 2018 as the present value of the estimated net costs of future services and use of facilities is less than deferred revenues from entrance fees. For the year ended September 30, 2017, management elected not to engage a specialist to determine whether an obligation for future services existed as management believes that there has been no material change in services, charges, or costs which would affect such determination.

Resident Service Revenue

Resident service revenue is reported at the estimated net realizable amounts from residents, third-party payors, and others for services rendered.

Revenue that is reimbursable by Medicare and Medicaid is subject to audit and retroactive adjustment. Revenues from Medicare and Medicaid approximated 45.6% and 38.5% of gross healthcare revenue at September 30, 2018 and 2017, respectively. Estimated settlements are recorded in the period the related services are provided. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Village believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future review and interpretation. The results of such governmental review could include fines, penalties, and exclusion from participation in the Medicare and Medicaid programs.

Benevolent Assistance

The Village provides services to residents who meet certain criteria under its benevolent assistance policy without charge or at amounts less than its established rates. Because the Village does not pursue collection of amounts determined to qualify as benevolent assistance, such forgone resident service fees are not reported as net resident service revenue.

PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

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

Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions.

Income Taxes

The Village and Foundation are exempt from federal and state income taxes under Section 501(c)(3) of the IRC; accordingly, the consolidated financial statements do not reflect a provision or liability for federal and state income taxes.

As a limited liability company, the Group's taxable income or loss is allocated to its members in accordance with the operating agreement and is included in their individual income tax returns; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of September 30, 2018 and 2017.

Net Assets

The Organization reports net assets using the following three classes; unrestricted, temporarily restricted, and permanently restricted depending on the presence and type of donor-imposed restrictions limiting the Organization's ability to use or dispose of specific contributed assets or the economic benefits embodied in those assets. Unrestricted net assets include those whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Temporarily restricted net assets are those net assets whose use has been limited by donors (a) to later periods of time or after specified dates or (b) to specified purposes. Permanently restricted net assets are assets which are not expendable.

Use of Estimates

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

Reclassifications

Certain amounts in the 2017 consolidated financial statements have been reclassified to conform to the 2018 presentation for comparative purposes with no effect on the previously reported excess of revenues, gains, and other support over expenses.

PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

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

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 25, 2019, the date the consolidated financial statements were available to be issued.

NOTE 2 ASSETS LIMITED AS TO USE

Assets limited as to use consist of the following at September 30:

	<u>2018</u>	<u>2017</u>
Current:		
Residents' Checking and Trust	\$ 39,644	\$ 80,550
Held for Investment Purposes	-	672
Held for Scholarships	22,758	23,258
Gift Shop and Thiede Fund	42,062	45,919
Total Current	<u>104,464</u>	<u>150,399</u>
Noncurrent:		
Operating Reserve Requirement	4,223,046	3,939,512
Total	<u>\$ 4,327,510</u>	<u>\$ 4,089,911</u>

NOTE 3 INVESTMENTS

Investments are composed of the following at September 30:

	<u>2018</u>	<u>2017</u>
Common Stock and Exchange-Traded Funds	\$ 4,601,820	\$ 4,814,977
Fixed Income Securities	1,360,689	3,956,381
Mutual Funds	5,360,650	1,512,587
Subtotal	<u>11,323,159</u>	<u>10,283,945</u>
Less: Investment Operating Reserve Requirement	<u>(4,223,046)</u>	<u>(3,939,512)</u>
Total Investments	<u>\$ 7,100,113</u>	<u>\$ 6,344,433</u>

Unrestricted net investment income is composed of the following for the years ended September 30:

	<u>2018</u>	<u>2017</u>
Interest and Dividends	\$ 301,208	\$ 318,738
Realized Gains on Sale of Investments	370,675	183,335
Investment Expenses	(24,045)	(61,697)
Unrealized Gains on Investments	101,819	443,080
Total	<u>\$ 749,657</u>	<u>\$ 883,456</u>

**PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

NOTE 4 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are presented at fair value as of the date of the gift. All unconditional promises to give are considered to be currently due and as such, are not discounted to the anticipated net present value of the future cash flows. Unconditional promises to give at September 30, 2018 and 2017 are \$-0- and \$30,555, respectively.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation are summarized as follows at September 30:

	2018	2017
Land and Improvements	\$ 764,193	\$ 786,909
Buildings	54,526,803	59,941,680
Equipment and Furnishings	1,973,469	4,357,996
Paving	102,711	78,813
Motor Vehicles	235,587	338,213
Construction in Progress	669,609	147,160
Total Property and Equipment	<u>58,272,372</u>	<u>65,650,771</u>
Less: Accumulated Depreciation	<u>16,578,504</u>	<u>23,169,374</u>
Property and Equipment, Net	<u>\$ 41,693,868</u>	<u>\$ 42,481,397</u>

During the years ended September 30, 2018 and 2017, no interest was capitalized. At September 30, 2018, construction in progress consisted primarily of construction of The Wharton at Penick Village building and renovations of the North Health Care building. At September 30, 2017, construction in progress consisted primarily of construction for renovations of existing buildings.

As of September 30, 2018 and 2017, property and equipment included fully depreciated assets of \$2,196,962 and \$6,596,443, respectively.

PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 6 LONG-TERM DEBT

Long-term debt consists of the following at September 30:

<u>Description</u>	<u>2018</u>	<u>2017</u>
2010B Series tax-exempt bonds payable to bank; issued January 2010; amended March 2015; maximum amount up to \$19,425,000; amended December 2018; interest at 4.1%; principal and interest due monthly; matures February 2025.	\$ 14,983,691	\$ 15,525,968
2012A loan payable to bank; issued August 2012; amended March 2015; interest at 4.50%; principal and interest due monthly; matures March 2025.	870,531	897,298
Construction loan payable to bank; issued March 2015; amended December 2017; maximum amount up to \$4,700,000; interest at 4.00%; principal and interest due monthly; matures March 2022.	3,409,387	3,755,891
Business loan payable to bank, issued December 2016; maximum amount up to \$3,750,000; interest at 4.00%; interest only through November 2019; all principal and remaining interest due at maturity in December 2019.	<u>3,750,000</u>	<u>3,750,000</u>
Total Long-Term Debt	23,013,609	23,929,157
Less: Current Maturities	738,662	673,095
Less: Unamortized Deferred Financing Costs	<u>192,458</u>	<u>176,986</u>
Long-Term Debt, Net	<u>\$ 22,082,489</u>	<u>\$ 23,079,076</u>

PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 6 LONG-TERM DEBT (CONTINUED)

In January 2010, the Village entered into a debt agreement with the North Carolina Medical Care Commission (the Commission) pursuant to the Commission's Health Care Facilities First Mortgage Revenue Bonds offering. The Commission issued \$10,575,000 of tax-exempt, variable rate bonds (2010A Series Bonds) and \$19,425,000 of tax-exempt, variable rate bonds (2010B Series Bonds) to construct a 69-unit independent living facility plus a campus commons facility on the Village's existing life plan community campus, to pay costs of issuance and to pay capitalized interest during the construction and stabilization phase of the project. The Village's 2010A Series Bonds were retired during the year ended September 30, 2013. The 2010B Series Bonds are held by First Bank under a Bank Terms and Conditions Agreement dated March 4, 2015. Previously, the 2010B Series Bonds were held by Branch Banking & Trust under a similar agreement, but were purchased by First Bank as permitted by Section 3.06 of the Master Trust Indenture. Since First Bank holds the 2010B Series Bonds, they are not remarketed in bond markets and credit enhancement of the 2010B Series Bonds is not required. During December 2018, the 2010B Series Bonds were amended to convert the variable interest rate at 30-day LIBOR plus 2.10% to a 4.10% fixed rate.

In December 2016, the Organization received and agreed to a commitment from a bank to modify its construction loan. Under the terms of the commitment, the loan bears interest at a fixed rate of 4.00% per annum. Interest and principal are paid monthly under a 25-year amortization with final payment due after 64 months. The Organization is required to apply 100% of all first generation entrance fees related to its hybrid apartment building to the retirement of this loan. This loan is collateralized by a deed of trust on all real and personal property of the Village and is guaranteed by the Foundation.

In December 2016, the Organization received a business loan to fund the purchase of an existing multi-family property for \$3,750,000 through the establishment of a wholly owned subsidiary. The loan bears interest at 4.00% per annum. Interest is paid monthly with all accrued interest and principal due in December 2019. This loan is collateralized by a deed of trust on the property and includes the assignment of all rents and is guaranteed by the Organization.

The Organization incurred deferred financing costs in the amount of \$298,889 and \$253,159 for the years ended September 30, 2018 and 2017, respectively, in association with the issuance of bonds/loan agreements. The deferred financing costs have been capitalized and are being amortized using the straight-line method over the "call" period of the underlying loans. Amortization expense of \$30,258 and \$26,447 was recognized during 2018 and 2017, respectively, and is included with interest expense on the consolidated statements of operations and changes in net assets. Accumulated amortization was \$106,431 and \$76,173 for the years ended September 30, 2018 and 2017, respectively. The remaining unamortized amount is presented as a reduction of long-term debt liability on the consolidated balance sheets.

Long-term debt is collateralized by a deed of trust on all real and personal property of the Village and includes the assignment of all rents and is guaranteed by the Foundation. The 2010B Series Bonds and 2012A loan have a 10-year and 7-year call, respectively, however, the long-term debt is scheduled to amortize over a period of 23 years.

PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 6 LONG-TERM DEBT (CONTINUED)

The Village recognizes interest cost when incurred rather than when paid. Interest costs for the years ended September 30, 2018 and 2017 totaled \$985,223 and \$777,555, respectively.

The annual requirements to retire debt as of September 30, 2018 are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2019	\$ 738,662
2020	4,494,462
2021	775,505
2022	3,760,030
2023	704,716
Thereafter	<u>12,540,234</u>
Total	<u>\$ 23,013,609</u>

Under the terms of the bond/loan agreements with the North Carolina Medical Care Commission and the bank, the Village is required to follow certain financial and nonfinancial covenants. Management believes these loan agreement provisions have been complied with as of September 30, 2018.

In accordance with the issuance of the 2010B Series Bonds, the Village entered into an interest rate cap agreement for a notional amount of \$10,000,000. At July 20, 2013, the effective date of the agreement, the interest rate on the 2010B Series Bonds was capped at 5.44% on the floating rate option of 68% of 1 month LIBOR through July 20, 2025.

The following outlines the terms and fair value of the interest rate cap on September 30:

Notional Amount	\$ 10,000,000
Trade Date	07/20/2013
Termination Date	07/20/2025
Fixed Rate	5.44%
Floating Rate (Percentage of LIBOR)	68%
Fair Value at September 30, 2016	\$ 33,108
Unrealized Losses	<u>(21,148)</u>
Fair Value at September 30, 2017	11,960
Unrealized Losses	<u>(6,540)</u>
Fair Value at September 30, 2018	<u>\$ 5,420</u>

By using an interest rate cap to hedge exposure to interest rate changes, the Village exposes itself to credit and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. Market risk is the adverse effect on the value of the financial instrument that results from a change in interest rates. The market risk associated with an interest rate cap is managed by establishing and monitoring parameters that limit the types and degrees of market risk that may be undertaken.

PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 6 LONG-TERM DEBT (CONTINUED)

The Village has a \$750,000 secured line of credit with interest at the greater of prime rate or 3.75%. The line of credit was renewed in March 2017 with principal due March 2018. Interest accrues and is payable monthly. There was no outstanding balance on the line of credit at September 30, 2018 and 2017.

NOTE 7 LEASE LIABILITY

During the year ended September 30, 2018, the Village entered into a capital lease for vehicles. This lease requires 60 monthly payments of \$985 and expires in January 2023. Capitalized costs, net of accumulated depreciation was approximately \$44,000 at September 30, 2018.

Future minimum annual lease payments under the lease liability are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2019	\$ 11,820
2020	11,820
2021	11,820
2022	11,820
2023	3,940
Total	<u>51,220</u>
Less: Amounts Representing Interest	(5,807)
Less: Current Maturity	<u>(9,531)</u>
	<u>\$ 35,882</u>

NOTE 8 RESTRICTED NET ASSETS

The Organization's board of directors has chosen to place the following limitations on unrestricted net assets:

	<u>2018</u>	<u>2017</u>
Designated for Endowment Purposes	\$ 1,602,650	\$ 1,412,114
Undesignated	6,667,696	5,608,534
Unrestricted Net Assets	<u>\$ 8,270,346</u>	<u>\$ 7,020,648</u>

Temporarily restricted net assets consist of the following at September 30:

	<u>2018</u>	<u>2017</u>
Contributions Receivable – Beneficial Interests in Annuities	\$ 187,920	\$ 111,972
Unconditional Promises to Give Garden Cottage	-	30,555
North Health Care Renovations	228,507	350,204
Cash Held for Investment Purposes	-	-
Interest Earned on Permanent Endowments	140,708	672
Other	36,882	-
Temporarily Restricted Net Assets	<u>\$ 594,017</u>	<u>\$ 530,682</u>

PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 8 RESTRICTED NET ASSETS (CONTINUED)

Temporarily restricted net assets consist of the following at September 30:

	2018	2017
Contributions Receivable – Beneficial Interests		
in Annuities	\$ 187,920	\$ 111,972
Unconditional Promises to Give	-	30,555
Garden Cottage	-	350,204
North Health Care Renovations	228,507	-
Cash Held for Investment Purposes	-	672
Interest Earned on Permanent Endowments	140,708	-
Other	36,882	37,279
Temporarily Restricted Net Assets	\$ 594,017	\$ 530,682

During the years ended September 30, 2018 and 2017, net assets were released from donor restrictions by purchasing property and equipment or incurring expenses satisfying the restricted purposes totaling \$161,167 and \$68,154, respectively.

Certain Village investments are included in permanently restricted net assets, as the use of the funds was restricted by the donor in perpetuity. The income from the investment of a portion of these funds are to be used for benevolent assistance. Permanently restricted net assets at September 30, 2018 and 2017 are \$329,407.

NOTE 9 SPLIT-INTEREST AGREEMENTS

The Village has entered into and/or been named the beneficiary of certain charitable remainder unitrusts and trusts. Under terms of the split-interest agreements, the donors or their designee receive income for their lifetime from an established trust. Upon their death, the Village will receive their proportion of the remaining value of the trust for its unrestricted use based on the terms of the gift. The portion of the trust attributable to the present value of the future benefits to be received by the Village is recorded in the consolidated statements of operations and changes in net assets as a temporarily restricted contribution, and in the consolidated balance sheets as beneficial interest in annuities. On an annual basis, the Village revalues the asset based on applicable mortality tables and discount rates which vary from 2.0% to 4.50%. The present value of the benefits as of September 30, 2018 and 2017 was \$187,920 and \$111,972, respectively.

NOTE 10 RETIREMENT PLANS

Effective April 1, 2002, the Village instituted a 403(b) retirement plan that covers all employees who are at least 21-years old. For all eligible employees, the Village matches dollar-for-dollar participant contributions up to 2%. Employer contributions to the plan were \$81,897 and \$60,658 for the years ended September 30, 2018 and 2017, respectively.

The Village contributes to the Church Pension Group for the chaplain's pension. The annual assessment by the Church Pension Group is 18% of the chaplain's total compensation. The Village contributed \$10,793 and \$11,711 in 2018 and 2017, respectively.

PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 11 BENEVOLENT ASSISTANCE AND CHARITY CARE

The Village maintains records to identify and monitor the level of benevolent assistance it provides by measuring the amount of revenue and charges foregone for services and supplies furnished under its benevolent assistance policy. Costs incurred related to benevolent assistance provided was approximately \$661,800 and \$558,600 for the years ended September 30, 2018 and 2017, respectively. The estimated costs of providing benevolent assistance are based on management's calculation assuming a standard profit margin of the foregone resident service fees.

In addition to benevolent assistance provided, the estimated cost related to unreimbursed Medicaid services provided was approximately \$622,000 and \$860,000 for the years ended September 30, 2018 and 2017, respectively.

NOTE 12 CONTINGENCIES AND COMMITMENTS

Refundable Entrance Fees

The aggregate amount of entrance fees that are expected to be refunded is based on the Organization's 50% and 90% contracts, which total \$7,157,111 and \$8,013,959 at September 30, 2018 and 2017, respectively, as shown on the consolidated balance sheets as refundable liability – current and noncurrent portion. The total amount of contractual refund obligations under existing contracts (that is, in the event of move out, death or termination of all residents) at September 30, 2018 and 2017 are estimated not to exceed \$11,209,465 and \$13,892,423, respectively.

Commitments

The Village has entered into various construction contracts for the remodeling of existing residential units. As of September 30, 2018 and 2017, approximately \$294,681 and \$526,489 had been incurred on these contracts, respectively. There were no remaining commitments under these contracts as of September 30, 2018 and 2017.

NOTE 13 CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits in excess of federally insured limits, investments, accounts receivable, and entrance fees receivable. The Organization maintains cash balances in bank accounts, the balances of which may at times exceed federally insured limits. Investments are held in high quality institutions and are composed of common stock, fixed income securities, and mutual funds backed by the credit ratings of various companies and governments. Accounts receivable consist of amounts due from residents and third-party payors, including various insurance companies and the U.S. Government under the Medicare and Medicaid programs. At September 30, 2018 and 2017, approximately 34% and 38%, respectively, were outstanding under the Medicare and Medicaid programs. Accounts receivable are carried at estimated net realizable value.

PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 14 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 – Organization and Summary of Significant Accounting Policies.

The following tables set forth by level within the fair value hierarchy the Organization's financial assets and liabilities accounted for at fair value on a recurring basis as of September 30:

	2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Common Stock and Exchange-Traded Funds	\$ 4,601,820	\$ -	\$ -	\$ 4,601,820
Mutual Funds	1,360,689	-	-	1,360,689
Fixed Income Securities	5,360,650	-	-	5,360,650
Split Interest Agreements	-	-	187,920	187,920
Interest Rate Cap Agreement	-	5,420	-	5,420
Total Assets at Fair Value	<u>\$ 11,323,159</u>	<u>\$ 5,420</u>	<u>\$ 187,920</u>	<u>\$ 11,516,499</u>
	2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Common Stock and Exchange-Traded Funds	\$ 4,814,977	\$ -	\$ -	\$ 4,814,977
Mutual Funds	1,512,587	-	-	1,512,587
Fixed Income Securities	3,956,381	-	-	3,956,381
Split Interest Agreements	-	-	111,972	111,972
Interest Rate Cap Agreement	-	11,960	-	11,960
Total Assets at Fair Value	<u>\$ 10,283,945</u>	<u>\$ 11,960</u>	<u>\$ 111,972</u>	<u>\$ 10,407,877</u>

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Village and Affiliate's Level 3 assets for the year ended September 30, 2018 and 2017:

Balance at September 30, 2016	\$ 93,042
Unrealized Gain	18,930
Balance at September 30, 2017	111,972
Unrealized Gain	75,948
Balance at September 30, 2018	<u>\$ 187,920</u>

NOTE 15 ENDOWMENT FUNDS

The Organization's endowment consists of 2 individual funds established for the purposes of providing charitable care to residents. Endowments include both donor-restricted funds and funds designated by the board of directors to function as endowments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 15 ENDOWMENT FUNDS (CONTINUED)

Management has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies. The Organization has adopted investment and spending policies, approved by the board of directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution.

Spending Policy. The Organization can withdraw any amount of investment earnings generated by the donor-restricted endowment fund, as benevolent assistance typically exceeds the investment income and growth on an annual basis. As such, the Organization uses unrestricted net assets to absorb the excess cost of benevolent assistance. Therefore, investment income and gains and losses associated with the donor-restricted endowment fund, excluding investment income and gains and losses that the donor has restricted for a specific purpose, have been reflected on the below change in endowment net asset table as unrestricted activity. The current spending policy of the board-designated endowment fund authorizes the Organization to withdraw up to 4% of the trailing three calendar year end market balance. Should the amount represented by the 4% calculation not be necessary to meet current demand or current economic conditions render such action imprudent, there is no obligation to withdraw that amount. As these funds are perpetual endowments, they may be invested to provide for principal stability while growing the underlying corpus at a rate above the spending ratio and a suitable measure of inflation. Use of fixed income instruments as well as equities is in keeping with the long-term objectives of this fund.

**PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

NOTE 15 ENDOWMENT FUNDS (CONTINUED)

Endowment net asset composition by type of fund is as follows as of September 30:

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds	\$ 23,946	\$ 140,708	\$ 329,407	\$ 494,061
Board-Designated Endowment Funds	1,602,650	-	-	1,602,650
Total Funds	\$ 1,626,596	\$ 140,708	\$ 329,407	\$ 2,096,711

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds	\$ 129,780	\$ -	\$ 329,407	\$ 459,187
Board-Designated Endowment Funds	1,412,114	-	-	1,412,114
Total Funds	\$ 1,541,894	\$ -	\$ 329,407	\$ 1,871,301

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

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets – Beginning of Year	\$ 1,541,894	\$ -	\$ 329,407	\$ 1,871,301
Net Deposits	71,257	-	-	71,257
Net Investment Income	65,632	12,260	-	77,892
Net Appreciation	58,718	17,543	-	76,261
Transfers	(110,905)	110,905	-	-
Endowment Net Assets – End of Year	\$ 1,626,596	\$ 140,708	\$ 329,407	\$ 2,096,711

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets – Beginning of Year	\$ 1,432,814	\$ -	\$ 329,407	\$ 1,762,221
Net Withdrawals	(56,080)	-	-	(56,080)
Net Investment Income	30,162	-	-	30,162
Net Appreciation	134,998	-	-	134,998
Endowment Net Assets – End of Year	\$ 1,541,894	\$ -	\$ 329,407	\$ 1,871,301

PENICK VILLAGE, INC. AND AFFILIATES
CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	Penick Village, Inc.	Penick Village Foundation, Inc.	JA Greer Group	Eliminating Entries	Total
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 2,167,433	\$ 45,405	\$ 27,704	\$ -	\$ 2,240,542
Assets Limited as to Use	81,706	22,758	-	-	104,464
Investments	5,497,463	1,602,650	-	-	7,100,113
Receivables:					
Accounts and Notes, Net of Allowance	608,168	-	-	-	608,168
Due from Affiliate	499,213	-	-	(499,213)	-
Other	58,002	7,259	31,580	-	96,841
Prepaid Assets	145,446	-	2,755	-	148,201
Total Current Assets	9,057,431	1,678,072	62,039	(499,213)	10,298,329
ASSETS LIMITED AS TO USE					
Investments - Operating Reserve Requirement	4,223,046	-	-	-	4,223,046
PROPERTY AND EQUIPMENT, NET					
	37,945,440	-	3,748,428	-	41,693,868
OTHER ASSETS					
Deposits	915	-	-	-	915
Interest Rate Cap Agreement	5,420	-	-	-	5,420
Investment in Affiliate	1,000	-	-	(1,000)	-
Beneficial Interest in Annuities	187,920	-	-	-	187,920
Intangible Asset	85,455	-	-	-	85,455
Total Other Assets	280,710	-	-	(1,000)	279,710
Total Assets	\$ 51,506,627	\$ 1,678,072	\$ 3,810,467	\$ (500,213)	\$ 56,494,953

PENICK VILLAGE, INC. AND AFFILIATES
CONSOLIDATING BALANCE SHEET (CONTINUED)
SEPTEMBER 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

LIABILITIES AND NET ASSETS

	Penick Village, Inc.	Penick Village Foundation, Inc.	JA Greer Group	Eliminating Entries	Total
CURRENT LIABILITIES					
Current Maturities of Long-Term Debt	\$ 738,662	\$ -	\$ -	\$ -	\$ 738,662
Current Maturity of Lease Liability	9,531	-	-	-	9,531
Payable from Assets Limited as to Use	81,706	-	-	-	81,706
Accounts Payable	478,814	-	-	-	478,814
Accrued Liabilities	677,034	1,848	18,433	-	697,315
Due to Affiliate	-	253,806	245,407	(499,213)	-
Application and Prepaid Admission Deposits	851,504	-	31,575	-	883,079
Refund Liability, Current Portion	1,205,475	-	-	-	1,205,475
Total Current Liabilities	<u>4,042,726</u>	<u>255,654</u>	<u>295,415</u>	<u>(499,213)</u>	<u>4,094,582</u>
REFUND LIABILITY, LESS CURRENT PORTION	5,951,636	-	-	-	5,951,636
DEFERRED REVENUE	15,136,594	-	-	-	15,136,594
LONG-TERM DEBT, LESS CURRENT MATURITIES	18,332,489	-	3,750,000	-	22,082,489
LEASE LIABILITY, LESS CURRENT MATURITY	35,882	-	-	-	35,882
Total Liabilities	43,499,327	255,654	4,045,415	(499,213)	47,301,183
NET ASSETS (DEFICIT)					
Unrestricted	7,126,218	1,380,076	(235,948)	-	8,270,346
Paid in Capital	-	-	1,000	(1,000)	-
Temporarily Restricted	551,675	42,342	-	-	594,017
Permanently Restricted	329,407	-	-	-	329,407
Total Net Assets (Deficit)	<u>8,007,300</u>	<u>1,422,418</u>	<u>(234,948)</u>	<u>(1,000)</u>	<u>9,193,770</u>
Total Liabilities and Net Assets (Deficit)	<u>\$ 51,506,627</u>	<u>\$ 1,678,072</u>	<u>\$ 3,810,467</u>	<u>\$ (500,213)</u>	<u>\$ 56,494,953</u>

PENICK VILLAGE, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT

	Penick Village, Inc.	Penick Village Foundation, Inc.	JA Greer Group	Eliminating Entries	Total
Independent Living	\$ 6,150,708	-	-	-	\$ 6,150,708
Healthcare Revenue	8,433,141	-	-	-	8,433,141
Less: Contractual Adjustments	(1,043,802)	-	-	-	(1,043,802)
Net Resident Service Revenue	13,540,047	-	-	-	13,540,047
Earned Entrance Fees	2,626,775	-	-	-	2,626,775
Other Operating Revenue	464,376	-	350,708	-	815,084
Contributions	167,921	730,015	-	-	897,936
Net Assets Released from Restriction for Operations	-	34,010	-	-	34,010
Total Unrestricted Revenues, Gains, and Other Support	16,799,119	764,025	350,708	-	17,913,852

OPERATING EXPENSES

Program Services:					
Dining Services	2,746,396	-	-	-	2,746,396
Housekeeping	657,154	-	-	-	657,154
Nursing	3,425,114	-	-	-	3,425,114
Residential Assisted Living	686,924	-	-	-	686,924
Resident Services	228,709	-	-	-	228,709
Facility Services	1,803,516	-	-	-	1,803,516
Life Enrichment	301,068	-	-	-	301,068
Home Care	384,032	-	-	-	384,032
Garden Cottage	460,256	-	-	-	460,256
Total Program Services	10,693,169	-	-	-	10,693,169

Support Services:

General and Administrative	2,013,537	19,458	181,221	-	2,214,216
Human Resources	349,374	-	-	-	349,374
Information Technology	500,268	-	-	-	500,268
Marketing and Development	480,579	-	-	-	480,579
Depreciation	2,064,221	-	106,215	-	2,170,436
Interest	858,220	-	157,261	-	1,015,481
Total Support Services	6,266,199	19,458	444,697	-	6,730,354
Total Operating Expenses	16,959,368	19,458	444,697	-	17,423,523

OPERATING INCOME (LOSS)

	(160,249)	744,567	(93,989)	-	490,329
--	-----------	---------	----------	---	---------

PENICK VILLAGE, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	Penick Village, Inc.	Penick Village Foundation, Inc.	JA Greer Group	Eliminating Entries	Total
NONOPERATING INCOME (LOSS)					
Interest and Dividends	\$ 255,017	\$ 46,191	\$ -	\$ -	\$ 301,208
Realized Gains on Sale of Investments, Net of Expenses	270,669	75,961	-	-	346,630
Unrealized Loss on Fair Value of Interest Rate Cap Agreement	(6,540)	-	-	-	(6,540)
Total Nonoperating Income	519,146	122,152	-	-	641,298
EXCESS OF REVENUES, GAINS, AND OTHER SUPPORT OVER (UNDER) EXPENSES					
	358,897	866,719	(93,989)	-	1,131,627
Net Assets Released from Restriction for Capital Improvements	127,157	-	-	-	127,157
Transfers of Net Assets from Foundation to Penick Village	703,511	(703,511)	-	-	-
Transfers of Unrestricted Net Assets to Temporarily Restricted Net Assets	(110,905)	-	-	-	(110,905)
Net Unrealized Gains on Investments	101,819	-	-	-	101,819
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	1,180,479	163,208	(93,989)	-	1,249,698
TEMPORARILY RESTRICTED NET ASSETS					
Change in Fair Value of Split-Interest Agreement	75,948	-	-	-	75,948
Contributions	-	7,846	-	-	7,846
Interest and Dividends	10,945	-	-	-	10,945
Realized Gains on Sales of Investments, Net of Expenses	1,315	-	-	-	1,315
Net Unrealized Gains on Investments	17,543	-	-	-	17,543
Transfers of Unrestricted Net Assets to Temporarily Restricted Net Assets	110,905	-	-	-	110,905
Net Assets Released from Restrictions	(127,157)	(34,010)	-	-	(161,167)
Decrease in Temporarily Restricted Net Assets	89,499	(26,164)	-	-	63,335
INCREASE (DECREASE) IN NET ASSETS	1,269,978	137,044	(93,989)	-	1,313,033
Net Assets (Deficit) – Beginning of Year	6,737,322	1,285,374	(140,959)	(1,000)	7,880,737
NET ASSETS (DEFICIT) – END OF YEAR	\$ 8,007,300	\$ 1,422,418	\$ (234,948)	\$ (1,000)	\$ 9,193,770



Investment advisory services are offered through CliftonLarsonAllen
Wealth Advisors, LLC, an SEC-registered investment advisor.

PENICK VILLAGE, INC.

**PROJECTED FINANCIAL STATEMENTS
AND INDEPENDENT ACCOUNTANTS' COMPILATION REPORT**

**FOR THE YEARS ENDING SEPTEMBER 30, 2019 THROUGH
SEPTEMBER 30, 2023**

**PENICK VILLAGE, INC.
TABLE OF CONTENTS**

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT	1
PROJECTED FINANCIAL STATEMENTS	
Projected Balance Sheets	2
Projected Statements of Operations and Changes in Net Assets Without Donor Restriction	3
Projected Statements of Cash Flows	4
Summary of Significant Projection Assumptions and Accounting Policies	5



INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Penick Village, Inc.
Southern Pines, North Carolina

Management is responsible for the accompanying projection of Penick Village, Inc. ("Penick") which comprises the projected balance sheets as of September 30, 2019 through 2023, and the projected statements of operations and changes in net assets without donor restriction, and cash flows for the years then ending, including the related summaries of significant projection assumptions and accounting policies in accordance with guidelines for the presentation of a projection established by the American Institute of Certified Public Accountants (AICPA) assuming the hypothetical assumptions (defined hereinafter). 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 projection nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this projection.

Furthermore, even if Penick is able to:

- construct, finance, and fill the Projects (as defined hereinafter) at the costs and timeline presented hereafter; and
- achieve its operating expenses as projected (collectively the "Hypothetical Assumptions")

there will usually be differences between the projection 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.

The accompanying projection and this report are intended solely for the information and use of the Penick and was prepared to comply with the requirements of North Carolina General Statutes, Chapter 58, Article 64 and are not intended to be and should not be used for any other purpose.

As discussed in Note 2, accounting principles generally accepted in the United States of America require that the financial statements for affiliates meeting certain criteria be consolidated with the parent organization's financial statements. For purposes of this projection the financial statements of two affiliates (The Penick Village Foundation, Inc. and JA Greer Group, LLC), which should be included with Penick Village, Inc.'s consolidated financial statements under accounting principles generally accepted in the United States of America, have been excluded from the projected financial statements. The effects of this departure from accounting principles generally accepted in the United States of America on the projected financial position, results of operations and cash flows have not been determined.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
February 28, 2019

PENICK VILLAGE, INC.
PROJECTED BALANCE SHEETS
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 5
SEPTEMBER 30, 2019 THROUGH 2023
(IN THOUSANDS OF \$)

ASSETS	2019	2020	2021	2022	2023
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 4,660	\$ 1,450	\$ 1,770	\$ 1,567	\$ 2,018
Assets Limited as to Use	87	87	87	87	87
Investments	3,821	3,257	3,322	3,086	3,934
Receivables					
Accounts and Notes, Net of Allowance	465	521	521	594	647
Other	375	359	344	328	313
Prepays	145	145	145	145	145
Total Current Assets	<u>9,553</u>	<u>5,819</u>	<u>6,189</u>	<u>5,807</u>	<u>7,144</u>
ASSETS LIMITED AS TO USE					
Investments - Operating Reserve Requirement	5,338	4,550	4,668	6,051	5,106
PROPERTY AND EQUIPMENT, NET					
	42,596	45,694	44,119	55,860	55,102
OTHER ASSETS					
Deposits	1	1	1	1	1
Investment in Joint Venture, at Cost	1	1	1	1	1
Interest Rate Cap Agreement	5	5	5	5	5
Beneficial Interest in Annuities	188	188	188	188	188
Intangible Asset - Home Care License	77	68	60	51	43
Due To (From) JA Greer Group, LLC	245	808	808	808	808
Long-term Notes Receivable	17	13	9	5	-
Total Other Assets	<u>534</u>	<u>1,084</u>	<u>1,072</u>	<u>1,059</u>	<u>1,046</u>
Total Assets	<u>\$ 58,021</u>	<u>\$ 57,147</u>	<u>\$ 56,048</u>	<u>\$ 68,777</u>	<u>\$ 68,398</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Current Maturities of Long-Term Debt	\$ 4,645	\$ 879	\$ 921	\$ 5,727	\$ 1,269
Line of Credit	250	250	-	-	-
Payable from Assets Limited as to Use	87	87	87	87	87
Accounts Payable	2,634	769	715	974	793
Accrued Liabilities	676	676	676	676	676
Lease Payable - Current	10	10	10	10	-
Application and Prepaid Admission Deposits	2,285	77	77	77	77
Total Current Liabilities	<u>10,587</u>	<u>2,748</u>	<u>2,486</u>	<u>7,551</u>	<u>2,902</u>
REFUND LIABILITY	5,750	5,112	4,253	4,223	3,636
DEFERRED REVENUE	15,497	19,664	20,128	22,914	27,248
LEASE PAYABLE - LONG-TERM	30	24	18	12	-
LONG-TERM DEBT, LESS UNAMORTIZED					
FINANCING COSTS, LESS CURRENT MATURITIES	18,506	22,187	21,298	25,417	24,181
Total Liabilities	<u>50,370</u>	<u>49,735</u>	<u>48,183</u>	<u>60,117</u>	<u>57,967</u>
NET ASSETS					
Net Assets Without Donor Restriction	6,770	6,531	6,984	7,779	9,550
Net Assets With Donor Restriction	881	881	881	881	881
Total Net Assets	<u>7,651</u>	<u>7,412</u>	<u>7,865</u>	<u>8,660</u>	<u>10,431</u>
Total Liabilities and Net Assets	<u>\$ 58,021</u>	<u>\$ 57,147</u>	<u>\$ 56,048</u>	<u>\$ 68,777</u>	<u>\$ 68,398</u>

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

PENICK VILLAGE, INC.
PROJECTED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS WITHOUT
DONOR RESTRICTION
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 5
YEARS ENDING SEPTEMBER 30, 2019 THROUGH 2023
(IN THOUSANDS OF \$)

	2019	2020	2021	2022	2023
UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT					
Independent Living	\$ 6,489	\$ 6,684	\$ 7,202	\$ 7,499	\$ 8,707
Healthcare Revenue	8,254	9,195	9,589	10,012	10,388
Less: Contractual Adjustments	(1,022)	(1,053)	(1,107)	(1,146)	(1,248)
Net Resident Service Revenue	13,721	14,826	15,684	16,365	17,847
Earned Entrance Fees	2,700	2,491	3,069	3,225	4,020
Other Operating Revenue	454	467	481	496	511
Contributions	800	869	941	1,021	1,109
Total Unrestricted Revenues, Gains and Other Support	17,675	18,653	20,175	21,107	23,487
OTHER EXPENSES					
Healthcare					
Nursing	3,800	3,888	3,978	4,071	4,164
Residential Assisted Living	626	640	654	669	684
Garden Cottage	446	454	464	474	485
Home Care	331	383	640	705	752
Total Healthcare	5,203	5,565	5,736	5,919	6,085
PROGRAM SERVICES					
Dining Services	3,026	3,090	3,155	3,222	3,291
Housekeeping	800	866	932	987	1,107
Resident Services	270	276	281	287	293
Facility Services	1,234	1,257	1,281	1,305	1,330
Life Enrichment	382	388	395	402	409
Total Program Services	5,712	5,877	6,044	6,203	6,430
SUPPORTING SERVICES					
General and Administrative	3,088	3,124	3,202	3,277	3,381
Human Resources	378	384	391	397	404
Information Technology	457	465	473	481	490
Marketing and Development	484	492	499	507	515
Depreciation and Amortization	2,116	2,362	2,583	2,750	3,291
Interest	765	800	976	966	1,316
Total Supporting Services	7,288	7,627	8,124	8,378	9,397
Total Operating Expenses	18,203	19,069	19,904	20,500	21,912
Operating (Loss) Income	(528)	(416)	271	607	1,575
NON-OPERATING INCOME					
Investment Earnings, Net	172	177	182	188	196
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES AND CHANGES IN NET ASSETS	(356)	(239)	453	795	1,771
Net Assets Without Donor Restriction, Beginning of Year	7,126	6,770	6,531	6,984	7,779
Net Assets Without Donor Restriction, End of Year	\$ 6,770	\$ 6,531	\$ 6,984	\$ 7,779	\$ 9,550

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

PENICK VILLAGE, INC.
PROJECTED STATEMENTS OF CASH FLOWS
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 5
YEARS ENDING SEPTEMBER 30, 2019 THROUGH 2023
(IN THOUSANDS OF \$)

	2019	2020	2021	2022	2023
CASH FLOWS FROM OPERATING ACTIVITIES					
Changes in Net Assets	\$ (356)	\$ (239)	\$ 453	\$ 795	\$ 1,771
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:					
Depreciation and amortization	2,116	2,362	2,583	2,750	3,291
Amortization of Entrance Fees	(2,700)	(2,491)	(3,069)	(3,225)	(4,020)
Nonrefundable Entrance Fees Received	3,060	3,014	3,315	3,647	4,012
Net Change in Operating Assets and Liabilities					
Current Assets	328	(40)	15	(57)	(38)
Other, Noncurrent Assets	(254)	(550)	12	13	13
Current Liabilities	3,593	(4,073)	(55)	259	(181)
Net Cash Provided by (Used In) Operating Activities	<u>5,787</u>	<u>(2,017)</u>	<u>3,254</u>	<u>4,182</u>	<u>4,848</u>
CASH FLOWS FROM CAPITAL AND INVESTING ACTIVITIES					
Purchase of Property and Equipment	(6,736)	(5,428)	(975)	(14,458)	(2,500)
Change in Investments and Assets Limited as to Use	556	1,352	(183)	(1,147)	97
Net Cash Used by Capital and Investing Activities	<u>(6,180)</u>	<u>(4,076)</u>	<u>(1,158)</u>	<u>(15,605)</u>	<u>(2,403)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Net Borrowings (Repayments) Line of Credit	250	-	(250)	-	-
Principal Payments on Long-Term Debt	(747)	(4,645)	(879)	(921)	(5,727)
Refundable and First Generation Entrance Fees Received	340	4,591	799	3,643	4,947
Borrowings on Long-Term Debt	4,795	4,528	-	9,813	-
Principal Payments on Lease Payable	(5)	(6)	(6)	(6)	(22)
Refunds of Entrance Fees	(1,747)	(1,585)	(1,440)	(1,309)	(1,192)
Net Cash Provided by (Used In) Financing Activities	<u>2,886</u>	<u>2,883</u>	<u>(1,776)</u>	<u>11,220</u>	<u>(1,994)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,493	(3,210)	320	(203)	451
Cash and Cash Equivalents - Beginning of Year	<u>2,167</u>	<u>4,660</u>	<u>1,450</u>	<u>1,770</u>	<u>1,567</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,660</u>	<u>\$ 1,450</u>	<u>\$ 1,770</u>	<u>\$ 1,567</u>	<u>\$ 2,018</u>

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

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

NOTE 1 NATURE OF ACTIVITIES

Penick Village, Inc. (the “Organization” and the “Existing Community”) operates a life planning community. The Organization is a not-for-profit corporation under Internal Revenue Code Section 501(c)(3) and is, therefore exempt from federal and state income taxes.

NOTE 2 BASIS OF PRESENTATION

The financial projection presents, to the best of the knowledge and belief of management (“Management”) of the Organization, excluding its two affiliates Penick Village Foundation, Inc. (the “Foundation”) and JA Greer Group, LLC (the “Group”), as of and for each of the five years ending September 30, 2019 through 2023 (the “Projection Period”).

The Foundation was organized in September 2003 to raise funds for the Organization’s support. The Foundation began receiving contributions in October 2005. The Foundation is a not-for-profit corporation under Internal Revenue Code Section 501(c)(3) and is therefore, exempt from federal and state income taxes. The Foundation is not classified as a private foundation. The Group is a limited liability company formed and organized in the state of North Carolina.

Management’s financial projection has been prepared for the specific purpose of presenting the projected statements of operations and changes in net assets without donor restriction, and cash flows for Penick Village, Inc. This presentation is not intended to include the consolidated projected financial statements of Penick Village, Inc. which would include the Foundation and the Group. Accordingly, the projection is not intended to be a presentation in conformity with U.S. generally accepted accounting principles since it excludes the Foundation and the Group.

A projection, although similar to a forecast, is a presentation of prospective financial information that is subject to one or more hypothetical assumptions. Management has included assumptions that are considered to be “Hypothetical Assumption” as defined by the American Institute of Certified Public Accountants’ *Guide for Prospective Financial Information*. A Hypothetical Assumption is defined as follows: “An assumption used in a financial projection or in a partial presentation of projected information to present a condition or course of action that is not necessarily expected to occur, but is consistent with the purpose of the presentation.”

Management assumes that Penick would (the “Hypothetical Assumptions”):

- construct, finance, and fill the Projects (as defined hereinafter) at the costs and timeline presented hereafter; and
- achieve its operating expenses as projected.

Accordingly, the financial projection reflects Management’s judgement as of February 28, 2019, the date of this projection, of the expected conditions and its expected course of action assuming the Hypothetical Assumptions. The assumptions disclosed herein, while not all-inclusive, are the assumptions which Management believes are significant to the financial projection. Furthermore, even if the Hypothetical Assumptions were to occur, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Management’s purpose in releasing this financial projection is for inclusion in the Organization’s disclosure statement in accordance with Chapter 58, Article 64, of the North Carolina General Statutes.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

NOTE 2 BASIS OF PRESENTATION (CONTINUED)

Accordingly, this report should not be used for any other purpose. The assumptions disclosed herein are those that Management believes are significant to the projection based on Managements' judgment at the time of the projection. Management recognizes that 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.

The Projects

The Organization is contemplating three independent living projects through the Projection Period which generally includes the following:

The Wharton

The Wharton project is anticipated to include 20 hybrid apartments with an estimated cost of approximately \$9,323,000. Construction of The Wharton is projected to commence in February of 2019, be completed in May of 2020, and begin unit-fill in June of 2020.

E. Maine St. Cottages

E. Maine St. Cottages project is anticipated to include 7 single family cottages with an estimated cost of approximately \$2,450,000. Construction of the E. Maine St. Cottages is projected to commence in October of 2021, be completed in June 2022, and begin unit-fill in July 2022.

Hybrid III

The Hybrid III project is anticipated to include 20 hybrid apartments with an estimated cost of approximately \$10,045,000. Construction of the Hybrid III is projected to commence in October of 2021, be completed in September 2022, and begin unit-fill in October 2022.

Collectively The Wharton, E. Maine St. Cottages, and Hybrid III are referred to as the "Project(s)."

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers cash and cash equivalents to include all cash and highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, including restricted cash.

Assets Limited as to Use

Assets limited as to use includes reserves by state statute, limitations placed on assets by the Board of Directors, and funds held for the residents and other purposes. In accordance with North Carolina General Statute 58-64-33, if a facility maintains an occupancy level in excess of ninety percent, a provider is required to maintain an operating reserve equal to twenty-five percent of the total operating costs, including debt service not accounted for in a separate reserve, forecasted for the following year, otherwise an operating reserve equal to fifty percent is required. Management has designated the unrestricted investments to meet the twenty-five percent operating reserve requirement.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in accordance with accounting requirements for certain investments held by not-for-profit organizations, in the projected balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments, and investment earnings) is reported as an increase (decrease) in net assets without donor restriction unless the income or loss is restricted by donor or law. As stated in Note 6, Management has not projected any realized or unrealized gains or losses.

Fair Value Measurements

Generally accepted accounting principles ("GAAP") defines fair value as 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 Organization 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. As of September 30, 2018, all of the Organization's investments were in Level 1 and management anticipates this to remain the same throughout the projection period.

Accounts and Notes Receivable

Accounts receivable are uncollateralized resident obligations due under normal trade terms generally requiring payment within 30 days from the invoiced date. Notes receivable represent written promissory notes from residents to fulfill past due accounts based on agreed payment schedules. The carrying amount of accounts and notes receivable is reduced by an allowance that reflects management's estimate of the amounts that will not be collected. Management reviews each accounts receivable balance that exceeds 120 days from the invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. Additionally, management applies an estimated write-off percentage to total outstanding accounts and notes receivable, not previously reviewed, to estimate a general allowance covering those amounts. As of September 30, 2018, the allowance was approximately \$110,000 and management has projected this to decrease to approximately \$86,000 by September 30, 2023 as described in Note 6.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Equipment and Depreciation

Property and equipment are carried at cost. Expenditures for maintenance, repairs and minor renovations are expensed as incurred. Major renovations and improvements are capitalized. Depreciation is provided on the straight-line method over the following estimated useful lives:

Buildings	7-50 years
Equipment and Furnishings	3-10 years
Landscaping	5-15 years
Paving	5-10 years
Motor Vehicles	3-5 years

Financing Costs

Costs incurred in acquiring financing have been capitalized and are being amortized over the "call" period of the underlying loans. Unamortized financing costs of approximately \$161,000, \$129,000, \$96,000, \$63,000 and \$29,000 for the years ending September 30, 2019, 2020, 2021, 2022, and 2023, respectively, have been reflected as a reduction in long-term debt. Amortization of financing costs are included as a component of interest expense on the projected statements of operations and changes in net assets without donor restriction.

Application and Admission Deposits

These advance payments are made by prospective residents for the purpose of establishing their name on the Organization's waiting list or requesting a certain model of residence. These advance payments are applied to the resident's entrance fee once admitted or are refunded if not admitted.

Deferred Entrance Fees and Refund Liability

New residents enter the Organization under one of the following contracts, 1) traditional amortized plan, 2) 50% refundable upon separation from the campus and re-occupancy of the residence, or 3) 90% refund upon separation from the campus and re-occupancy of the residence. Under the traditional amortized plan, residents are not entitled to refunds after 12 months, 36 months, or 48 months depending on the contract. The nonrefundable portion of an entrance fee paid by a resident is amortized to income using the straight-line method over the estimated life expectancy of the resident. The nonrefundable portion of entrance fees is classified as deferred revenue. The refundable portion of entrance fees is carried as a liability as the Organization's residency contracts generally do not explicitly limit the refundable portion of the entrance fees to the proceeds of the same residence's re-occupancy.

Obligations to Provide Future Services

The Organization enters into various continuing care contracts with residents. A life planning contract is an agreement between a resident and the Organization specifying the services and facilities to be provided over the resident's remaining life. Under the contracts, the Organization has the ability to increase fees as deemed necessary. For the year ended September 30, 2018, the Organization engaged a specialist to calculate the present value of the estimated net cost of future services to be provided, including the cost of facilities to current residents; and compared that calculated amount with deferred revenue from entrance fees. Under GAAP, if the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, an additional liability is shown in the projected balance sheets. No such liability was recorded as of September 30, 2018 as the present value

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Obligations to Provide Future Services (Continued)

of the estimated net costs of future services and use of facilities is less than deferred revenues from entrance fees. Management has assumed that there will be no such liability throughout the projection period.

Resident Care Revenue

Resident care revenue is reported at the estimated net realizable amounts from residents, third party payors, and others for services rendered.

Revenue that is reimbursable by Medicare and Medicaid is subject to audit and retroactive adjustment. Revenues from Medicare and Medicaid approximated 38.5% of gross resident service revenue for the year ended September 30, 2018. Estimated settlements are recorded in the period the related services are provided. Differences between the estimate amounts accrued and interim and final settlements are reported in operations in the year of settlement.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Organization believes that it is in compliance with all applicable laws and regulation and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future review and interpretation. The results of such governmental review could include fines, penalties, and exclusion from participation in the Medicare and Medicaid programs. Management has not included any estimates in the projection related to noncompliance with Medicare and Medicare programs.

Benevolent Assistance

The Organization provides services to residents who meet certain criteria under its benevolent assistance policy without charge or at amounts less than its established rates. Because the Organization does not pursue collection of amounts determined to qualify as benevolent assistance, such forgone resident service fees are not reported as net resident service revenue.

Restricted and Unrestricted Revenue

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the projected statements of operations and changes in net assets without donor restriction.

Income Taxes

The Organization is exempt from federal and state income taxes under Code Section 501(c)(3) of the Internal Revenue code; accordingly, the projected financial statements do not reflect a provision or liability for federal and state income taxes. The Organization has determined that it does not have any material unrecognized tax benefit or obligations as of September 30, 2018.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

The Organization reports net assets as net assets without donor restriction and net assets with donor restriction depending on the presence and type of donor-imposed restrictions limiting the Organization's ability to use or dispose of specific contributed assets or the economic benefits embodied in those assets. Net assets without donor restriction include those 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 restriction are those net assets whose use has been limited by donors (a) to later periods of time or after specified dates or (b) to specified purposes or (c) to be maintained in perpetuity.

Use of Estimates

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

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits in excess of federally insured limits, investments, accounts receivable, and entrance fees receivable. The Organization maintains cash balances in bank accounts, the balances of which may at times exceed federally insured limits. Investments are held in high quality institutions and are composed of stocks, fixed income securities, and mutual funds backed by the credit ratings of various companies and governments. Accounts receivable consist of amounts due from residents and third-party payers, including various insurance companies and the U.S. Government under the Medicare and Medicaid programs. Accounts receivable are carried at estimated net realizable value.

NOTE 4 SUPPORT AND REVENUE ASSUMPTIONS

The following summarizes significant assumptions for projected revenues.

1. Management has projected entrance fee receipts and refunds from unit turnover (Existing Community) and initial entrance fees associated with the Projects for the years ending September 30, as follows:

	In Thousands of Dollars				
	2019	2020	2021	2022	2023
Gross Entrance Fees Received					
Existing Community	\$ 3,400	\$ 3,740	\$ 4,114	\$ 4,525	\$ 4,978
Projects					
The Wharton	-	3,865	-	-	-
E. Maine St. Cottages	-	-	-	2,765	-
Hybrid III	-	-	-	-	3,981
Total Gross Entrance Fees Received	\$ 3,400	\$ 7,605	\$ 4,114	\$ 7,290	\$ 8,959
Entrance Fees Refunded	\$ (1,747)	\$ (1,585)	\$ (1,440)	\$ (1,309)	\$ (1,192)
Net Entrance Fees Received	\$ 1,653	\$ 6,020	\$ 2,674	\$ 5,981	\$ 7,767

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

NOTE 4 SUPPORT AND REVENUE ASSUMPTIONS (CONTINUED)

2. Management has projected the average occupancies for the fiscal years ending September 30, as follows:

	2019	2020	2021	2022	2023
Existing Community					
Independent Living	93.3%	92.9%	92.7%	92.7%	92.7%
Assisted Living	93.3%	93.3%	93.3%	93.3%	93.3%
Skilled Nursing	92.0%	92.0%	92.0%	92.0%	92.0%
Projects					
The Wharton	0.0%	74.3%	95.0%	95.0%	95.0%
E. Maine St. Cottages	0.0%	0.0%	0.0%	33.3%	100.0%
Hybrid III	0.0%	0.0%	0.0%	0.0%	95.0%
Weighted Average Occupancy	93.0%	91.6%	92.8%	93.0%	93.2%

3. Management has projected the weighted average monthly service and daily fees for the Existing Community and the Projects, for the years ending September 30, as follows:

	2019	2020	2021	2022	2023
Existing Community					
Independent Living (monthly)	\$ 3,228	\$ 3,360	\$ 3,485	\$ 3,590	\$ 3,697
Assisted Living (monthly)	\$ 5,934	\$ 6,112	\$ 6,295	\$ 6,484	\$ 6,679
Skilled Nursing (daily)	\$ 307	\$ 316	\$ 325	\$ 335	\$ 345
Projects					
The Wharton	n/a	\$ 5,645	\$ 5,814	\$ 5,989	\$ 6,168
E. Maine St. Cottages	n/a	n/a	n/a	\$ 4,200	\$ 4,326
Hybrid III	n/a	n/a	n/a	n/a	\$ 5,927

4. Management has projected that monthly service fee and daily fees for the Existing Community and the Projects would increase for the years ending September 30, as follows:

	2019	2020	2021	2022	2023
Existing Community					
Independent Living	(1)	3.0%	3.0%	3.0%	3.0%
Assisted Living	(1)	3.0%	3.0%	3.0%	3.0%
Skilled Nursing	(1)	3.0%	3.0%	3.0%	3.0%
Projects					
The Wharton	n/a	(2)	3%	3%	3%
E. Maine St. Cottages	n/a	n/a	n/a	(2)	3%
Hybrid III	n/a	n/a	n/a	n/a	(2)

Notes:

(1) Based on Management's 2019 budget.

(2) First year of Project occupancy.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

NOTE 4 SUPPORT AND REVENUE ASSUMPTIONS (CONTINUED)

5. Contractual adjustments are based on Management's budget for the year ending September 30, 2019 and approximated 6.5% of gross resident care revenue each year thereafter based on historical experience. These items are deducted from residents care income in arriving at net resident service revenue for financial reporting purposes as required.
6. Net investment earnings is based on Management's budget for the year ending September 30, 2019 and is projected to increase by approximately 3% thereafter through 2023.
7. Contributions are based on Management's budget for the year ending September 30, 2019 and are generally projected to increase by approximately 8.5% thereafter through 2023.
8. Other operating revenue is based on Management's budget for the year ending September 30, 2019, increased by approximately 3% thereafter through 2023.

NOTE 5 EXPENSE ASSUMPTIONS

The following summarizes significant assumptions for projected expenses.

1. Depreciation expense is based on Management's budget for the year ending September 30, 2019. Depreciation expense thereafter is assumed to increase based on the level of capital expenditures (as discussed in Note 6), utilizing a mid-year convention under the straight line depreciation method, with a standard useful life of 10 years for all assets, except for new construction, which uses a 30 year life.
2. Interest expense is based on Management's budget for the year ending September 30, 2019. Interest expense thereafter is projected based on the annual requirements associated with the long-term debt, adjusted for assumptions on proceeds and repayments in Note 7. Interest expense also includes the amortization of financing costs which Management has amortized using straight line method over the "call" period of the underlying loans.

Operating expenses are based on Management's budget for the year ending September 30, 2019. Other than depreciation and interest, these expenses were allocated into fixed, variable (operating), variable (salaries), and flexed categories. Fixed expenses were projected to be consistent during the Projection Period through September 30, 2023. Variable (operating) expenses were projected to increase by 2% each year through September 30, 2023. Variable (salaries) were projected to increase by 2% each year through September 30, 2023. Management has projected benefits and payroll taxes to approximate 23% of salary expense.

NOTE 6 ASSET ASSUMPTIONS

The following summarizes significant assumptions for projected assets.

1. Projected cash results from the application of all other assumptions.
2. Assets limited as to use – current is expected to remain constant in comparison to the year ended September 30, 2018.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

NOTE 6 ASSET ASSUMPTIONS (CONTINUED)

3. Investments are based on the assumption that all investment earnings will be reinvested. The projected amounts do not include any estimate for a change in the fair value of the underlying securities because such changes in fair value cannot be estimated.
4. Accounts and notes receivable are projected to approximate 16.6 days net resident service revenue. The allowance for doubtful accounts for the years ending September 30, 2019 through 2023 are estimated to decrease from approximately \$106,000 at September 30, 2019 to \$86,000 at September 30, 2023.
5. Management has projected the following Existing Community and Project capital expenditures for the years ending September 30:

	In Thousands of Dollars				
	2019	2020	2021	2022	2023
Existing Community Routine Capital Expenditures	\$ 2,241	\$ 900	\$ 975	\$ 1,963	\$ 2,500
Project Capital Expenditures					
The Wharton ⁽¹⁾	4,495	4,528	-	-	-
E. Maine St. Cottages	-	-	-	2,450	-
Hybrid III ⁽¹⁾	-	-	-	10,045	-
Total Routine and Project Capital Expenditures	\$ 6,736	\$ 5,428	\$ 975	\$ 14,458	\$ 2,500

Notes:

(1) Inclusive of capitalized interest.

6. Management has projected the balances of property and equipment, for the years ending September 30, as follows:

	In Thousands of Dollars				
	2019	2020	2021	2022	2023
Land	\$ 589	\$ 589	\$ 589	\$ 589	\$ 589
Buildings	57,257	61,784	61,784	74,191	74,123
Equipment and Furnishings	2,798	3,698	4,673	6,723	9,223
Landscaping	86	86	86	86	86
Paving	103	103	103	103	103
Motor Vehicles	236	236	236	236	236
Property and Equipment, Gross	61,069	66,496	67,471	81,928	84,360
Accumulated Depreciation	(18,473)	(20,802)	(23,352)	(26,068)	(29,258)
Property and Equipment, Net	\$ 42,596	\$ 45,694	\$ 44,119	\$ 55,860	\$ 55,102

7. Other receivables are expected to be approximately \$375,000 at September 30, 2019 and decrease approximately \$16,000 per year throughout the projection period to reflect collections of miscellaneous receivables.
8. Other assets consist primarily of amounts due from the Group and the Foundation (related parties). Management believes the amounts are fully collectible.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

NOTE 6 ASSET ASSUMPTIONS (CONTINUED)

9. Management has projected the operating reserve as required by Section 58-64-33(a) of the General Statutes of North Carolina for the fiscal years ending September 30, as follows:

	In Thousands of Dollars					2024
	2019	2020	2021	2022	2023	Estimated
Total Operating Expenses	\$ 18,203	\$ 19,069	\$ 19,904	\$ 20,500	\$ 21,912	\$ 22,569
Less:						
Depreciation and Amortization	2,116	2,362	2,583	2,750	3,291	3,387
Plus:						
Routine Principal Payments	747	780	879	921	1,601	1,241
Other Principal Payments ⁽¹⁾	-	3,865	-	-	3,981	-
Total Adjusted Operating Expenses	16,834	21,352	18,200	18,671	24,203	20,423
Required Reserve Multiplier ⁽²⁾	25%	25%	25%	25%	25%	
Required Operating Reserve (In Thousands)	\$ 5,338	\$ 4,550	\$ 4,668	\$ 6,051	\$ 5,106	

Notes:

- (1) Principal payments made based on the availability of entrance fees.
- (2) Due to the Organization having a combined occupancy in excess of 90% the required reserve multiplier is 25%.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

NOTE 7 LIABILITY ASSUMPTIONS

The following summarizes significant assumptions for projected liabilities.

1. Accounts payable is based on an average days payable outstanding model of 30 days operating expenses and non-financed capital expenditures.
2. Accrued liabilities for the year ending September 30, 2019 are expected to be \$676,000 and remain constant thereafter.
3. At September 30, 2018, the Organization's outstanding long-term debt totaled \$19,263,609 which was comprised of the following:
 - \$14,983,691 of bank placed tax-exempt bonds (the "Series 2010B Bonds") which matures in February 2025. The Series 2010B Bonds bear interest at 4.1% and principal and interest are due monthly.
 - \$870,531 of bank debt (the "2012A Debt") which matures in March 2025. The 2012A Debt bears interest at 4.5% and principal and interest are due monthly.
 - \$3,409,387 related to a construction loan (the "Construction Loan") which matures in March 2022. The Construction Loan bears interest at a 4.0% and principal and interest payments are due monthly.

Additionally the Organization has a \$750,000 secured line of credit which expires in March of 2019. The Organization anticipates renewing this secured line of credit with similar terms. The line of credit currently bears interest at the greater of the prime rate or 3.75%. Interest accrues and is payable monthly.

For the years ended September 30, 2019 and September 30, 2020, the Organization anticipates borrowing \$4,795,000 and \$4,528,000 of bank debt (the "Wharton Bank Debt") for the construction of The Wharton. The Wharton Bank Debt is assumed to bear interest at 5.85% with monthly principal and interest payments for a 25 year term. Management has assumed, based on the availability of entrance fees, approximately \$3,865,000 of first generation entrance fees will be used to pay down the Wharton Bank Debt in fiscal 2020.

For the years ended September 30, 2022, the Organization anticipates borrowing \$9,813,000 of bank debt (the "Hybrid Bank Debt") for the construction of Hybrid III. The Hybrid Bank Debt is assumed to bear interest at 6.25% with monthly principal and interest payments for a 25 year term. Management has assumed, based on the availability of entrance fees, approximately \$3,981,000 of first generation entrance fees will be used to pay down the Hybrid Bank Debt in fiscal 2023.

These debts are projected to be paid in accordance with the underlying loan agreements' terms, which include application of first generation entrance fees towards the principal balance based on the assumptions made in Note 4.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

NOTE 7 LIABILITY ASSUMPTIONS (CONTINUED)

The following table represents Management's assumptions regarding future payments on their debt:

Years Ending September 30,	In Thousands of Dollars						Total
	Series 2010B Bonds	2012A Debt	Construction Loan	Wharton Bank Debt	Hybrid Bank Debt		
2019	\$ 600	\$ 28	\$ 119	\$ -	\$ -	\$ 747	
Routine Principal Payments	600	28	119	33	-	780	
Other Principal Payments ⁽¹⁾	-	-	-	3,865	-	3,865	
2020	600	28	119	3,898	-	4,645	
2021	625	28	119	107	-	879	
2022	660	28	119	114	-	921	
Routine Principal Payments	670	759	119	120	78	1,746	
Other Principal Payments ⁽¹⁾	-	-	-	-	3,981	3,981	
2023	670	759	119	120	4,059	5,727	
Thereafter	11,829	-	2,814	5,084	5,754	25,481	
Total	\$ 14,984	\$ 871	\$ 3,409	\$ 9,323	\$ 9,813	\$ 38,400	

Notes:

(1) Principal payments made based off the availability of first generation Project related entrance fees.

- In projecting the Refund Liability and Deferred Revenue, the Organization assumed that 90% of new independent living residents would select the traditional amortizing plan and 10% of new independent living residents would select either the 50% refundable or 90% refundable plan. In addition, Management has projected that all entrance fees received for existing units would be constant throughout the projected period except for the new hybrid apartments and the cottages. Entrance fees received for new units are based on anticipated move-ins as follows: (1) The Wharton hybrid apartments – 19 move-ins during the year ending September 30, 2020 (2) E. Maine St. Cottages – 7 move-ins during the year ending September 30, 2022 and (3) Hybrid III apartments – 19 entrance fees were collected during the year ending September 30, 2023. In addition, Management has assumed that entrance fee amortization would be constant in relation to resident care revenue realized for the period ending September 30, 2019 through 2023.

Attachment #5

PENICK VILLAGE, INC.
Fiscal Year Ended September 30, 2018
Actual Vs. 5-Year Forecast

NOTES:

1. *Throughout this Attachment, explanations are limited to variances +/- a minimum of (i.) \$50,000 and (ii.) 15% vs. Forecast:*
2. *Individual variance amounts/percentages are not herein detailed. Please refer to the appropriate Attachment 5B financial statement and line(s) for that detail.*
3. *Variance Key:*
 - a. *Balance Sheet: Fiscal year-end balance increased (decreased) vs. Forecast.*
 - b. *Income Statement: Fiscal year-end balance was favorable (unfavorable) vs. Forecast.*
 - c. *Statement of Cash-Flow: Fiscal year-end balance was favorable (unfavorable) vs. Forecast.*

Balance Sheet:

Current Assets:

- “Cash and Cash Equivalents”:
 - Please see the following “Statement of Cash-Flow” comments for related details. **(1)**
- “Investments”:
 - The organization elects not to Forecast realized/unrealized investment portfolio gains/losses (or, for that matter, any market-driven asset) due to the vagaries of the market.
 - The Statement of Cash-Flow’s “Summaries – Net Investment Activity” details the organization’s realized/unrealized gain/losses on investments.
 - The remaining difference primarily represents the 09/30/18 market value of Penick Village Foundation, Inc.’s (an affiliate) Investment Fund. **(2)**
- “Receivables – Other”:
 - This variance is primarily due to the non-Forecast (a.) collection of various non-trade A/R as well as (b.) decrease in the “Due From Foundation” component of this balance itself resulting from the annual fiscal year-end “true-up” of total contributions received by the affiliate Penick Village Foundation, Inc. **(3)**

ATTACHMENT #5
PENICK VILLAGE, INC.
NARRATIVE: ACTUAL RESULTS COMPARED TO FIVE-YEAR FORECAST
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018
PAGE 2

Other Assets:

- “Deposits:”
 - This variance is primarily due to the non-Forecast write-off of a deposit associated with a health and wellness program. **(4)**

- “Beneficial Interests in Annuities”:
 - As mentioned in note (2), the organization elects not to Forecast gains/losses associated with any market-dependent asset which includes beneficial interests in annuities. **(5)**

- “Intangible Asset”
 - The organization acquired a non-Forecasted enhanced Home Care license that allows the organization to expand its Home Care practice. **(6)**

Current Liabilities:

- “Payable from Assets Limited to Use”:
 - This payable is the offset to the Current Asset “Cash Assets Limited to Use.”
 - Changes in this account category primarily coincide with resident-directed changes to their “Resident Trust” accounts. **(7)**

- “Accrued Liabilities”:
 - This variance was primarily due to below-Forecast “Accrued Expenses” component itself due to an improved fiscal year-end A/P invoice tracking process. **(8)**

- “Application and Prepaid Admission Deposits”:
 - This variance was largely due to a corresponding amount of non-Forecast advance deposits associated with the organization’s latest hybrid apartment project – The Wharton. **(9)**

- “Refund Liability – Current Portion”:
 - This variance is dependent on resident movement (i.e., either moving off-campus or passing-away).
 - Therefore, this variance directly relates to a greater-than-Forecast number of resident movements who are now owed refunds within thirty (30) days of their residence’s reoccupation. **(10)**

Noncurrent Liabilities:

- “Refund Liability – Noncurrent Portion”:
 - This variance is due to the combination of (i.) the non-Forecast increase in “current” refunds payable (see note 10) and (ii.) the above-Forecast refunds paid in fiscal 2018 (see Statement of Cash-Flow’s “Summaries: Net Entrance Fees”). **(11)**

- “Long-Term Debt Less Current Maturities, Net of Deferred Financing Costs”:
 - This variance is primarily due to the note payable owed by the affiliate JA Greer Group, LLC. **(12)**

Net Assets:

- “Unrestricted”:
 - This variance primarily consists of the Organization’s favorable-to-Forecast Income Statement performance. **(13)**

- “Temporarily Restricted”:
 - Due to the unknown restriction status of Forecast contributions, the organization does not Forecast increases/decreases to this asset category. **(14)**

Income Statement:

Unrestricted Revenues Gains and Other Support:

- “Contractual Adjustments”:
 - This variance is primarily the sales volume-related result of below-Forecast Medicaid gross revenues. **(15)**

- “Other Operating Income”:
 - Primarily due to favorable-to-Forecast increases in (i.) resident-requested “upgrade” income charges and (ii.) one-time miscellaneous income. **(16)**

- “Contributions”:
 - Primarily due to several non-Forecast larger contributions. **(17)**

Operating Expenses – Program Services:

- “Life Enrichment”:
 - Primarily due to favorable-to-Forecast cost savings in (i.) salaries/wages-related expenses (i.e., gross pay, employer payroll taxes and employee benefits) and, to a lesser extent (ii.) resident activities and the wellness program expenses **(18)**

Operating Expenses – Supporting Services:

- “Interest Expense”:
 - This variance primarily resulted from the post-Forecast management decision to convert the organization’s largest debt facility (its tax-exempt bonds) from the Forecast’s lower “variable” interest rate to a higher “fixed” interest rate for its remaining term after considering evolving and long-term forecasted increases in variable interest rates. **(19)**

Non-Operating Income (Expense):

- “Interest and Dividends”:
 - The largest component to this line item is the interest and dividend income derived from the investment portfolio. In compiling the annual Budget/Forecast, the organization is purposefully conservative in forecasting this revenue stream. Accordingly, any positive/negative market-driven influence correspondingly affects this line item. **(20)**
- “Net Assets Released From Restriction For Capital Improvements”:
 - Post-Forecast, management decided to redirect certain previous contributions from one designated, not-yet-constructed program to another ongoing capital project. This accounts for those funds spent on that project in the fiscal year. **(21)**
- “Transfer of Unrestricted Net Assets to Temporarily Restricted Net Assets”:
 - This amount represents those same funds mentioned in note (21) that will be spent in future years. **(22)**

Changes in Temporarily Restricted Net Assets:

- “Increase In Fair Value of Split-Interest Agreement”
 - As mentioned in note (2), the organization purposefully does not forecast market-driven asset value increases/decreases which include this asset. **(23)**
- “Net Assets Released From Restriction”:
 - Because annually, this is a fiscal year-end determination/calculation based on the fiscal year’s total contributions, increases/decreases in this asset category are not Forecast. **(24)**

Statement of Cash-Flow

Please recall that in the Statement of Cash-Flow's "Actual" and "Forecast" columns, a positive amount represents a "source" while a negative amount represents a "use" of unrestricted cash. Therefore, the "variance" column indicates if "Actual" unrestricted cash-flow was favorable (unfavorable) to Budget/Forecast.

Cash-Flows From Operating Activities:

- "Increase (Decrease) in Net Assets":
 - This variance directly relates to the corresponding "Net Assets, End of Year" variance reported on Attachment 5B's Statement of Operations and related comments above. **(25)**

- Applicable Accounting standards require that net entrance fees (i.e., gross entrance fees less entrance fee refunds) be Statement of Cash-Flow-reported on various individual lines, in two Statement sections. Therefore, to facilitate an overall net entrance fee review, please see Attachment 5B's "Summary – Net Entrance Fees."
 - As that Summary details:
 - The combined gross 1st-generation (typically, a new building or project's initial residents) and 2nd-generation (all subsequent residents) entrance fees were approximately at Forecast.
 - However, entrance fee refunds were cash-flow unfavorable vs. Forecast. **(26)**

- Similar to the above (net) entrance fee discussion, Accounting standards require that investment portfolio results be reported on various individual Statement of Cash-Flow lines and sections. Accordingly, to facilitate an overall review, please see Attachment 5B's "Summary – Net Investment Activity."
 - **NOTE:** On the Statement of Cash-Flow, realized/unrealized gains on investments are stated as negative amounts denoting a "use" of cash because either (a.) the underlying cash-flow has not yet occurred (i.e., unrealized gains) or (b.) the underlying cash-flow was reinvested, thereby it did not result in incremental operating cash-flow (i.e., realized gains).
 - As Attachment 5B's "Summary – Net Investment Activity" details:
 - As note (2) details, the organization purposefully excludes market-driven investment gains/losses from its annual Budget/Forecast.

- Similarly, the organization intentionally does not Forecast investment sales or purchases. As the Summary details, the sole Forecast investment activity was a modest investment-related “earnings stream” (i.e., portfolio-related interest income and dividends) that was Forecast to be 100% reinvested. Inclusive of the Forecast “earnings stream,” investment sales exceeded investment purchases/earnings stream resulting in the detailed variance.
 - While overall investment activity indicates a material variance, the majority of that variance was due to the fiscal year’s combined realized and unrealized gains on investments. **(27)**
- “Accounts and Notes Receivable”:
- Because the fiscal year-end A/R aging indicated only a nominal increase in total “past dues” (vs. 09/30/17), this variance is not considered a potential “quality” or “collectability” variance but primarily a “timing” variance related to actual September billings (the last month of the fiscal year) billings exceeding Forecast. **(28)**
- “Prepays”:
- This variance is primarily due to the fiscal year-end “Prepaid Insurance” component of this amount being lower than Forecast due to below-Forecast policy renewal premiums. **(29)**
- “Accounts Payable”:
- Owing to the organization’s favorable Income Statement results and the corresponding favorable expense savings therein included, fiscal year-end Accounts Payable increased less than Forecast. **(30)**
- “Purchase of Property and Equipment” and “Proceeds From Long-Term Debt”
- Each of these variances primarily consisted of non-Forecast spending on (i.) the next hybrid apartment building scheduled to commence construction in fiscal 2019 and/or (ii.) the affiliate JA Greer Group, LLC’s acquisition of an available single family home adjacent to property owned by them. **(31)**

Attachment 5B

Penick Village, Inc. - Consolidated Statement of Cash-Flow - Actual Vs. Forecast (\$000s Omitted)

September 30, 2018

(Please Also See "Summaries" Below)

**F = Favorable,
(U) = Unfavorable**

	Notes	F2018 Audit Results	F2018 Forecast	Actual F (U) Vs. Forecast	
				\$	%
<u>Cash flows from operating activities:</u>					
Increase (decrease) in net assets	(5)	\$ 1,313	\$ 34	\$ 1,279	3761.9%
<i>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities</i>					
Depreciation		2,170	2,128	42	2.0%
Bad debt expense		58	48	10	20.8%
Amortization of debt issuance costs		30	19	11	57.9%
Amortization of entrance fees		(2,627)	(2,700)	73	2.7%
Nonrefundable entrance fees received	(26)	2,426	2,500	(74)	-2.9%
Interest and dividends	(20)	(312)	-	(312)	-100.0%
Realized (gains) losses on sales of investments, net of expenses	(2, 27)	(348)	-	(348)	-100.0%
Unrealized (gains) on investments	(2, 27)	(119)	-	(119)	-100.0%
Unrealized (gains) on beneficial interest in annuities	(23)	(76)	-	(76)	-100.0%
Unrealized loss on fair value of interest rate cap agreement		7	-	7	100.0%
<u>Net changes in operating assets and liabilities:</u>					
Accounts and notes receivable	(28)	(148)	(98)	(50)	-51.2%
Unconditional promises to give		31	-	31	100.0%
Other receivables		5	-	5	100.0%
Prepays	(29)	(12)	134	(146)	-108.6%
Deposits and other, noncurrent assets	(4, 5, 6)	190	-	190	100.0%
Accounts payable	(30)	64	114	(50)	-43.5%
Accrued liabilities	(8)	163	412	(249)	-60.5%
Payables from assets limited as to use		(45)	-	(45)	-100.0%
Application and prepaid admission deposits	(9)	541	(35)	576	1644.8%
Unamortied intangible asset	(6)	(85)	-	(85)	-100.0%
<i>Net cash provided (used) by operating activities</i>		<u>3,226</u>	<u>2,556</u>	<u>670</u>	<u>26.2%</u>
<u>Cash flows from investing activities:</u>					
Increase of assets limited as to use	(7)	(238)	-	(238)	-100.0%
Purchase of property and equipment	(31)	(1,331)	(750)	(581)	-77.5%
Proceeds from sale of investments	(2, 27)	216	-	216	100.0%
Purchase or other acquisition of investments	(2, 27)	(193)	(173)	(20)	-11.3%
<i>Net cash provided (used) by investing activities</i>		<u>(1,545)</u>	<u>(923)</u>	<u>(622)</u>	<u>-67.4%</u>
<u>Cash flows from financing activities:</u>					
Proceeds from long-term debt	(32)	267	-	267	100.0%
Cash paid for financing costs		(46)	-	(46)	-100.0%
Principal payments on long-term debt		(1,183)	(1,250)	67	5.4%
Principal payments on lease liability		(6)	-	(6)	-100.0%
Refundable and first generation entrance fees received	(26)	640	574	66	11.4%
Refunds of entrance fees	(26)	(1,669)	(379)	(1,290)	-340.3%
<i>Net cash provided (used) by financing activities</i>		<u>(1,996)</u>	<u>(1,055)</u>	<u>(941)</u>	<u>-89.2%</u>

Attachment 5B

Penick Village, Inc. - Consolidated Statement of Cash-Flow - Actual Vs. Forecast (\$000s Omitted)

September 30, 2018

(Please Also See "Summaries" Below)

F = Favorable,
(U) = Unfavorable

Notes	F2018 Audit	F2018	Actual F (U) Vs. Forecast	
	Results	Forecast	\$	%
Net increase (decrease) in cash and cash equivalents	(316)	578	(894)	-154.7%
Cash and cash equivalents at beginning of year	2,557	2,347	210	9.0%
Cash and cash equivalents at end of year	\$ 2,241	\$ 2,925	\$ (684)	-23.4%

Summaries:

Summary: Net Entrance Fees:

Cash flows from operating activities:

Nonrefundable entrance fees received \$ 2,426 \$ 2,500 \$ (74) -2.9%

Cash flows from financing activities:

Refundable and first generation entrance fees received 640 574 66 11.4%

Subtotal - gross entrance fees 3,066 3,074 (8) -0.3%

Refunds of entrance fees (1,669) (379) (1,290) -340.3%

Total - net entrance fees \$ 1,397 \$ 2,695 \$ (1,298) -48.1%

Summary: Net Investment Activity:

Cash flows from operating activities:

Realized (gains) losses, inclusive of investment expenses, on sale of investments \$ (348) \$ - \$ (348) -100.0%

Unrealized (gains) on investments (119) - (119) -100.0%

Subtotal - realized and unrealized (gains) losses (467) - (467) -100.0%

Cash flows from investing activities:

Proceeds from sale of investments 216 - 216 100.0%

Purchase or other acquisition of investments (193) (173) (20) -11.3%

Subtotal - net investment acquisition/dispositon activity 24 (173) 197 113.7%

Total - net investment activity \$ (444) \$ (173) \$ (271) -156.4%

Attachment 6



**PENICK
VILLAGE**

RESIDENCY AGREEMENT

for

PENICK VILLAGE RESIDENCY AGREEMENT

TABLE OF CONTENTS

	<u>PAGE</u>
NOTICE OF RIGHT TO RESCIND	1
TERMS OF OCCUPANCY.....	1
1. GENERAL SERVICES AND FACILITIES.....	1
2. RESIDENT'S OBLIGATIONS.....	7
3. TRANSFERS AND READMISSION	9
4. ENTRANCE FEE AND FEES	10
5. APPLICATION AND ACCEPTANCE FOR RESIDENCY.....	13
6. TERMINATION AND REFUNDS.....	14
7. MISCELLANEOUS.....	18
ADDENDUM A – CONFIDENTIAL APPLICATION	
ADDENDUM B – NOTICE OF RIGHT TO RESCIND	
ADDENDUM C – WAIVER OF ENTRANCE FEE	
ADDENDUM D – MEDIATION & ARBITRATION AGREEMENT	

PENICK VILLAGE RESIDENCY AGREEMENT

NOTICE OF RIGHT TO RESCIND

You may rescind this Residency Agreement at the later of (i) 30 days following the execution date hereof or (ii) the date of delivery of Penick Village's Disclosure Statement. The resident(s) to whom the contract pertains is not required to move into Penick Village before the expiration of the 30-day period. A full refund, minus any agreed upon non-refundable fees, will be refunded to you within 30 days of receipt of your rescission of this Residency Agreement.

TERMS OF OCCUPANCY

This Residency Agreement ("Agreement") is entered into by _____ (individually and/or collectively "you" or "Resident(s)"), and Penick Village, Inc. doing business as Penick Village (hereinafter referred to as "Penick Village"), a North Carolina not-for-profit corporation. The term "Penick Village", "we", and "our" are used throughout this Agreement to denote Penick Village, Inc.

Penick Village seeks to provide quality residential housing for retirement age people, along with an array of personal services and amenities outlined in this Agreement, including certain assisted living and healthcare services. Subject to the conditions contained in this Agreement, we agree to make available to you an unfurnished Independent Living Residence in Penick Village and provide you with general services and amenities described in this Agreement. The Residence is identified as follows:

RESIDENCE NUMBER: _____

RESIDENCE STYLE: _____

1. GENERAL SERVICES AND FACILITIES

1.1 Basic Agreement. In consideration of payment of a _____ Refundable Entrance Fee in the amount stated in Section 4.2 and payment of the appropriate Monthly Service Fee, initially in the amount stated in Section 4.3, you are entitled to occupy the Residence indicated above and to receive the services and use of the community spaces described in and according to the provisions of this Agreement.

Your right to occupy the Residence or such other service accommodations to which you may be transferred in accordance with this Agreement shall continue for your lifetime unless sooner terminated as provided herein.

The right to occupy the Residence and receive services under this Agreement shall apply exclusively to the named Resident(s) hereunder, and to no other individual(s). No person other than the Resident(s) entering into this Agreement shall be permitted to occupy the Residence without the express written permission of Penick Village as hereinafter provided.

1.2 Residence Furnishings. The Residence is furnished at our expense with floor coverings, blinds, self-defrosting refrigerator/freezer with ice maker, range and oven, dishwasher, microwave oven, garbage disposal, washer/dryer, emergency call system, telephone jack(s) and internet/cable TV connections.

1.3 Parking. Parking areas are provided for you and Penick Village guests as defined in the Resident Handbook. Based on availability, covered parking is an option for the Woodlands apartment areas for (i) an upfront fee and (ii) a monthly maintenance fee (See optional fee schedule). In the Parkview and Wharton buildings, one parking space is reserved in the garage area for each apartment. Golf Cart parking for all IL residents is available on a limited basis and needs to be arranged with Resident Services.

1.4 Community Spaces. You may use Penick Village community spaces in accordance with the Penick Village Resident Handbook, as modified and amended from time to time. Community spaces are non-smoking and are anticipated to include but are not guaranteed or warranted to include:

- a. Chapel
- b. Living rooms
- c. Dining rooms
- d. Library
- e. Barber/beauty salon
- f. Card/life enrichment room
- g. Multi-purpose/media room
- h. Mail center
- i. Fitness center

1.5 Included General Services. So long as you are in compliance with your obligations hereunder, we provide the following services covered by the Entrance Fee and Monthly Service Fee.

- a. **Food Service.** Breakfast, lunch and dinner are served on a daily basis. You are entitled to receive a \$300.00 monthly allowance allocated to food in Penick Village dining venues per person covered in this Residency Agreement. A maximum \$100 unused food allowance in any one month is allowed to be carried over to the following month. Meal allowances are to be used for standard dining service prepared meals and meal portions only. If you go over your monthly allowance, it will be billed directly to your account to be paid with your monthly statement. If you are absent from Penick Village for seven (7) or more consecutive days, and have informed the Resident Services Desk of your absence, an absent day credit of \$10.00 per day, from the first absent day, will apply and be credited against the meal allowance. Resident absences less than seven (7) days will receive no credit. Food prices are subject to change per market costs and no 60-day notice is required to be given by Penick Village for such changes. Allowances may not be used for raw, frozen or seared foods, store to door items, bulk purchases or guest holiday and special occasion meals (Thanksgiving, Christmas, Valentine's Day, or others as determined by Penick Village Dining). When you permanently leave Penick Village or reside(s) in a different level of care, the monthly food allowance, if applicable, will be prorated in proportion to the number of days you occupied or occupy your Residence.

- b. **Housekeeping.** Residential Housekeeping, including vacuuming, dusting, bathroom cleaning, mopping, sweeping, etc. occurs on a weekly scheduled basis. Linen and supplies (trashcan liners, toilet paper, paper towels) are not included in this service but may be purchased for a fee.
- c. **Utilities.** The costs of sewer, natural gas (if applicable), water, waste disposal, and electricity are included in the Monthly Service Fee. In consideration of the evolving new alternate forms of fuels and power sources, Penick Village reserves the right to apply up-front and/or ongoing charges to cover such costs. Basic cable television service is included in the Monthly Service Fee. While the Residence is centrally wired for cable television and telephone service, you are responsible for all telephone, premium cable television, (if available), and internet service provider charges.
- d. **Security and Emergency Alert System.** Residences are equipped with smoke and/or heat detectors and emergency alert systems. The Healthcare Building, Parkview Residences and Woodlands Residences are also equipped with a fire sprinkler system. Penick Village staff monitors the emergency alert systems around the clock and coordinates emergency responses, as appropriate.
- e. **Laundry.** We provide scheduled weekly laundry service of your bed linens and towels if supplied by Penick Village unless otherwise specified by the Residency Agreement.
- f. **Maintenance.** We maintain all community spaces and grounds as well as repair, maintain and replace Penick Village provided equipment and furnishings, unless such repairs are required as a result of your negligence. Damages to the residence (including appliances and cleaning) will result in additional fees. You are responsible for maintenance of your personal property.
- g. **Mail.** A mailbox is provided for you along with mail slots for intra-Penick Village communications.
- h. **Transportation.** We provide scheduled group transportation to designated shopping, social and cultural events, medical facilities, and other local destinations. For larger group events requiring transportation or destinations outside of Southern Pines, a transportation charge will apply.
- i. **Spiritual Programs.** A full-time Chaplain coordinates a variety of spiritual programs for those residents wishing to participate.
- j. **Social, Educational, Cultural and Recreational Programs.** A full-time Director of Life Enrichment coordinates a variety of social, recreational, educational, fitness, wellness, and cultural programs for those residents wishing to participate.
- k. **Property Taxes and Insurance.** Penick Village is not required to pay property taxes due to its tax exempt status and its Community Benefit requirements. You, the Resident, are responsible for taxes assessed on your personal property. Penick

Village maintains property and casualty insurance coverage on the buildings and grounds. Such coverage will not insure against loss or damage to your personal property or damage or injury to others caused by you. For that reason, Penick Village recommends you purchase comprehensive insurance typically referred to as “renters” as well as, if you elect, flood and personal “excess” insurance policies.

- l. Storage Area.** Except for Residences in a cottage, a storage area located in Penick Village is assigned and available for your use. Additional storage may be available for a fee.
- m. Medical Director.** We retain the services of a qualified physician ("Medical Director") to be responsible for the oversight of the appropriateness and quality of medically related activities and services provided by Penick Village. The Medical Director is on retainer to Penick Village.
- n. Long Term Care Benefit.** If it is determined that you require assisted living or healthcare services you will receive priority access to our Residential Assisted Living, the Blanche Robertson Garden Cottage, or Skilled Healthcare Center. Upon admission we will provide you with basic personal services available in Residential Assisted Living or the Blanche Robertson Garden Cottage or healthcare services available in the Skilled Health Center as described below and subject to changes in law.
 - (i) Admission.** When a determination is made by your physician and approved by the Medical Director or appropriate Penick Village representative that you need assisted living or nursing services, or that you be transferred as provided in Section 3, we will admit you to Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Skilled Health Center or, under the conditions set forth in the following paragraph, to another facility.

In the event that, for any reason, space for you is not available in Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Skilled Health Center, upon determination that a permanent transfer is required, Penick Village will arrange for your care at your cost in your Residence by a certified Home Health Care Agency or Home Care Agency, if reasonably possible, until space becomes available in Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Skilled Health Center. If Home Health Care or Home Care is not medically possible or available at a reasonable cost, Penick Village will arrange for your care at your cost in another facility of Penick Village's choice that can provide similar care that would otherwise have been provided by Penick Village until space becomes available. Penick Village will provide transportation to another facility as appropriate and pay for transportation costs above those costs paid by third party payors such as Medicare.

- (ii) Assisted Living.** We will provide to you, in a standard Residential Assisted Living room or apartment or Blanche Robertson Garden Cottage room, services that are designed to assist with the activities of daily living in accordance with applicable North Carolina statutes. Services included are

assistance with dressing, grooming, bathing, toileting and ambulating and three meals a day.

- (iii) **Nursing Health Services.** We will provide to you, in a private room, licensed nursing services in accordance with applicable North Carolina statutes. The services provided will include those services covered by the basic published daily rate for a private nursing room then in effect. Such services may include those required by statute to be supervised or administered by a professional licensed nursing staff, e.g., medication administration, condition and behavior observation and assessment, creation and administration of a care plan, assistance with events of daily living and communication with physicians and other care providers.

- (iv) **Fees and Charges.** Penick Village will provide for fourteen (14) days annually per resident, without additional charge, following admission to Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Skilled Health Center from your Residence, basic Assisted Living or Nursing Services for a Temporary Transfer as defined in Section 3.3, to the extent that it is not covered by your insurance, Medicare or any other governmental programs or entitlements that you are required to maintain under this Agreement. After 14 days, you will pay for basic Assisted Living or Nursing Services as defined in Section 1.5.n. (ii) and (iii) to the extent that it is not covered by your insurance, Medicare or any governmental programs or entitlements that you are required to maintain under this Agreement.

If you do not use your aforementioned 14 days, you may continue to “bank” them to a maximum “bank” of 28 days. You may not accumulate more than 28 days.

Effect on Monthly Service Fee.

a. Temporary Transfers.

- 1. **Single Occupancy.** Should you have a temporary need for assisted living or nursing services while you are still occupying your Residence, you will be required to pay the then current Monthly Service Fee for your Residence. Penick Village will provide, without additional charge, basic Assisted Living or Nursing Services as defined in Section 1.5.n. (ii) and (iii) for 14 days or the maximum “bank” days per calendar year following admission to Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Skilled Health Center. This benefit is provided in addition to the Nursing Services covered by Medicare or insurance. Thereafter, you will pay the then prevailing daily rate at Residential Assisted Living, the Blanche Robertson Garden Cottage or the Skilled Health Center and the monthly service fee for your Residence. By “temporary” we mean a Temporary Transfer as defined in Section 3.3.

2. **Double Occupancy.** Should one or both residents have a temporary need for assisted living or nursing services while you are still occupying the Residence, you will be required to pay the then prevailing current Monthly Service Fee and the then prevailing second person Monthly Service Fee for your Residence. Penick Village will provide, without additional charge, basic Assisted Living or Nursing Services as defined in Section 1.5.n. (ii) and (iii) for 14 days or maximum “bank” days per calendar year per resident following admission to Assisted Living, the Blanche Robertson Garden Cottage, or the Skilled Health Center from your Residence. Thereafter, you will pay the prevailing daily rate at Residential Assisted Living, the Blanche Robertson Garden Cottage or the Skilled Health Center and the resident remaining in the Residence will pay the prevailing single Monthly Service Fee. This benefit is provided in addition to the nursing services covered by Medicare or insurance. By “temporary” we mean a Temporary Transfer as defined in Section 3.3.

b. Permanent Transfers.

1. **Single Occupancy.** Should you have a permanent need for assisted living or nursing services, you will be required to release your Residence as provided under Section 3.3. You will pay the prevailing daily rate at Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Skilled Health Center. By “permanent” we mean a Permanent Transfer as defined in Section 3.3.
2. **Double Occupancy.** Should one Resident have a permanent need for assisted living or nursing services, the resident remaining in the residence will pay the prevailing single Monthly Service Fee and the transferred Resident will pay the prevailing applicable daily rate at Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Skilled Health Center. Should both Residents have a permanent need for Assisted Living or Nursing services, the Residents will be required to release the Residence as provided under Section 3.3. Both residents will pay the prevailing daily rate at Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Skilled Health Center. If one resident is residing in the Residential Assisted Living and one Resident is residing in the Skilled Health Center, the Resident residing in Residential Assisted Living may occupy a two-room apartment at the single room rate. The two-room apartment rate goes back to the prevailing published rate if the Resident in the Skilled Health Center is no longer occupying that room. By “permanent” we mean a Permanent Transfer as defined in Section 3.3.

- c. **Additional Charges.** Residents will be responsible for all costs and charges associated with Residential Assisted Living, the Blanche Robertson Garden Cottage, and/or the Skilled Health Center that are not covered by the basic published market daily rates for such care then in effect, as described in Section 1.5.n. (ii) and (iii).

1.6 Optional Services. The following Optional Services and other service may be available to Residents on a fee-for-service basis:

- a. Guest food
- b. Catering for special occasions
- c. Barber and beauty services
- d. Food delivery
- e. Additional transportation
- f. Additional housekeeping and linen services
- g. Computer/IT services
- h. Usage of guest suites and community space, if available
- i. Personal business services
- j. On-site storage services
- k. Additional maintenance and landscaping services
- l. Electric Car and Golf Cart charging station

Charges for these Optional Services and others that may be offered are made in accordance with the Resident Handbook then in effect and will be billed to you monthly.

- 1.7 Alteration to Residence.** You may make alterations to your Residence at your cost, subject to Penick Village policies and with Penick Village's prior written approval. Any approved alteration will be performed by our maintenance staff or by a contractor Penick Village approves. Any alterations of a permanent nature become the property of Penick Village. Should Penick Village choose to restore your Residence to its original condition upon vacancy, Penick Village may fund all restoration and refurbishment costs from the refund of your Entrance Fee as described in Section 6.4 or bill you, before any work is completed, a non-refundable charge that is estimated to restore and refurbish your unit. In the event no refund is due to you, all restoration costs become an obligation of you or your estate. For your safety, you agree not to replace or add any locking devices to your Residence. All alteration costs are at your expense and are non-refundable and due 100 percent in advance of work beginning.

Advance Notice for Changes in Scope of Services. In the event it is deemed necessary to effect a change in the scope of care or services provided in this Agreement, Penick Village will provide at least sixty (60) days advance notice before any change in the scope of care or services becomes effective. This includes notification of any changes in charges for Optional Services, with the exception for dining service food, services, and program costs.

2. RESIDENT'S OBLIGATIONS

2.1 Health Insurance. Penick Village will provide you with the services described in this Agreement, as appropriate. During the term of this Agreement, you shall obtain and maintain in force Medicare Parts A, B and D and any future program that may be offered by Medicare. You shall also maintain in effect supplemental insurance coverage acceptable to Penick Village, and furnish evidence of such insurance coverage upon our request. If you are not qualified for Medicare coverage, you will be required to maintain comprehensive health coverage satisfactory to Penick Village. You agree to provide evidence of such insurance to Penick Village upon request. You also agree to (i) execute all necessary forms to obtain payment of benefits that are or may be payable in the future for health services provided hereunder to you and (ii) documentation authorizing the payor to remit any resulting benefit payments directly to and in the name of Penick Village.

You are responsible for paying separately for all health services that are not covered by Penick Village, Medicare (or an equivalent substitute policy approved by Penick Village), or Medicare supplemental insurance, as set forth in this Agreement. If you have any questions about such coverage, we will assist you in obtaining answers.

2.2 Power of Attorney, Guardianship. You acknowledge that at some future time you may be unable by reason of mental or physical disability to properly handle your own affairs and that it may be in your best interest to have an attorney in fact or a guardian appointed to handle your affairs. Therefore, you agree to designate in writing, prior to or at the time of entrance, a person(s) who will have authority to act on your behalf in the event you should at any time become unable to properly handle your own affairs. Thereafter, if you become either physically or mentally unable to properly administer your own affairs, this designated person shall either commence handling your affairs pursuant to the terms of a durable power of attorney or file a petition in a court of competent jurisdiction to have a guardian or conservator appointed to handle your affairs. If the designated person(s) are unable or unwilling to file such a petition, we are empowered to do so at your expense.

2.3 Home Health Care, Home Care and Companion Services. It is the intent of Penick Village to enable you to maintain the highest level of independence possible. As such, you may arrange for home care services to be provided to you in your Residence at your expense. If you do not use Penick Village's Home Care Services or contracted Home Health Provider, any assistance by Penick Village in choosing an appropriate agency shall in no way be deemed an endorsement of a particular agency or persons, and Penick Village shall in no way be deemed responsible for the acts or failure to act of any such agency or persons. It is your responsibility to assure that your health care needs are being met while in your Residence. If you choose to receive home health, home care or companion services, you are obligated to utilize a licensed agency or private companion that you have screened per Penick Village's policy and guidelines and you agree to report the agency's or person's periods of visitation to Penick Village in accordance with the policies set forth in the Resident Handbook.

2.4 Cost of Physicians, Medicines, Etc. You acknowledge and agree that any and all expenses or charges that may be incurred by or on behalf of you for costs not covered by this Agreement, including, but not limited to, physicians, therapists, podiatrists, diagnostic services, mental health, medicines, prescription drugs, medical supplies, eyeglasses, hearing

aides, vitamins, crutches, braces, walkers, wheelchairs, special duty nursing, hospitalization, emergency medical services, ambulances, care and treatment of eyes, ears and teeth, and any and all other personal medical expenses shall be your sole and exclusive responsibility. You shall be entitled to treatment by the physician of your choice at your expense. Unpaid charges billed to your insurance will appear on your statement indicating they are pending a response from the insurance company. If a charge has been filed with your insurance for over 60 days without a response, it is the resident's responsibility to contact the insurance company. If the insurance company denies a service or does not pay in full, the resident is responsible for paying the remaining balance in full.

- 2.5 Resident Handbook.** We have established and adopted policies and procedures (collectively "Policies") for the occupancy and orderly operation and management of Penick Village. These Policies provide for the safety, welfare, peace, and comfort of all Residents consistent with the provisions of the Residency Agreement. These Policies are published in writing in the Resident Handbook, which will be provided to you on or before the date you move in and which may be amended from time to time. You agree to abide by and observe such Policies and all amendments and additions thereto. These Policies, as amended from time to time, are hereby incorporated by reference. In the event that the terms of this Agreement conflict with the Policies, the terms of this Agreement shall control.
- 2.6 Non-Impairment of Financial Responsibility.** After execution of this Agreement, you agree not to impair your ability to meet your financial obligations under this Agreement and not to cause any act such that you would no longer meet the financial qualifications as set by Penick Village for your residence. Any impairment of your ability to meet your financial obligation may disqualify you from eligibility for the financial assistance program.

3. TRANSFERS AND READMISSION

There may come a time when you must move to Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Skilled Health Center or to another community that provides services not available at Penick Village. Penick Village is aware that this is a critical transition and will follow the following procedures during any transfer or reassignment.

- 3.1 Consultations.** Except in case of emergency, Penick Village agrees not to transfer you from your Residence to Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Skilled Health Center, or to another community or hospital not on the Penick Village campus, for health-related or other reasons, unless it has consulted with you, your physician, your family and/or your designated representative, if applicable. Such a decision shall be made in the best interests of the Resident, and the decision of Penick Village shall be final and binding. In the case of an emergency transfer, Penick Village will schedule the consultations described above within seven (7) days after transfer.

Circumstances that may warrant a Resident's transfer include, but are not limited to, the following:

- a. A determination that the Resident can no longer function in an independent manner in a Residence, and the Resident requires additional assistance with events of daily living or nursing services;

- b. A determination that the Resident is unable to remain ambulatory (for purposes of this document, the term "ambulatory" is used to describe a person who is capable of demonstrating the mental competence and physical ability to leave a building without human assistance or supervision in case of emergency); or,
- c. A determination that the continued residency of the Resident at Penick Village would be harmful to either the Resident, other Residents or staff of Penick Village.

If we determine, after consultation, that your health requires that you be transferred (a) from the Residence covered by this Agreement to Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Skilled Health Center or (b) to a community or hospital that provides services that Penick Village does not provide or is not licensed to provide, you agree to be relocated in accordance with the decision.

- 3.2 Consents.** When Penick Village determines, after consultations as described above, to transfer you to Residential Assisted Living, the Blanche Robertson Garden Cottage, the Skilled Health Center, or to a suitable care facility or hospital for health care or other health-related services, Penick Village shall be authorized to transfer you without having to obtain your further consent.

When Penick Village determines, after consultations as described above, that you need home care services to remain independent in your residence, you are responsible for arranging Home Care services through Penick Village or another licensed Home Health agency. If such services are not obtained, Penick Village shall be authorized to transfer you to the appropriate level of care without having to obtain your further consent.

Penick Village shall not be responsible for the cost of any services rendered to a Resident who is transferred from Penick Village to another community, or for any home care services, per Section 2.3 of this Residency Agreement except as specifically provided otherwise hereunder.

- 3.3 Transfers.** Pursuant to Section 3.1 and 3.2, transfers are defined below as temporary and permanent.

- a. **Temporary Transfer.** A transfer is considered temporary when, pursuant to Section 3.1 and 3.2, the determination is made that the condition that requires your transfer has the potential to be resolved in a manner that may allow you to return to your Residence within sixty (60) days. Your Residence will be held for your return.
- b. **Permanent Transfer.** A transfer is considered permanent when pursuant to Section 3.1 and 3.2, the determination is made that the condition that requires your transfer will not allow you to return to your Residence within sixty (60) days.

In the event of a Permanent Transfer, you shall release your Residence within 30 days in order for Penick Village to make your Residence available to a new Resident. In such event, Penick Village may enter into a new Residency Agreement for occupancy of the Residence with a new Resident. If you do not vacate the residence within 30 days after a permanent transfer Penick Village will remove your

personal property from the Residence to a storage area at your expense. If your Residence is reassigned and should you subsequently recover sufficiently to maintain yourself independently in a Residence, you shall receive the next available Residence similar to the one relinquished. Should you request to keep your Residence following a Permanent Transfer, you will continue to pay the then current monthly service fee for your Residence, in addition to the then current applicable daily rate in Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Skilled Health Center. Please note, that if this action depletes your financial resources you will nullify Section 4.7 and not be eligible for Penick Village's financial assistance program.

If the Residence is occupied by two (2) Residents, the Permanent Transfer of one (1) Resident does not affect the rights and privileges under this Agreement of the remaining Resident.

4. ENTRANCE FEES AND OTHER FEES

4.1 Occupancy Date. The "Occupancy Date" is the date that you and Penick Village agree upon for your move in to the Residence or you take financial occupancy of the Residence. If the date you take occupancy is different from this Occupancy Date, it must be previously approved by Penick Village. "Occupancy" is defined as when the Residence is occupied by the resident or any of the resident's belongings and/or financial occupancy takes place. Financial occupancy is defined as the Entrance Fee is paid in full and the Monthly Service Fee begins even if you have not taken physical occupancy of the Residence. Financial occupancy is required in order to prevent your Residence from being marketed to another Resident if you don't take physical occupancy of the Residence.

The agreed upon occupancy date is _____.

In the event you decide not to move into your Residence on the Occupancy Date, the obligation of Penick Village to provide care and services as provided hereunder shall not be effective until you move into your Residence. Penick Village, in its sole discretion, may terminate the Residency Agreement and market your Residence to a new Resident, if you decide not to move into your Residence on the Occupancy Date. Penick Village may request for the Monthly Service Fee to begin if the Residence has been ready for occupancy for 30 days. Upon execution of this Agreement, you agree to take occupancy of the Residence within 60 days.

4.2 Entrance Fee. You agree to make a _____, non-transferable, non-interest bearing Entrance Fee in the total amount of \$_____. The Entrance Fee will be paid in three installments unless otherwise contractually agreed upon in an addendum letter as part of this contract. The first installment of \$10,000 (the "Reservation Deposit"), is due upon signing the Reservation Agreement. The second installment (the "Ready List Deposit") which is an amount equal to ten percent (10%) of the Entrance Fee less the Reservation Deposit is due at the time you execute the Residency Agreement. The remaining balance of your Entrance Fee, being \$_____, is due on or before the Occupancy Date, unless otherwise previously agreed in writing. In the event the remaining balance of the Entrance Fee is not paid by the Occupancy Date, Penick Village, in its sole discretion, may terminate the Residency Agreement and market your Residence to a new Resident. Once

paid, this Entrance Fee will not be increased or changed during the duration of this Agreement.

- 4.3 Monthly Service Fees and Changes in Fees.** Your Monthly Service Fee will initially be \$ _____ per month for one (1) person and initially an additional \$ _____ per month for a second person. The Monthly Service Fee shall be due beginning on the Occupancy Date and will be prorated, if necessary, on a daily basis for the first and last months of occupancy. We may increase the Monthly Service Fee, upon sixty (60) days written notice to you. Changes in fees are determined by considering actual expenses and revenues, projected expenses and revenues, and other projections. It is our intent to make any adjustments to the Monthly Service Fee only once per year. The Monthly Service Fee and Optional Service Fees (if utilized) shall be billed in advance to you on or before the fifth (5th) day of each month, and shall be paid on or before the fifteenth (15th) day of the month.
- 4.4 Late Fee.** We will assess you a late fee of eighteen percent (18%) annually (or the maximum amount allowed by applicable law, if less) of the amount due if the Monthly Service Fee or Optional Services Fees are not paid in full on or before the fifteenth day (15th) of the calendar month in which they are due.
- 4.5 Changes in Occupancy.** If your Residence is occupied by two (2) Residents and one (1) Resident surrenders possession of the Residence to the other, other than by death or by a transfer covered by Section 3, the obligations of the Resident remaining in the Residence under this Agreement remain in legal force and effect, except that the Monthly Service Fee will be adjusted to reflect the single occupancy rate then in effect for the Residence. The Resident not remaining in the Residence will receive no services or benefits under this Agreement but will continue to be jointly and severally liable for the obligations of the Resident remaining in the Residence. The remaining Resident may elect to relocate to a different Residence, if desired, as covered in Section 6. No refund of the Entrance Fee, if applicable, will be made until the remaining Resident vacates the Residence and all conditions of Section 6.4 are met.

In the event the joint occupants of a Residence desire separate living accommodations at Penick Village, and one (1) Resident remains in the Residence designated hereunder, no refund of the Entrance Fee, if applicable, shall be made until the conditions of Section 6.4 are met and the Monthly Service Fee shall be adjusted to reflect the single occupancy rate then in effect for the Residence. Upon occupancy of the second Residence by the departing joint occupant, a new Residency Agreement must be executed and submitted for approval by Penick Village, accompanied by the then current Entrance Fee, for the second living accommodations.

In the event of the marriage of a Resident to another Resident, they may: (a) continue to maintain two Residences and pay the applicable Monthly Service Fee for single occupancy for each Residence then in effect; or (b) release either Residence occupied by them, and pay the applicable Monthly Service Fee for first and second person occupancy then in effect. All benefits provided in each Residency Agreement shall remain and continue in effect. There shall be no refund of the Entrance Fee, if applicable, to either Resident until both Residents leave and the conditions of Section 6.4 have been met.

If you and a non-Resident (such as a new spouse) desire to share the Residence, the non-Resident may become a Resident and live in the Residence only if he/she meets the qualifications for residency set forth in Section 5 and both persons execute a new Residency Agreement. In such event, the Monthly Service Fee shall be adjusted to reflect the additional charge per month for a second person, and the non-Resident will be required to pay an Entrance Fee in accordance with the then current policies established by Penick Village.

In the event you marry an individual while at Penick Village who does not meet the residency requirements, Penick Village, in its sole discretion, may allow such person to reside at Penick Village. However, this person would not have any rights, privileges or protection under this Agreement.

4.6 Liability for Charges. Each person who is designated as Resident in this Agreement is jointly and severally liable for the payment of the Monthly Service Fee, Optional Service Fees and all other amounts required to be paid to Penick Village, pursuant to the provisions of this Agreement for so long as any one of the person(s) is a Penick Village resident. In the event it is necessary for us to institute legal action or other proceedings to recover amounts payable to Penick Village under this Agreement, we also will be entitled to recover reasonable legal fees and costs incurred in connection with all such proceedings. This provision will survive any termination of this Agreement.

4.7 Residents Who Become Unable to Pay. It is Penick Village's current policy, which is subject to change at any time without notice in our sole and exclusive discretion, that this Agreement will not be terminated solely because of your financial inability to continue to pay the Monthly Service Fee or other charges payable under the terms of this Agreement by reason of circumstances beyond your control; provided, however, this policy shall not be construed to qualify or limit Penick Village's right to terminate this Agreement in accordance with its terms. If you present facts that, in the opinion of Penick Village, justify special financial consideration, Penick Village will give careful consideration to subsidizing in part or in whole the Monthly Service Fee and other charges payable by you under the terms of this Agreement, so long as such subsidy can be made without impairing the ability of Penick Village to attain its objectives while operating on a sound financial basis. Any determination by Penick Village with regard to the granting of financial assistance shall be within the sole discretion of the ad-hoc Penick Village Benevolent Assistance Committee, and any decision to provide such financial assistance shall continue in effect only so long as Penick Village, in its sole discretion, determines that it can continue to operate for the benefit of all Residents on a sound basis.

As a means of providing financial assistance to Residents, Penick Village maintains an endowment fund and has an annual fund for donations. Income from the endowment fund and annual fund may be used to provide financial assistance in accordance with the Benevolent Assistance policy partially described above.

In the event Penick Village determines to provide you with any financial assistance or subsidy, you expressly agree to (i) grant Penick Village the right to offset any such assistance, plus interest, against the refund of your Entrance Fee, if applicable and/or (ii) allow Penick Village a first or prior claim against your estate(s). The cost of any such financial assistance provided shall be accrued and remain an obligation of the Resident

and his or her estate. Furthermore, we may require you to move to a smaller or less expensive Residence. You also agree to an annual financial update and review of your assistance status.

5. APPLICATION AND ACCEPTANCE FOR RESIDENCY.

The obligations of Penick Village to provide services and community spaces hereunder are conditioned upon acceptance of the Resident for residency in accordance with this paragraph. The decision to accept a Resident for residency shall be within the sole discretion of Penick Village.

5.1 Residency Requirements for Acceptance. We require that you be capable of independent living and have assets and income sufficient (under foreseeable circumstances and after provision for payment of your obligations hereunder) to meet ordinary and customary living expenses, after assuming occupancy. You hereby represent and warrant that you are capable of independent living and have assets and income sufficient to meet ordinary and customary living expenses after assuming occupancy.

a. Confidential Application. You shall complete and submit a Confidential Application provided by Penick Village prior to or concurrent with the execution of this Agreement. You hereby certify to Penick Village that all information reflected on such Confidential Application, which is hereby incorporated by reference and made a part of this Agreement, is complete and accurate. Penick Village reserves the right to conduct background checks, including but not limited to criminal background checks, sexual predator registry and credit checks. All financial information given must be complete and accurate. At a minimum, you will be required to submit your most recent tax return filed with the IRS, and any relevant documentation, including summary reports of investment returns, to verify personal financial data. Copies of medical insurance cards and any long term care or life insurance policies should be submitted prior to occupancy. All residents at Penick Village will be required to provide updated financial data at least bi-annually.

b. Confidential Medical Report. Prior to your acceptance to Penick Village, you will be required to submit a Confidential Medical Report. You also agree to have a home visit by a Penick Village representative as part of the Medical Assessment.

c. Age. To be accepted for residency at Penick Village You must be at least sixty (60) years of age at or before the Occupancy Date.

5.2 Notification of Decision. Penick Village shall notify you of its decision concerning your acceptance to Penick Village. In the event you are not accepted for residency at Penick Village, your Reservation Deposit and Ready List Deposit as specified in Section 4 and tendered upon execution of the Residency Agreement shall be refunded less a \$1,000 administrative fee within 30 days of the date of the notification to you of non-acceptance for residency, and the parties shall have no further obligations to one another under this Agreement.

5.3 Residency is Conditional on No Material Changes Prior to Occupancy. Acceptance for residency at Penick Village shall be conditioned upon no material change in the matters

covered by the Confidential Application and Confidential Medical Report prior to your Occupancy Date. In the event of any such material change prior to the Occupancy Date, Penick Village may request that additional information be provided. In the event of the existence of a material change in condition, Penick Village may revoke its acceptance of you for residency to Penick Village at any time prior to the Occupancy Date by written notification to you, and your Reservation and Ready List Deposits as specified in Section 4 shall be refunded less a \$1,000 administrative fee within 30 days of the date of such notification.

5.4 Duty of Resident to Notify Penick Village. You acknowledge and agree that Penick Village has relied upon all of the information contained in your Confidential Application and Confidential Medical Report to make its decision regarding your acceptance for residency at Penick Village. Any misrepresentation or omission by you shall render this Agreement null and void at the option of Penick Village. You agree to notify Penick Village prior to the Occupancy Date of any material change in any of the matters covered by, or reflected on, the Confidential Application and the Confidential Medical Report.

6. TERMINATION AND REFUNDS

6.1 Termination Prior to Occupancy.

- a. You will be entitled to full reimbursement of any monies paid to us, less any contractually agreed upon non-refundable charges for your requested specific upgrades and a \$1,000 administrative fee, within thirty (30) days of our receiving your written termination of this Agreement, if applicable, and will be released from liability to pay to us any other amount under this Agreement under the following condition. If you die before occupying your Residence at Penick Village, or if, because of illness, injury, or incapacity, you would be precluded from occupying your Residence consistent with the representations made by you in the Confidential Application and/or the Confidential Medical Report, this Agreement will be automatically canceled and the refund process listed in this paragraph will apply.
- b. You will be entitled to full reimbursement of any monies paid to us, less any contractually agreed non-refundable charges for your requested specific upgrades and an administrative processing fee of one thousand dollars (\$1,000), within thirty (30) days, of our receiving your written termination of this Agreement, if applicable, and will be released from liability to pay us any other amount under this Agreement under any one of the following conditions:
 - (i) If you terminate this Agreement prior to the date you occupy your Residence for reasons or conditions other than those described in Section 6.1(a); or
 - (ii) If we terminate this Agreement for your failure to pay the second or third installment (or installments contractually agreed upon) or remaining Entrance Fee by the Occupancy Date as further described in Section 4.2.

6.2 Termination of Residency after Occupancy. After you have assumed occupancy of your Residence, this Agreement is subject to termination as follows and refund provisions described in Section 6.4.

- a. By you at any time upon thirty (30) days prior written notice to Penick Village.
- b. Penick Village may terminate this Agreement after the Occupancy Date for the following non-medical reasons:
 - (i) A material misrepresentation or omission by you in the Confidential Application, Confidential Medical Report, or related materials, which, if such information had been accurately provided, would have been material to the decision whether or not to accept the Resident for residency;
 - (ii) If you fail to comply with the policies and procedures of Penick Village or create a situation detrimental to the health, safety or quiet enjoyment of the community by yourself, other Residents, staff or neighboring property users;
 - (iii) If you fail to pay the Monthly Service Fee or other amounts due us when due unless other mutually satisfactory arrangements have been made, provided however it is our policy that this Agreement shall not be terminated solely because of your financial inability to pay the fees to the extent that (1) your inability to pay is not the result of your willful action; and (2) in our judgement, the ability of Penick Village to operate on a sound financial basis will not be impaired;
 - (iv) Material breach by you of the terms and conditions of this Agreement; and,
 - (v) The Residence is no longer fit for occupancy and Penick Village elects not to restore the Residence to habitable condition. To the extent another Residence is available, Penick Village will relocate you.
- c. Penick Village may terminate this Agreement subsequent to Occupancy Date for medical reasons. If it is determined by the Medical Director or appropriate personnel of Penick Village (after consultation "to the extent feasible" with you, your personal physician, and your family and/or designated representative) that:
 - (i) You have developed a dangerous or contagious disease or mental illness;
 - (ii) You are in need of drug or alcoholic rehabilitation or any other condition for which we are not licensed or for which services cannot be provided by us without a significant and unique expenditure; or,
 - (iii) You are or have become mentally or emotionally disturbed to a degree that your continued presence in Penick Village is determined to be detrimental to the health, safety and welfare of other Residents or staff.

If any of these situations occur, we are expressly authorized (after consultation with the Medical Director or appropriate personnel of Penick Village, your personal

physician and your family and/or your designated representative to the extent feasible) to transfer you, at your expense, to an appropriate hospital or alternative care facility.

If Penick Village seeks to terminate this Agreement and your occupancy, Penick Village shall give you sixty (60) days prior written notice of termination which shall reasonably describe the conduct alleged to warrant the termination of this Agreement and shall set the time, place, and date for a meeting between you and Penick Village's representative(s), which shall not be earlier than thirty (30) days nor later than forty-five (45) days after the notice of termination. At this meeting you may avoid termination upon your showing to Penick Village reasonable satisfaction that you have cured the conduct alleged to warrant the termination.

6.3 Effect of Double Occupancy. If your Residence is occupied by two (2) residents and one (1) resident dies, this Agreement will continue in full legal force and effect as to the surviving resident, except the Monthly Service Fee will be adjusted to reflect the then applicable single occupancy rate payable for the type of Residence occupied. No refund of the Entrance Fee will occur until the surviving resident leaves and all conditions of Section 6.4 are met.

6.4 Refund of Entrance Fee.

12-Month Declining Refundable Entrance Fee: After termination of this Agreement in accordance with Section 6.2, or, in the event of your death, or in the case of double occupancy, both occupants' death, we will refund your 12-Month Declining Refundable Entrance Fee (without interest) that you paid for residency at Penick Village, less one-twelfth (1/12) of the Entrance Fee for any portion of each month you occupied the Residence. After the beginning of the twelfth (12th) month of occupancy, the Entrance Fee paid by you is fully amortized and not refundable. Except as provided in the last paragraph of this section, the refund, if applicable, will be paid within 30 days upon receipt of proceeds from the next re-sale of your Residence listed on page one (1) of this Agreement.

48-Month Declining Refundable Entrance Fee: After termination of this Residency Agreement with Penick Village in accordance with Section 6.2, or, in the event of your death, or in case of double occupancy, both occupants' deaths, we will refund your 48-Month Declining Refundable Entrance Fee (without interest) that you paid for residency at Penick Village, less six percent (6%) the first day of the first month you occupied the Residence, then two percent (2%) per month for any portion of each month the Residence is occupied for the next 47 months. After the beginning of the 48th month of occupancy, the Entrance Fee paid by you is fully amortized and not refundable. Except as provided in the last paragraph of this section, the refund, if applicable, will be paid within 30 days upon receipt of proceeds from the next re-sale of your Residence listed on page one (1) of this Residency Agreement.

Fifty Percent (50%) Refundable Entrance Fee: After termination of this Agreement in accordance with Section 6.2, or, in the event of your death, or in the case of double occupancy, both occupants' death, we will refund your Fifty Percent (50%) Refundable Entrance Fee (without interest) that you paid for residency at Penick Village, less five (5) percent of the Entrance Fee after the first day of the first month occupied, four (4) percent

per month for any portion of each month the Residence is occupied for the next 11 months (months 2 through 12), and one (1) percent the first day of the 13th month you occupy the Residence. After the first day of the 13th month of occupancy, 50 percent of the Entrance Fee paid by you is fully amortized and not refundable. Except as provided in the last paragraph of this section, the refund, if applicable, will be paid within 30 days upon receipt of proceeds from the next re-sale of your Residence listed on page one (1) of this Agreement.

Ninety Percent (90%) Refundable Entrance Fee: After termination of this Agreement in accordance with Section 6.2, or, in the event of your death, or in the case of double occupancy, both occupants' death, we will refund your Ninety Percent (90%) Refundable Entrance Fee (without interest) that you paid for residency at Penick Village, less five (5) percent of the Entrance Fee after the first day of the first month the Residence is occupied and then one percent per month for any portion of each month for the next five months (months two through six) you occupy the Residence. After the first day of the sixth month of occupancy, 10 percent of the Entrance Fee paid by you is fully amortized and not refundable. Except as provided in the last paragraph of this section, the refund, if applicable, will be paid within 30 days upon receipt of proceeds from the next re-sale of your Residence listed on page one (1) of this Agreement.

In the event Penick Village terminates this Agreement for medical reasons in accordance with Section 6.2(c) of this Agreement, Penick Village shall pay to you any refund due, less a reasonable amount to cover the anticipated cost of utilities, telephone or other obligations if applicable and documented by Penick Village. The refund, if applicable, will be paid within 30 days upon receipt of proceeds from the next re-sale of your Residence listed on page one (1) of this Agreement.

- 6.5 Use of Entrance Fee.** The purpose of the Entrance Fee is to contribute to the operating income of Penick Village and to help fund operating and capital costs. At the sole discretion of Penick Village, Entrance Fees may also be used to pay for project development costs, start-up deficits, debt service, retirement of debt, costs of future expansions, capital expenditures, resident refunds, and other purposes deemed appropriate by Penick Village. No reserve funding will be established pertaining to the refund of the Entrance Fee.
- 6.6 Right of Off-Set; Other Rights.** We reserve the right to off-set against the refund of the Entrance Fee any fees or amounts payable to us under this Agreement including any charges deferred or unpaid. Termination of this Agreement for any reason will not affect or impair the exercise of any right or remedy granted to us or you under this Agreement for any claim or cause of action occurring prior to the date of such termination.
- 6.7 Relocation.** If for reasons not occasioned by changing health requirements, you may elect to move to another Residence, subject to availability and may be limited due to refund obligations due. For moves from one Independent Living Residence to another Independent Living Residence you will be required to pay a minimum transfer fee of twenty-five (25%) percent and possibly up to 100 percent (100%) of the prevailing Entrance Fee for the Independent Living Residence to which you are moving. For any move from an existing Independent Living Residence into a new Independent Living residence under construction, you will be required to pay a twenty-five (25%) percent transfer fee plus 100 percent (100%) of the entrance fee of the new Independent Living Residence. This is in

addition of the initial Entrance Fee paid for your current residence. If you elect to move into a different Independent Living Residence that has a refund due, the minimum transfer fee will be at least the amount of the refund due on the requested Independent Living Residence. All transfer fees must be paid in advance and cannot be applied to any possible credits or future refunds owed by Penick Village back to the Resident(s). There is no refund of the Entrance Fee for the new unit if the Entrance Fee is less than what was previously paid. In all moves, you shall pay, in advance, the cost of painting and re-carpeting the new residence, all the costs of any other requested renovations or additions, all costs of the physical move and, when the move is complete, the monthly rate applicable for the new residence.

You are responsible for the cost of moving your belongings for any permanent moves from Independent Living residence room to Residential Assisted Living, the Blanche Robertson Garden Cottage, and Health Center. Penick Village, at its discretion, may issue a credit to your monthly service fee for a portion of the moving company expense. You will, also, be responsible for paying the prevailing daily rate for services in the particular level of care needed.

Should future community operations call for the discontinuation of your current residence, Penick Village reserves the right to move you into a comparable apartment/cottage. Penick Village, at its discretion, may issue a credit for the moving costs.

7. MISCELLANEOUS

- 7.1 **Resident's Interest.** Penick Village retains proprietary interest in its senior living community, assets, property, and management decisions. However, Penick Village will provide a forum for resident comment and input through resident council meetings and Town Hall Meetings.
- 7.2 **Responsibility for Protection of Resident's Property.** We shall not be responsible for damage or loss to any personal property belonging to you caused by fire, flooding or other casualty, or by leaking of water, bursting of pipes, theft or any other cause. You shall be solely responsible, at your own expense, for insuring against property damage or loss and personal liability to others. In the event of your death or transfer from Penick Village, we will exercise ordinary care in temporarily safekeeping your personal property. If such property is not removed from Penick Village premises within sixty (60) days after termination of this Agreement, we reserve the right to have such property placed in a commercial bonded warehouse at the expense and risk of you or your estate.
- 7.3 **Injury or Accident While Away from Penick Village.** If you are injured in an accident or become ill while away from Penick Village, you shall make every reasonable effort to notify Penick Village as soon as possible. Penick Village shall not be responsible for or assume the cost of medical care for illness or injury incurred by you while away from Penick Village.
- 7.4 **Injury Caused by Third Party.** In the event of an accident or injury to you caused by a third party, for which such third party may be liable for the cost of any medical, surgical, nursing or additional care for you resulting therefrom, you or your designated representative

shall notify Penick Village promptly and you or your designated representative shall pursue diligently any claim for damages that may be due from such third party for the injury. Penick Village is not required to bear the cost of care to you for which a third party is liable. You agree to indemnify Penick Village for any expenses incurred by Penick Village in providing care to you for which a third party is liable.

Penick Village may limit its actions as provided above to claims for recovery of the costs and expenses incurred by it, and in such event, Penick Village shall not be obliged to assert any claim on behalf of you arising out of such accident or injury beyond the costs and expenses incurred by Penick Village. Should Penick Village submit a claim for recovery, you agree to cooperate in all material respects with Penick Village's representatives in such claim management.

- 7.5 Indemnification for Negligence.** You hereby agree to indemnify, protect and hold us harmless from any loss, damage, injury or expense incurred by Penick Village as a result of your negligent or willful acts or omissions or the acts or omissions of your invitees or guests.
- 7.6 Right of Entry.** You hereby authorize our employees and agents to enter your Residence to provide services, repairs, maintenance, alterations, pest control and inspection, and to respond to perceived medical or other emergency. Penick Village will try to schedule all other services in advance with the Resident. If you are away from your residence seven (7) consecutive calendar days or longer, Penick Village reserves the right to, but is not obligated to, have a representative enter your Residence during your absence to confirm the safety and maintenance of your Residence remains intact.
- 7.7 Guests.** Occupancy of the Residence and use of Penick Village community spaces and grounds is limited to you and your guests. You must be present while hosting guests at Penick Village and those guests may not occupy your Residence for more than 14 days without the prior approval of Penick Village. You will be responsible for the conduct of your guests and for payment of any charges incurred by your guests.
- 7.8 Damage to Property.** In the event you have a service provided to you (for example: movers, dry cleaners, parcel delivery, etc.) or you have a mobility assistance device and that person, company or device causes any damage or injury to Penick Village, another resident and/or their property or an employee, including but not limited to gates, signage, walls, doors, floors and elevators you will be personally liable for any and all resulting costs and expenses. This includes all workers compensation-related benefits if the injury is to a Penick Village employee.
- 7.9 Absence from Penick Village.** You agree to notify Penick Village in advance of any contemplated absence. No fee adjustments will be made in the event of a voluntary absence from Penick Village, with the exception of the absent day credit in conformance with our absent day credit policy.
- 7.10 Damage to Residence.** If your Residence is damaged by fire, flood, storm or other casualty or cause not resultant from your negligence or willful act or omission and we elect not to terminate this Agreement, we will, at our expense, proceed diligently to repair and restore your Residence. If your Residence is uninhabitable during the repair, we will relocate you

to a comparable type Residence at Penick Village, if available, or, if not, we will try to relocate you temporarily to any other available Residence at Penick Village and the Monthly Service Fee will be adjusted for the type of Residence you temporarily occupy, but in no event shall be more than your Residence.

- 7.11 Entire Agreement.** This Agreement constitutes the entire Agreement between us with regard to your residence and care. We will not be liable for, or bound by, any statements, representations or promises made to you by any person representing or purporting to represent us, unless such statements, representations or promises are expressly set forth and endorsed by both parties in writing, and attached to this Agreement.
- 7.12 Binding Effect.** This Agreement is binding upon our successors and assigns to your heirs and personal representatives. The provisions of this Agreement are not assignable or transferable in whole or in part by you, and you will have no right to sublet the Residence.
- 7.13 Severability.** Each provision of this Agreement will be deemed separate from each other provision and the invalidity or unenforceability of any provision will not affect the validity or enforceability of the balance of the Agreement.
- 7.14 Subordination.** Your rights under this Agreement will be subordinate to any mortgage, security interest, pledge, or other lien that now encumbers all or any part of Penick Village's assets and shall be further subordinate to any mortgage, security interest, pledge, or other lien hereafter placed on all or any part of Penick Village's assets, and you agree to execute, acknowledge and deliver such subordination agreements as any lender or future lender shall reasonably require in order to establish the priority of any such lien.
- 7.15 Nondiscrimination.** Penick Village will be operated on a non-discriminatory basis (except for age criteria), and will provide the accommodations and services described in this Agreement to individuals regardless of race, color, sex, marital status, religion, creed, handicap, national origin, veteran status, sexual orientation, or other prohibited categories.
- 7.16 Notices.** Any notice to Penick Village by you will be given in writing and mailed or delivered to Penick Village at the administrative office or at such other address as we may designate in writing. Any notice to you by us will be given in writing and mailed or delivered to your Residence or at such other address as you may designate to Penick Village in writing.
- 7.17 Choice of Law.** This Agreement will be interpreted according to the laws of the State of North Carolina.
- 7.18 Change of Condition.** You agree to notify us of any material change in any of your physical, financial or mental conditions prior to residency and post-residency.
- 7.19 Authorized Agent Signature.** This Agreement has been executed on behalf of Penick Village by its duly authorized agent, and no officer, director, agent or employee of Penick Village shall have any personal liability hereunder to you under any circumstances.
- 7.20 Third Party Rights.** No other persons or entities other than Penick Village and the Resident have any rights or obligations under this Agreement.

7.21 Failure to Act. Failure or delay of any party to exercise any right, power, or privilege under this Agreement will not operate as a waiver of such right, power, or privilege.

7.22 Right of Subrogation. Should you be injured by a third-party and such injury requires Penick Village to provide health care services under this Agreement, Penick Village shall be subrogated, to the extent allowed by North Carolina law, to your rights against such other third-party to the extent necessary to reimburse Penick Village for the costs incurred in providing services under this Agreement.

To the extent allowed under North Carolina law, this right of subrogation authorizes Penick Village to institute legal action in your name; provided, however, that such action shall not cause or result in a compromise, waiver or release of any causes of action that you may have against such third party for such injuries.

7.23 Religious Affiliation. The Corporation and its retirement community are affiliated with the Episcopal Church to the extent that the Bishop of the Diocese of North Carolina shall serve as Honorary Chair of the Board of Directors. The Board of Directors is an independent body. The Diocese is NOT responsible for the financial and contractual obligations of Penick Village.

By signing below you agree to comply with all sections of this residency agreement.

IN WITNESS WHEREOF, PENICK VILLAGE, INC, and the Resident have received the Disclosure Statement and signed this Agreement on this _____ day of _____, 20_____.

RESIDENT(S):

Signature: _____

Print Name: _____

Signature: _____

Print Name: _____

**PENICK VILLAGE, Inc. a North
Carolina not-for-profit corporation:**

By: _____

Title: _____

Addendum B

NOTICE OF RIGHT TO RESCIND

To rescind and terminate your Residency Agreement, you must mail by certified mail or hand deliver, a signed and dated copy of this cancellation notice or any other written notice clearly indicating your intent to cancel the contract to Penick Village, Inc. at 500 East Rhode Island Avenue, Southern Pines, North Carolina 28387. Your rescission and termination is effective upon receipt by Penick Village of the notice either by certified mail or hand delivery. Refer to Section 6.1 and 6.2 of the Residency Agreement regarding termination and refund provisions.

Pursuant to this notice, I hereby rescind and terminate my Residency Agreement.

Cancellation Date: _____

Resident Signature: _____

**CONTINUING CARE
RESIDENCY AGREEMENT
LEASE AGREEMENT**

ADDENDUM C—WAIVER OF ENTRANCE FEE

WARNING: BY SIGNING THIS DOCUMENT, YOU ARE DECREASING THE SERVICES AND AMENITIES WHICH YOU WOULD OTHERWISE BE ENTITLED TO UNDER THE RESIDENCY AGREEMENT. PLEASE READ CAREFULLY AND CONSIDER IT THOUGHTFULLY BEFORE SIGNING THIS AGREEMENT.

As provided in the Residency Agreement, Penick Village customarily charges an Entrance Fee of a substantial amount. In consideration of the payment of this Entrance Fee, we provide certain services and amenities to our Residents.

You have requested that we waive the payment of the Entrance Fee for you. In consideration of our agreement with you to forego your payment of the Entrance Fee, you have agreed that the Monthly Service Fee paid by you will be a rate of _____. Please note certain services and amenities typically available to those Residents who have paid the Entrance Fees will be removed from the Residency Agreement and will not be available to you.

The following modifications are hereby made to the Residency Agreement. Any paragraph or provision within a paragraph not specifically modified herein will remain in full force and effect.

1. Paragraph 1.5 Included General Services is hereby amended to read as follows:
 - a. **Food Service.** Breakfast, lunch and dinner are served on a daily basis. You are entitled to receive a \$200.00 monthly allowance allocated to food in Penick Village dining venues per person covered in this Residency Agreement. There is no amount carried over when implementing this Addendum. If you go over your monthly allowance, it will be billed directly to your account to be paid with your monthly statement. Monthly food allowances may only be used for your food and may not be used to pay for guest food. If you have guests eat with you in the dining room, you or they must pay for their food.
 - n. **Long Term Care Benefit.** If it is determined that you require assisted living or nursing services in the future, you will receive access to our Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Skilled Nursing Health Center. The 14 days of gratuitous health services provided to non-leasing residents will not be included in the lease program. Upon admission we will provide you with basic assisted living services available in Residential Assisted Living or the Blanche Robertson Garden Cottage, or nursing services available in the Skilled Nursing Health Center as described below and subject to changes in law.

- (ii) **Admission.** When a determination is made by your physician and approved by the Medical Director or appropriate Penick Village representative that you need assisted living or nursing services, or that you need to be transferred as provided in Section 3, we will admit you to Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Skilled Nursing Health Center or, under the conditions set forth in the following paragraph, to another community.

In the event that, for any reason, space for you is not available in Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Skilled Nursing Health Center, upon determination that a permanent transfer is required, you or your responsible party will arrange for your care at your cost in your Residence by a certified Home Care or Home Health Care Agency, if reasonably possible, until space becomes available in Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Skilled Nursing Health Center. If Home Health Care or Home Care is not medically possible or available, you or your responsible party will arrange for your care at your cost in another community of your choice that can provide similar care that would otherwise have been provided by Penick Village. It will be your or your responsible party's responsibility to arrange or provide transportation to another community as appropriate and pay for transportation costs above those costs paid by a third party payor such as Medicare.

- (iv) **Fees and Charges.** You will be required to pay the current published transfer fee for the level of care you are transferring to as well as the published external daily fee. You will pay for basic assisted living or nursing services as defined in Section 1.5.n. (ii) and (iii) to the extent that it is not covered by your insurance, Medicare or any governmental programs or entitlements that you are required to maintain under this Agreement.

Effect on Monthly Service Fee.

b. Temporary Transfers.

2. **Single Occupancy.** Should you have a temporary need for assisted living or nursing services while you are still occupying your Residence, you will be required to pay the then current Monthly Service Fee for your Residence. You will pay the then current daily rate for Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Skilled Nursing Health Center and the Monthly Service Fee for your residential apartment. By "temporary" we mean a Temporary Transfer as defined in Section 3.3.
3. **Double Occupancy.** Should one of the residents have a temporary need for assisted living or nursing services while you are still occupying the Residence, you will be required to pay the then current

single Monthly Service Fee for the resident remaining in the Independent Living Residence and the then current daily rate for

Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Skilled Nursing Health Center for the resident residing there temporarily. If both residents have a temporary need for assisted living or nursing services, you will be required to pay the then current single Monthly Service Fee for your Residence and both of you will pay the then current daily rate at Residential Assisted Living, the Blanche Robertson Garden Cottage and/or the Skilled Nursing Health Center. By "temporary" we mean a Temporary Transfer as defined in Section 3.3.

2. Paragraph 4.2 Entrance Fee is hereby amended as follows:

4.2 Entrance Fee. The current Entrance Fee for the residence which you are entering is _____ . This fee may change from time to time. Penick Village hereby waives this Entrance Fee for the Resident whose signature is below in consideration of the payment of the Monthly Service Fee in the amount of _____, and the Resident's agreement to modify the Residency Agreement to eliminate certain services and amenities as disclosed and modified by execution of this Addendum C. If the Resident determines that they would like to pay the Entrance Fee and receive the benefits associated therewith, the Resident may make arrangements with Penick Village and we will honor the above listed fee for a period of _____ months. If your election is outside the initial _____ month period listed above, Penick Village reserves the right to charge the Entrance Fee rate currently correlating to the Residence type you are dwelling in. While we are waiving the Entrance Fee, you will pay a one-time Community Fee of _____ to cover operational costs, and to ready the residence for occupancy.

3. Paragraph 4.7 Residents Who Become Unable to Pay is hereby amended as follows:

4.7 Residents Who Become Unable to Pay. It is your obligation to make prompt payment of your Monthly Service Fee when it becomes due. Penick Village assumes no financial responsibility or otherwise if you become unable to pay. Failure to pay your Monthly Service Fee will result in a breach of this Residency Agreement and Penick Village will pursue such remedies as are provided for under the Agreement.

4. Paragraphs 6.4, 6.5, and 6.6 are hereby deleted in their entirety.

5. Paragraph 6.7 Relocation is hereby amended as follows:

6.7 Relocation. You may elect to move to another Residence, subject to availability. In such event, you will be responsible for payment of the full Entrance Fee prior to such move unless Penick Village agrees otherwise after discussion with you. The Agreement will be amended to reflect the change in Residence status. In all moves, you shall pay the cost of painting and re-carpeting the new residence, all the costs of any other requested renovations

or additions, all costs of the physical move and, when the move is complete, the monthly rate applicable for the new residence.

Initial Initial Initial

6. Paragraph 7.8 is hereby amended as follows:

7.8 Absence from Penick Village. You agree to notify Penick Village in advance of any contemplated absence. No fee adjustments will be made in the event of an absence from Penick Village. There will be no Absence Day Credits given to you in your absence.

7. Lease Agreement Terms:

This Lease agreement is for 12 months starting at the day of occupancy. After that year, this agreement will be month to month until such time as it is ended by either party. Resident or Penick Village may end this agreement any time after the first 12 months by giving a 30-day written notice. Monthly lease cost will be current published rates plus premium lease factor per current Penick Village policy.

IN WITNESS WHEREOF, PENICK VILLAGE, INC., and the Resident have received the Disclosure Statement and signed this Agreement on this _____ day of _____, 20____.

RESIDENT(S):

Signature: _____

Print Name: _____

Signature: _____

Print Name: _____

**PENICK VILLAGE, Inc. a North
Carolina not-for-profit corporation:**

By: _____

Title: _____

PENICK VILLAGE MEDIATION AND ARBITRATION PROGRAM

Please read carefully. This is an agreement to enter into the Mediation and Arbitration Program (hereinafter referred to as "MAP"). You are invited to enter into this Agreement, but participation in the MAP is not a requirement for admission as a resident of Penick Village. This agreement is offered to each individual who seeks residency, even if the individual presents with another as a part of a couple seeking residency.

THIS AGREEMENT to enter into MAP is hereby agreed to and entered into by _____ [Resident], his or her family, representatives, legal representatives, attorneys, heirs, insurers, personal representatives, successors, agents, trustees, and assigns. The resident and/or his or her representative agrees that MAP will both benefit and bind the resident, his or her family, representatives, legal representatives, attorneys, heirs, insurers, personal representatives, successors, agents, trustees, assigns and/or any personal representative or executor of his or her estate and his or her successors, agents, representatives, and assigns (hereinafter collectively referred to as "Resident"). MAP is also agreed to and entered into by The Episcopal Home for the Ageing in the Diocese of North Carolina, Inc. (d/b/a Penick Village) and its representatives, subsidiaries, affiliates, predecessors, successors, assigns, officers, trustees, directors and insurers (hereinafter collectively referred to as "Penick Village"). "Resident" and "Penick Village" as defined are collectively referred to as "Parties." MAP is designed to provide a process of mediation and arbitration to resolve disputes covered by MAP which may arise between Resident and Penick Village. However, MAP is not a condition of admission and Resident is not required to enter into MAP in order to be admitted as a Penick Village resident. The Parties agree that MAP shall apply for all claims covered by MAP, including any wrongful death actions or disputes. MAP is valuable to Resident and Penick Village in that it provides an efficient and fair process to resolve disagreements.

1. **Applicability:**

Resident and Penick Village hereby agree that any controversy or claim arising out of or relating to the Resident's Penick Village residency covers all disputes between Resident and Penick Village, except any dispute where the amount in controversy is less than Twenty Five Thousand Dollars (\$25,000.00). As such, any claim or dispute between the Parties where the amount in controversy is less than Twenty Five Thousand Dollars (\$25,000.00) shall not be subject to MAP. All other disputes, controversies, or claims between the Parties shall be settled by mediation and arbitration as governed by MAP as set forth herein and, unless modified herein or required by law, are subject to N.C. Gen. Stat. §1-569.1, *et. seq.* (otherwise known as "N.C. Revised Uniform Arbitration Act").

2. **Commencement:**

If either Party desires to initiate MAP to process a dispute with the other Party, said Party shall initiate by sending written correspondence to the other Party of the intent to mediate and arbitrate under MAP. In addition, the Party presenting the claim shall create a document similar to a Complaint contemplated under the North Carolina Rules of Civil Procedure setting forth allegations and other provisions as would be placed in a Complaint. Said Complaint shall not be filed with any court, but shall be submitted to the other Party and to the arbitrator or arbitration panel once selected. Within a period of time set by the arbitrator or arbitration panel, the Party not complaining shall complete a response in the general form of an

Answer as contemplated by the North Carolina Rules of Civil Procedure. If a Party files a Complaint in a court or in any manner outside MAP as set forth herein, that Party shall immediately file a dismissal of that action and move forward as set forth herein once the Party is made aware of this agreement.

3. **Selection of Arbitrator:**

Once MAP is initiated, the Parties have thirty (30) days to select a mutually agreeable and qualified arbitrator. Said arbitrator must be a member in good standing of the North Carolina State Bar. If the Parties do not select an arbitrator within thirty (30) days, then each Party shall select a qualified arbitrator as described herein, and the two selected arbitrators shall select a third arbitrator to serve on a panel of three arbitrators. Once the arbitrator or arbitration panel is selected, the Parties shall discontinue ex-parte contact with the arbitrators. The arbitrator or all members of the arbitration panel shall serve in an unbiased, fair, impartial, judicious, and neutral way regardless of which Party appointed or selected the arbitrator.

4. **Mediation:**

The Parties shall engage in non-binding mediation with a mutually agreeable mediator. If the Parties are not able to agree upon a mediator, the arbitrator or arbitration panel shall appoint a mediator to engage in the process with the Parties. The mediator must be a certified North Carolina mediator and must be a member in good standing of the North Carolina State Bar. Mediation shall take place prior to the final arbitration hearing at a time agreed upon by the Parties or by a scheduling deadline set by the arbitrator or arbitration panel.

5. **North Carolina Law:**

North Carolina law shall apply to this action [with the exception of procedural and other provisions as set forth in this agreement], including but not limited to, limitations on non-economic damages, punitive damages, and other such provisions. The action shall be governed by substantive North Carolina law. If any court proceeding challenging the enforcement of MAP or the procedures contained within this agreement is instituted, the parties agree that the sole and exclusive jurisdiction and venue shall be the North Carolina Superior Court in Moore County, N.C. However, once the arbitration process is instituted, the arbitrator and/or arbitration panel shall have the sole and exclusive ability to interpret and govern this agreement.

6. **Discovery:**

The parties shall be entitled to conduct discovery and the arbitrator or arbitration panel shall oversee discovery and may enforce all discovery orders and otherwise control the discovery process. Similarly, the arbitrator or arbitration panel shall have the authority to control the final arbitration hearing and pre-hearing process, except as set forth herein or as required by law. It is the intent, but not requirement, of the Parties that the general principles of the North Carolina Rules of Civil Procedure and Evidence be used as an informal guide for the arbitration process. However, the arbitrator and arbitration panel shall relax said rules and adapt them to allow for an efficient and expeditious process. Dispositive motions shall be allowed and considered by the arbitrator or arbitration panel within any deadlines or guidelines set by the arbitrator or

arbitration panel. Once the arbitrator or arbitration panel is selected, the Parties shall attempt to agree upon and submit a consent arbitration scheduling order for the arbitrator or arbitration panel's consideration. The arbitrator or arbitration panel shall enter an arbitration scheduling order and have authority to set the particular provisions and/or deadlines. It is the intent of the Parties, although it is not required, that the final arbitration hearing be conducted within one year following the selection of the arbitrator or arbitration panel. However, the arbitrator or arbitration panel has the authority to control the deadlines and arbitration schedule even if it is longer or shorter than one year. The arbitrator or arbitration panel may require one or more pre-hearing conferences in its discretion.

7. **Location:**

The final arbitration hearing shall be held in Moore County, N.C.; however, it shall not take place on the campus of Penick Village. The specific location of the final arbitration hearing within Moore County shall be selected either by agreement of the Parties or by the arbitrator or arbitration panel.

8. **Court Reporter:**

A certified court reporter shall transcribe the final arbitration hearing and any other proceedings the arbitrator or arbitration panel deems appropriate.

9. **Confidentiality:**

Confidentiality shall apply to MAP. Any documents produced by the Parties shall be utilized only for purposes of MAP and may be deemed confidential by the producing Party. Said documents shall be destroyed or returned to the producing Party upon the completion of the proceedings and any potential appeals. Furthermore, the amount of the final award, if any, issued by the arbitrator or arbitration panel shall be confidential except to the extent necessary to obtain the entry of a judgment and enforcement thereof. Furthermore, all filings, pleadings, and proceedings shall be confidential.

10. **Costs:**

Penick Village hereby agrees to pay 70% of the arbitrator or arbitration panel's fees and the Resident agrees to pay 30% of the arbitrator or arbitration panel's fees. Other than the arbitrator or arbitration panel's fees, each Party shall bear its own costs for attorney fees, expert witness fees, etc. Fees for the court reporter for the final arbitration hearing or for any pre-arbitration hearings the arbitrator or arbitration panel deems a court reporter is necessary, the cost of said court reporter shall be split evenly by the Parties. Court reporters for other purposes such as depositions shall be paid for by the Party requesting the court reporter's services. The arbitrator or arbitration panel shall have the authority to issue an order for costs in the limited circumstance of sanctions for discovery violations; however, post award costs or sanctions shall not be awarded by the arbitrator or arbitration panel based on either side prevailing in the action.

11. **Standard Award:**

The arbitrator or arbitration panel shall issue a standard award once the final arbitration hearing is completed. This standard award shall be basic in that it sets forth the arbitrator or arbitration panel's decision as to which side prevails on the question of liability, and if the claimant prevails on the question of liability, if appropriate, shall include an amount of the award in economic damages (if applicable), non-economic damages (if applicable), and/or punitive damages (if applicable). The standard award shall also set forth the total award, if any, subject to the limitations set forth in North Carolina law including caps on non-economic and punitive damages.

12. **Finality of Award:**

The award rendered by the arbitrator/arbitration panel shall be binding on the Parties and final, and judgment may be entered upon it in accordance with North Carolina law and any appropriate division of the North Carolina General Court of Justice. Despite the finality of the award, all appellate rights set forth under North Carolina law for arbitration awards shall be recognized. There shall be no right to appeal other than the limited rights set forth under North Carolina law for the appeal of arbitration awards.

Arbitration Selection as to All Disputes Covered by this Agreement:

The parties agree to submit to binding arbitration in lieu of judicial or other resolution. This includes the knowing selection of MAP in lieu of a jury trial or other judicial or administrative resolution. The Parties make this selection knowingly, intentionally, and voluntarily. The Parties further acknowledge that they have had the opportunity to be advised by independent legal counsel in connection with this agreement and in making this selection. The Parties further acknowledge, having read and understood the meaning and ramifications of this selection, intend that this selection and waiver be construed as broadly as possible and extent to all disputes covered by this agreement.

Hereby consented to and agreed:

Resident Signature

Printed Name of Resident

Date: _____

Signature of Family Member or
Representative of Resident

Signature of Penick Village
Representative

Printed Name of Penick Village
Representative

Date: _____

Printed Name of Family Member or
Representative of Resident

Date: _____

Title or Authority (POA, HCPOA, Guardian,
Responsible Party, Next of Kin, etc.)
(List all that apply)

Additional Signature of Family Member
or Representative of Resident

Printed Name of Additional Family Member or
Representative of Resident

Title or Authority (POA, HCPOA, Guardian,
Responsible Party, Next of Kin, etc.)
(List all that apply)

Date: _____

PENICK VILLAGE - RESERVATION AGREEMENT

This Reservation Agreement ("Agreement") is made this _____ day of _____, 20__, by and between Penick Village, a North Carolina not-for-profit corporation, ("the Community"), and ("You").

WHEREAS, the Community presently owns and operates a Life Plan Community located at 500 East Rhode Island Avenue in Southern Pines, North Carolina known as Penick Village; and

WHEREAS, You desire to reserve a Residence at Penick Village; and NOW, THEREFORE, You and the Community agree as follows:

I. RESERVATION OF RESIDENCE

You reserve residence number _____ a _____ type of residence ("the Residence").

II. PROJECTED DATE OF AVAILABILTY

The Date of Availability is the projected date in which the Residence will be declared by the Community to be available for occupancy, and such Date of Availability is

III. ADMISSION PROCEDURES

- A. Within 14 days after the execution of this Agreement, You agree to submit a Confidential Application and Physician's Examination Report provided by the Community.
- B. You shall participate in a non-binding interview with a representative from the Community.
- C. Upon notification of acceptance by Penick Village, You shall enter into the Residency Agreement.
- D. You agree to move to Penick Village within 90 days of signing this Reservation Agreement.

IV. FINANCIAL ARRANGEMENTS

- A. **Entrance Fee:** You agree to pay the Community an Entrance Fee of \$_____. The terms of the Entrance Fee will be as follows:

1. Reservation Deposit: A Reservation Deposit of ten thousand dollars (\$10,000) is paid upon execution of this Agreement by You.

2. **Ten Percent (10%) Deposit:** An amount equal to ten percent (10%) of the Entrance Fee, less the ten thousand dollar (\$10,000) Reservation Deposit, or \$ _____, is due and payable at time of the Ready List Agreement signing.

3. **Balance of the Entrance Fee:** The entire balance of the total Entrance Fee selected will be due and payable upon move in or before the occupancy date.

B. Monthly Service Fee: In addition to the Entrance Fee, You agree to pay a Monthly Service Fee. As of the date of this Agreement, the Monthly Service Fee for the Residence is \$ _____ per month and an additional \$ _____ per month if a second resident occupies the Residence. The Monthly Service Fee will begin upon the date of occupancy, unless otherwise agreed to in writing by Penick Village. The Monthly Service Fee is subject to change as described in the Residency Agreement.

V. TERMINATION AND REFUND

You may terminate this Agreement prior to entering into a Residency Agreement for any reason by giving written notice to the Community. The Community shall refund the Ready List Deposit less a \$1,000 administrative fee paid by you within 30 days of such notice.

VI. PRELIMINARY AGREEMENT

This Agreement is preliminary in nature and precedent to the Residency Agreement to be entered into upon notification of acceptance by Penick Village.

IN WITNESS WHEREOF, the Community and You have executed this Agreement and the Reservation Deposit of ten thousand dollars (\$10,000.00) has been paid as of the day and year first written above.

Signature #1

Signature #2

Address

Address

City, State and Zip Code

City, State and Zip Code

Telephone

Telephone

Penick Village: _____ Title: _____

PENICK VILLAGE – READY LIST AGREEMENT

NOTICE OF RIGHT TO RESCIND

You may rescind this Ready List Agreement within 30 days following the date of execution of the Ready List Agreement. The resident(s) to whom the Ready List Agreement pertains is not required to move into Penick Village before the expiration of the 30-day period. A full refund, minus any agreed upon non-refundable fees, will be refunded to you within 30 days of receipt of your rescission of this Ready List Agreement.

This Reservation Agreement (“Agreement”) is made this _____ day of _____, 20__, by and between Penick Village, a North Carolina not-for-profit corporation, (“the Community”), and _____ (“You”).

WHEREAS, the Community presently owns and operates a Life Plan Community located at 500 East Rhode Island Avenue in Southern Pines, North Carolina known as Penick Village; and

WHEREAS, You desire to reserve a Residence at Penick Village; and NOW, THEREFORE, You and the Community agree as follows:

I. RESERVATION OF RESIDENCE

You reserve a 1. _____, 2. _____, 3. _____, type(s) of residence (“the Residence”).

II. PROJECTED DATE OF AVAILABILTY

The Date of Availability is the projected date in which the Residence will be declared by the Community to be available for occupancy, and such Date of Availability will be relayed to you when the accommodations become available.

III. ADMISSION PROCEDURES

- A. When you are notified that the residence you have reserved is available, you will take the Physician’s Examination Report provided by the Community to your doctor to be returned to the Community within two weeks.
- B. Upon notification of acceptance by Penick Village, you will enter into the Residency Agreement.
- C. You agree to move to Penick Village within 60 days of entering into the Residency Agreement.

IV. FINANCIAL ARRANGEMENTS

- A. **Entrance Fee:** You agree to pay the Community an Entrance Fee of \$ _____. * The terms of the Entrance Fee will be as follows:

- 1. **Reservation Deposit:** A Reservation Deposit of ten thousand dollars (\$10,000) was paid on _____.
- 2. **Ten Percent (10%) Deposit:** An amount equal to ten percent (10%) of the Entrance Fee, less the ten thousand dollar (\$10,000) Reservation Deposit, or \$ _____, is due and payable upon execution of this Ready List Agreement by You.
- 3. **Balance of the Entrance Fee:** The entire balance of the total Entrance Fee selected will be due and payable upon move in or before the occupancy date.

B. Monthly Service Fee: In addition to the Entrance Fee, You agree to pay a Monthly Service Fee. As of the date of this Agreement, the Monthly Service Fee for the Residence is \$ _____ * per month and an additional \$ _____ * per month if a second resident occupies the Residence. The Monthly Service Fee will begin upon the date of occupancy, unless otherwise agreed to in writing by Penick Village. The Monthly Service Fee is subject to change as described in the Residency Agreement. ***Will be determined at time of availability at the standard published rate for the accommodation.**

V. TERMINATION AND REFUND

You may terminate this Agreement prior to entering into a Residency Agreement for any reason by giving written notice to the Community. The Community shall refund the amount of the Ready List Deposit paid by you less a \$1,000.00 administrative and processing fee within 30 days of such notice.

VI. PRELIMINARY AGREEMENT

This Agreement is preliminary in nature and precedent to the Residency Agreement to be entered into upon notification of acceptance by the Penick Village.

IN WITNESS WHEREOF, the Community and You have executed this Agreement and the Ready List Deposit of 10% _____ has been paid as of the day and year first written above.

Signature #1

Signature #2

Address

Address

City, State and Zip Code

City, State and Zip Code

Telephone

Telephone

Penick Village: _____ **Title:** _____

2019 Optional Service Fees

Copies	\$.10 per page
Store2Door	See price list (Attachment #10)
Guest Room	\$70.00 per night (maximum seven night stay) Includes breakfast in Village
Dining	Pricing is a la carte
Transportation – Out of Town	Doctor appointments - \$25 per hour Airport transportation - \$125 one-way
Housekeeping	Additional housekeeping that is not considered routine and included in the monthly service fee will have a fee based on materials and labor. Carpet cleaning for pet stains start at \$75.00. Penick Village reserves the right to outsource all services.
Electric cars & Golf Carts	Monthly charge at market price for charging station access
Long Distance Facsimiles	\$.25 per page
Special Maintenance Requests	The fee will be based on materials and labor. This does not include routine maintenance, which is included in the monthly service fee.
Medical Supplies	A price list will be provided upon a request from the resident.
Phone charges	\$21.00/month for basic phone service plus \$.11 per minute for long distance charges (Plan A) \$42.00/month for basic phone service including all long distance charges. (Plan B) Note: International calling not available through either plan.
Replacement Keys	\$5.00
Replacement Key Fobs	\$12.00
Replacement Gate Stickers	\$25.00
Meal Delivery	\$3.00 per delivery
Room Clearing Fee	Depending on the size of the home – up to \$10,000
Replacement Pendant	\$175.00
Woodland Apt. covered parking	If available – Non-refundable \$6,000 upfront fee and \$25/monthly fee
Internet Options	\$36.00/month
Personal Business Support	\$50.00 per half hour with a minimum half hour charge

Computer/ IT Support	<p>\$65.00 initial evaluation and setup cost (2hrs). After two hours standard \$50.00 per hour service call rate will apply.</p> <p>Service Calls - \$50.00 per hour with a one hour minimum charge.</p> <p>After 5:00pm and on weekend non-emergency calls will incur an additional \$150.00 charge in addition to the standard service call rate.</p> <p>All service calls are by appointment.</p>

This list is not intended to be all inclusive. Additional charges may occur for service requests.



**PENICK
VILLAGE**
HOME CARE

Services and Prices

Initial Assessment	Included
Home Helper/Companion - Two (2) hour minimum <ul style="list-style-type: none"> • \$5 increase per hour for couples (based on care plan) • 5% decrease per hour for shifts of 12 hours • Quarterly visit by Home Care Supervisor included 	\$18.50 per hour- weekday \$19.50 per hour- weekend
In-Home Aide- Nursing Assistant – Two (2) hour minimum <ul style="list-style-type: none"> • \$7 increase per hour for couples (based on care plan) • 5% decrease per hour for shifts of 12 hours • Quarterly RN visits and supervision of aides included 	\$21.50 per hour - weekday \$22.50 per hour - weekend
Transportation <ul style="list-style-type: none"> • Charged when the caregiver transports for an authorized trip • Mileage fee is charged in addition to hourly rate 	Current IRS rate + \$.10/mile
Visit Cancellation Fee <ul style="list-style-type: none"> • Applicable if the Home Care Office is not notified 24 hours in advance. • A 72-hour notice is required to end 24-hour care services. 	A charge equal to scheduled shift canceled
Pet Care <ul style="list-style-type: none"> • Includes feeding, walking, litter box care for cats 	\$15 per 1/2 hour - dogs \$12 per 1/2 hour - cats
Phone Check-In - one call per day	\$3.00 per call
Registered Nurse Visit	\$40 per hour, minimum of 1 hour
Care Management <i>Monitoring Chronic Conditions/Treatment Plan, Compliance/Medication Reconciliation/Self-Management, Education Resources and Referrals, Long-Term Care assessments and qualifying paperwork completion.</i>	\$65.00 per hour

For more information, Call the Penick Village Home Care Office at (910) 692-0370

*All rates are subject to change

**Penick Village
Summary Balance Sheet
December 31, 2018**

	<u>Actual Sep-18</u>	<u>Actual Nov-18</u>	<u>Actual Dec-18</u>	<u>Inc. (Dec.) vs. Prior Mo.</u>	<u>Inc. (Dec.) YTD</u>
ASSETS					
<u>Current Assets</u>					
1 Cash - Unrestricted	2,166,337	\$ 1,392,574	\$ 1,652,683	260,108	(\$513,654)
2 Cash - Restricted	81,706	70,725	71,541	816	(10,165)
3 Investments - Restricted	494,061	475,923	455,339	(20,584)	(38,722)
3 Investments - Moore Trust	4,539,018	4,377,150	4,182,694	(194,456)	(356,324)
9 Invest. - Operat. Res. - "Excess"	464,384	360,789	202,758	(158,031)	(261,626)
4 Accounts Rec. - Resident Svc Fees	618,914	557,044	541,930	(15,114)	(76,984)
5 Accounts Receivable - Other	391,285	404,065	411,710	7,645	20,426
5 Allowance for Doubtful Accounts	(111,188)	(121,635)	(126,559)	(4,924)	(15,371)
6 Prepaid Expenses	145,446	293,901	264,662	(29,239)	119,216
<i>Total Current Assets</i>	<u>8,789,962</u>	<u>7,810,537</u>	<u>7,656,758</u>	<u>(153,779)</u>	<u>(1,133,204)</u>
9 Invest. - Operat. Res. - Required	<u>4,223,046</u>	<u>4,223,046</u>	<u>4,223,046</u>	<u>0</u>	<u>0</u>
10 Prop., Plant & Equip. - Net	<u>37,945,441</u>	<u>37,872,293</u>	<u>37,722,558</u>	<u>(149,735)</u>	<u>(222,884)</u>
<i>Total PP&E - Net</i>	<u>37,945,441</u>	<u>37,872,293</u>	<u>37,722,558</u>	<u>(149,735)</u>	<u>(222,884)</u>
<u>Other, Non-Current Assets</u>					
8 L/T Receivables	20,966	19,515	20,929	1,414	(36)
12 Deposits	915	915	915	0	0
11 J.A. Greer Group Equity	-	1,000	1,000	0	1,000
11 Annuities	188,920	187,920	174,476	(13,444)	(14,444)
13 Unamortized Finance Costs - FB	192,458	189,492	189,111	(381)	(3,347)
13 Unamort Intangible Asset-HC License	85,455	84,972	84,731	(241)	(724)
13 (Due To)/From JA Greer Group LLC	245,407	235,000	230,000	(5,000)	(15,407)
13 Interest Rate Cap Agreement	5,420	5,420	5,420	0	0
13 Wellness Initiative Project	(0)	-	-	0	0
13 FSA Prefunding Escrow	1,090	1,090	1,090	0	0
<i>Total Other, Non-Current Assets</i>	<u>740,631</u>	<u>725,325</u>	<u>707,672</u>	<u>(17,653)</u>	<u>(32,960)</u>
TOTAL ASSETS	<u>51,699,081</u>	<u>\$ 50,631,201</u>	<u>\$ 50,310,034</u>	<u>(321,167)</u>	<u>(1,389,047)</u>
LIABILITIES AND NET ASSETS					
<u>Current Liabilities</u>					
14 Accounts Payable - Trade	502,957	\$ 516,004	\$ 535,497	\$ 19,493	\$ 32,539
18 Accts. Pay. - Assets Limited to Use	81,706	70,725	71,541	816	(10,165)
15 Accrued Liabilities	652,890	464,438.69	519,108.04	54,669	(133,782)
15 Lease Liability - Current Portion	9,531	9,531.00	9,531.00	0	0
16 Application/Prepaid Deposits	851,504	878,820	1,038,420	159,600	186,916
17 Refund Liability - Current Portion	1,205,475	524,335	524,335	0	(681,140)
19 Notes Payable - Current	738,662	1,229,313	1,311,313	82,000	572,651
<i>Total Current Liabilities</i>	<u>4,042,724</u>	<u>3,693,166</u>	<u>4,009,744</u>	<u>316,578</u>	<u>(32,980)</u>
<u>Long-Term Liabilities</u>					
21 Refund Liability - Noncurrent Portion	5,951,636	6,078,351	6,072,523	(5,828)	120,887
20 Deferred Revenue	15,136,594	14,737,178	14,653,205	(83,973)	(483,389)
20 Lease Liability	35,882	35,882	35,882	0	0
22 Long Term Notes	18,524,947	18,339,960	18,338,241	(1,719)	(186,705)
<i>Total Long-Term Liabilities</i>	<u>39,649,059</u>	<u>39,191,371</u>	<u>39,099,851</u>	<u>(91,520)</u>	<u>(549,207)</u>
TOTAL LIABILITIES	<u>43,691,782</u>	<u>\$ 42,884,538</u>	<u>\$ 43,109,595</u>	<u>225,058</u>	<u>(582,187)</u>
NET ASSETS					
23 Operating Fund Balance - PY	7,215,715	7,215,715	7,215,715	0	0
24 Restricted Assets - PY	462,176	462,176	462,176	0	0
27 Net Assets - Permanently Restricted	329,407	329,407	329,407	0	0
25 Current Changes - Equity	-	(260,635)	(806,860)	(546,226)	(806,860)
TOTAL NET ASSETS	<u>8,007,298</u>	<u>\$ 7,746,663</u>	<u>\$ 7,200,438</u>	<u>(546,226)</u>	<u>(806,860)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>51,699,081</u>	<u>\$ 50,631,201</u>	<u>\$ 50,310,033</u>	<u>(321,168)</u>	<u>(1,389,047)</u>

Penick Village
Statement of Cash-Flow

	Actual	Budget	Act. F (U) Vs. Budget		Actual	Budget	Act. F (U) Vs. Budget	
	Dec-18	Dec-18	\$	%	YTD Dec.	YTD Dec.	\$	%
CASH FLOWS FROM OPERATING ACTIVITIES (1):								
Increase (decrease) In net assets	\$ (546,225)	\$ 56,814	\$ (603,039)	-1061.4%	\$ (806,860)	\$ (250,882)	\$ (555,978)	-221.6%
Adjustments to reconcile increase (decrease) in net assets to net assets provided by (used in) operating activities:								
Add: Depreciation expense	168,622	173,791	(5,169)	-3.0%	472,215	521,373	(49,158)	-9.4%
Add: Amortization expense	622	2,585	(1,963)	-75.9%	4,071	7,755	(3,684)	-47.5%
Add: Bad debt expense	4,000	4,000	-	0.0%	12,000	12,000	-	0.0%
Less: Amortization of entrance fees	(83,973)	(225,000)	141,027	62.7%	(533,973)	(675,000)	141,027	20.9%
Realized/unrealized (gains) losses on investments	447,647	-	447,647	100.0%	769,345	-	769,345	100.0%
(Gain) loss on disposal of property/equip.	-	-	-	-100.0%	210	-	210	-100.0%
Add: 2nd-generation entrance fees	-	275,000	(275,000)	-100.0%	505,835	825,000	(319,165)	-38.7%
Net changes in operating assets and liabilities:								
(Inc.) dec. in accounts receivable - resident	11,114	(127)	11,241	8851.2%	64,984	87,589	(22,605)	-25.8%
(Inc.) dec. in "A/R - Other"	(7,645)	(7,404)	(241)	-3.3%	(20,426)	(35,185)	14,759	41.9%
Inc. (dec.) in allowance for doubtful accounts	4,924	(1,031)	5,955	577.6%	15,371	(3,092)	18,463	597.1%
(Inc.) dec. in prepaid expenses	29,239	27,834	1,805	5.8%	(119,216)	(57,035)	(62,181)	-109.0%
(Inc.) dec. in all "other, non-current assets" (ex. "annuities" & JA Greer)	3,586	5,718	(2,132)	-37.3%	15,444	17,416	(1,972)	-11.3%
Inc. (dec.) in accounts payable -trade	19,493	129,936	(110,443)	-85.0%	32,539	1,326,278	(1,293,739)	-97.5%
Net changes in operating assets and liabilities:								
Inc. (dec.) in accounts payable - assets limited to use	816	-	816	100.0%	(10,165)	-	(10,165)	-100.0%
Inc. (dec.) in accrued liabilities	54,669	320,131	(265,462)	-82.9%	(133,782)	358,654	(492,436)	-137.3%
Inc. (dec.) in application/prepaid deposits	159,800	153,270	6,330	4.1%	186,916	459,808	(272,892)	-59.3%
Net Cash Provided By (Used In) Operating Activities	266,490	915,317	(648,827)	-70.9%	454,509	2,594,679	(2,140,171)	-82.5%
CASH FLOWS FROM CAPITAL AND INVESTING ACTIVITIES:								
(Purchases) of property/equipment	(18,886)	(899,854)	880,967	97.9%	(249,332)	(2,698,210)	2,448,878	90.8%
(Increase) decrease in restricted cash	(816)	2,947	(3,763)	-127.7%	10,165	8,840	1,325	15.0%
Proceeds from sale of property/equipment	-	-	-	100.0%	(210)	-	(210)	100.0%
(Increase) decrease in PV investments' "cash" balances	(7,035)	(962)	(6,073)	-631.3%	198,873	(29,457)	228,330	775.1%
Gross proceeds from PV's sale of investments (ex. trading exp.)	26,812	-	26,812	100.0%	115,863	-	115,863	100.0%
PV's (purchase) of investments (cx. trading exp.)	(80,910)	-	(80,910)	-100.0%	(413,964)	-	(413,964)	-100.0%
Net Cash Provided By (Used In) Capital and investing Activities	(80,834)	(897,869)	817,034	91.0%	(338,605)	(2,718,827)	2,380,222	87.5%
CASH FLOWS FROM FINANCING ACTIVITIES (1):								
Net increase (decrease) in term bank debt	(61,719)	236,810	(298,529)	-126.1%	(186,705)	(183,944)	(2,761)	-1.5%
Net increase (decrease) in bank line of credit	142,000	-	142,000	100.0%	572,651	-	572,651	100.0%
Net increase (decrease) In Wharton debt	-	-	-	0.0%	-	298,124	(298,124)	-100.0%
Less: Refund "offsets"	(5,828)	(8,173)	2,345	28.7%	(18,419)	(24,519)	6,100	24.9%
Less: 50%/90% contract refunds cash-paid	-	(44,370)	44,370	100.0%	(997,085)	(1,041,455)	44,370	4.3%
Less: 48-mos. ent. fee contract refunds cash-paid	-	-	-	0.0%	-	(75,000)	75,000	100.0%
Net Cash Provided By (Used In) Financing Activities	74,453	184,267	(109,814)	-59.6%	(629,558)	(1,026,794)	397,236	38.7%
Net Increase (Decrease) In Unrestricted Cash	260,109	201,716	58,393	28.9%	(513,654)	(1,150,941)	637,287	55.4%
Beginning Unrestricted Cash Balance	1,392,574	220,735	1,171,839	530.9%	2,166,337	1,573,392	592,945	37.7%
Ending Unrestricted Cash Balance	\$ 1,652,683	\$ 422,451	\$ 1,230,233	291.2%	\$ 1,652,683	\$ 422,451	\$ 1,230,232	291.2%

Penick Village
Summary Income Statement
For The One and Three Months Ended

	12/31/18				Actual \$ YTD	Budget \$ YTD	Act. F/(U) vs. Budget	
	Actual \$ December	Budget \$ December	\$	%			\$	%
REVENUE - RESIDENT SERVICES:								
1 Independent Living Revenue	\$ 463,484	\$ 481,998	\$ (18,514)	-3.8%	\$ 1,415,163	\$ 1,445,994	\$ (30,831)	-2.1%
2 Nursing Care Revenue	417,342	427,800	(10,458)	-2.4%	1,256,344	1,269,600	(13,256)	-1.0%
3 Assisted Living Revenue	213,862	220,505	(6,643)	-3.0%	634,971	654,639	(19,668)	-3.0%
6 Other Operating Revenue	27,675	36,984	(9,309)	-25.2%	119,067	113,416	5,651	5.0%
5 Ancillary Charges Revenue	83,067	119,428	(36,361)	-30.4%	294,715	358,284	(63,569)	-17.7%
<i>Gross Rev. - Resident Svcs.</i>	<u>1,205,430</u>	<u>1,286,715</u>	<u>(81,285)</u>	<u>-6.3%</u>	<u>3,720,260</u>	<u>3,841,933</u>	<u>(121,673)</u>	<u>-3.2%</u>
7 Contractual Adjustments	(56,248)	(84,018)	27,770	33.1%	(201,772)	(250,026)	48,254	19.3%
8 Benevolent Assistance	(65,863)	(70,240)	4,377	6.2%	(181,224)	(201,063)	19,839	9.9%
<i>Contra-Revenues</i>	<u>(122,111)</u>	<u>(154,258)</u>	<u>32,147</u>	<u>20.8%</u>	<u>(382,996)</u>	<u>(451,089)</u>	<u>68,093</u>	<u>15.1%</u>
<i>Net Resident Service Revenue</i>	<u>1,083,319</u>	<u>1,132,457</u>	<u>(49,138)</u>	<u>-4.3%</u>	<u>3,337,264</u>	<u>3,390,844</u>	<u>(53,580)</u>	<u>-1.6%</u>
<i>Contra-Revenues as a % of Gross Res. Svcs. Rev.</i>	10.1%	12.0%	1.9%	15.5%	10.3%	11.7%	1.4%	12.3%
REVENUE - OTHER:								
9 Earned Entrance Fees	83,973	225,000	(141,027)	-62.7%	533,973	675,000	(141,027)	-20.9%
4 Home Care Revenue	67,543	34,975	32,568	93.1%	188,996	104,925	84,071	80.1%
10 Contribution (Income)	20,596	172,000	(151,404)	-88.0%	45,505	222,000	(176,495)	-79.5%
<i>Total Other Revenue</i>	<u>172,112</u>	<u>431,975</u>	<u>(259,863)</u>	<u>-60.2%</u>	<u>768,473</u>	<u>1,001,925</u>	<u>(233,452)</u>	<u>-23.3%</u>
TOTAL NET REVENUE	<u>1,255,431</u>	<u>1,564,432</u>	<u>(309,001)</u>	<u>-19.8%</u>	<u>4,105,737</u>	<u>4,392,769</u>	<u>(287,032)</u>	<u>-6.5%</u>
OPERATING EXP. - PROGRAM SRVCS.:								
16 Life Enrichment	27,155	29,770	2,615	8.8%	86,338	98,767	12,429	12.6%
18 Resident Services	16,784	26,385	9,601	36.4%	53,230	72,644	19,414	26.7%
19 Dining Services - VH	162,258	168,386	6,128	3.6%	452,956	508,541	55,585	10.9%
20 Dining Services - HealthCare	105,377	85,164	(20,213)	-23.7%	251,593	260,693	9,100	3.5%
23 Housekeeping	60,090	65,983	5,893	8.9%	172,558	201,633	29,075	14.4%
25 Skilled Nursing	286,879	320,275	33,396	10.4%	866,143	969,261	103,118	10.6%
26 Assisted Living	47,945	52,776	4,831	9.2%	151,089	158,831	7,742	4.9%
27 Home Care	58,588	29,807	(28,781)	-96.6%	163,318	87,445	(75,873)	-86.8%
28 Garden Cottage	35,849	41,242	5,393	13.1%	109,563	120,938	11,375	9.4%
<i>Total - Program Services</i>	<u>800,924</u>	<u>819,788</u>	<u>18,864</u>	<u>2.3%</u>	<u>2,306,786</u>	<u>2,478,753</u>	<u>171,967</u>	<u>6.9%</u>
OPERATING EXP. - SUPPORT SRVCS.:								
14 General & Administrative	130,056	148,707	18,651	12.5%	405,987	498,273	92,286	18.5%
15 Human Resources	38,905	38,096	(809)	-2.1%	100,644	105,521	4,876	4.6%
17 Information Technology	29,858	33,241	3,383	10.2%	91,486	117,422	25,936	22.1%
21 Chaplain Services	600	1,330	730	54.9%	2,881	4,490	1,609	35.8%
22 Facility Maintenance	90,624	92,755	2,132	2.3%	300,993	314,082	13,089	4.2%
24 Marketing	17,956	24,740	6,784	27.4%	67,641	91,807	24,166	26.3%
29 Development	20,987	14,723	(6,264)	-42.5%	56,187	47,312	(8,875)	-18.8%
30 Utilities	72,204	73,634	1,430	1.9%	192,799	191,578	(1,221)	-0.6%
31 Insurance	(26,788)	34,144	60,932	178.5%	39,929	103,058	63,129	61.3%
32 Bad Debt Expense	4,000	4,000	-	0.0%	12,000	12,000	-	0.0%
<i>Total - Support Services</i>	<u>378,401</u>	<u>465,370</u>	<u>86,969</u>	<u>18.7%</u>	<u>1,270,548</u>	<u>1,485,543</u>	<u>214,994</u>	<u>14.5%</u>
<i>Total Operating Expenses</i>	<u>1,179,325</u>	<u>1,285,158</u>	<u>105,833</u>	<u>8.2%</u>	<u>3,577,334</u>	<u>3,964,296</u>	<u>386,961</u>	<u>9.8%</u>
EBITDA	76,106	279,274	(203,168)	-72.7%	528,403	428,473	99,929	23.3%
<i>Less: Earned Ent. Fees</i>	<i>(83,973)</i>	<i>(225,000)</i>	<i>141,027</i>	<i>62.7%</i>	<i>(533,973)</i>	<i>(675,000)</i>	<i>141,027</i>	<i>20.9%</i>
<i>Add-back: Bad Debt Exp.</i>	<i>4,000</i>	<i>4,000</i>	<i>-</i>	<i>0.0%</i>	<i>12,000</i>	<i>12,000</i>	<i>-</i>	<i>0.0%</i>
<i>"Cash" EBITDA</i>	<u><i>(3,867)</i></u>	<u><i>58,274</i></u>	<u><i>(62,141)</i></u>	<u><i>-106.6%</i></u>	<u><i>6,430</i></u>	<u><i>(234,527)</i></u>	<u><i>240,956</i></u>	<u><i>102.7%</i></u>
Depreciation / Amortization Expense:								
33 Depreciation Expense	168,622	173,791	5,169	3.0%	472,215	521,373	49,158	9.4%
34 Amortization Expense	622	2,585	1,963	75.9%	4,071	7,755	3,684	47.5%

Penick Village
 Summary Income Statement
 For The One and Three Months Ended

	12/31/18				Actual \$	Budget \$	Act. F/(U) vs. Budget		Actual \$	Budget \$	Act. F/(U) vs. Budget	
	Actual \$	Budget \$					YTD	YTD				
	December	December	\$	%							\$	%
Total - Depreciation/Amort. Expense	169,244	176,376	7,132	4.0%	476,286	529,128	52,842	10.0%				
EBIT	(93,138)	102,898	(196,036)	-190.5%	52,116	(100,655)	152,771	151.8%				
<i>Other (Income) Expense, Net:</i>												
35 Interest Expense	68,447	64,354	(4,093)	-6.4%	202,576	193,575	(9,001)	-4.6%				
11 Interest (Income)	(61,371)	(18,395)	42,976	233.6%	(111,883)	(54,345)	57,538	105.9%				
12 Real/Unrealized (G)/L on Investments	447,647	0	(447,647)	-100.0%	769,345	0	(769,345)	-100.0%				
13 (Gain)/Loss on Disposition of Assets	(1,700)	-	1,700	0.0%	(1,700)	-	1,700	0.0%				
36 Investment Expenses	58	125	67	53.3%	638	10,997	10,359	94.2%				
Total-Other (Income) Expense, Net	453,082	46,084	(406,998)	-883.2%	858,976	150,227	(708,749)	-471.8%				
CHANGE IN NET ASSETS	\$ (546,225)	\$ 56,814	(603,032)	-1061.4%	\$ (806,860)	\$ (250,882)	(555,977)	-221.6%				



PENICK VILLAGE Actuarial Report

Penick Village engaged the consulting firm, A.V. Powell & Associates, LLC (“AVP LLC”), to conduct an actuarial study of Penick Village Retirement Community as of September 30, 2018. The final report was submitted to the Penick Village management on January 21, 2019.


The projections in the actuarial study showed that Penick Village is in satisfactory actuarial balance provided that future experience substantially follows the underlying assumptions.

Some of the key assumptions were that:

- a. Future monthly fees would match assumed increases in operating expenses.
- b. Annual earnings and yields on invested assets will consistently equal or exceed internal expense inflation by 2%.
- c. Average annual occupancy in independent living would equal or exceed 95.3%, 92.5% in assisted living, and 92.0% in nursing care.
- d. Residents will be able to pay the fees charged, or if not, then other sources will be found to subsidize those residents.
- e. Capital expenditures will be adequate to maintain the market position of the community.

It should be noted that the concept of “is in satisfactory actuarial balance” is defined in the Actuarial Standards of Practice No. 3 (“ASOP#3”) Practices Relating to CCRCs that was adopted by the American Academy of Actuaries in September 2007 and last updated effective May 1, 2011, and represents that a CCRC’s fees and reserves appear to be adequate to discharge the future liabilities associated with their residents. Penick Village has met the three criteria for ASOP#3 compliance, but have not yet accumulated reserves that equal or exceed A.V. Powell & Associates, LLC internally developed standards for recommended surplus and contingency margins which exceed the minimum ASOP#3 funded status requirement.

The reader of this summary should be aware that this study was prepared for users of the report that are familiar with the operations of Penick Village and the environment in which continuing care retirement communities operate and the consulting staff of A.V. Powell & Associates, LLC is available, at the reader’s expense and with written permission from Penick Village, to further elaborate on the assumptions, implications and appropriate interpretations of this summary. In particular, the reader is alerted to the context that the actuarial opinion is only valid for the unique and comprehensive set of actuarial, financial, demographic, operational, and occupancy assumptions that were used to prepare the full actuarial report and are contained therein.

BY: 
MICHAEL K. HOPPER, CPA
FOR A.V. POWELL & ASSOCIATES LLC


ALWYN V. POWELL, ASA, MAAA

Providing actuarial and financial projections to organizations serving senior populations

1604 Hilltop West Executive Ctr., Suite 311 • Virginia Beach, VA 23451 • 404.845.0360.x654 phone • 404.845.0366 fax

OTHER OFFICES: Atlanta, GA • Kansas City, MO • Wildwood, MO

