



Disclosure Statement

June 1, 2020

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

- This Disclosure Statement may be delivered until revised, but not after October 29, 2021.
- Delivery of the Disclosure Statement to a contracting party before execution of a contract is required;
- This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.

Carolina Meadows is located at: 100 Carolina Meadows, Chapel Hill, NC 27517. The corporate website is: www.carolinameadows.org

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Section 1: Provider Introduction and Information

Name and Business Address

The name of the corporation is Carolina Meadows, Inc. and is usually referred to as simply Carolina Meadows. It is licensed as a Continuing Care Retirement Community and may, from time to time, be referred to as a Life Plan Community in marketing and print materials.

It is located at 100 Whippoorwill Lane, just south of Chapel Hill, North Carolina in Chatham County. The mailing address is 100 Carolina Meadows, Chapel Hill, NC 27517.

Not-for-Profit Status

Incorporated in 1983 as a North Carolina nonprofit corporation, Carolina Meadows is exempt from corporate income taxes as a 501(c) (3) nonprofit corporation under the Internal Revenue Code. This tax exempt category allows the organization to receive charitable contributions. Contributions to the organization may generally be deductible by the donor. Under IRS regulations, no earnings of the Corporation may be distributed to the Directors, Officers, or other private individuals. All excess funds remain with Carolina Meadows for use in its programs and services to residents.

Affiliations and Memberships

Carolina Meadows is affiliated with Carolina Meadows Senior Communities & Services, Inc. (“the Parent”), a North Carolina nonprofit corporation and the sole member of Carolina Meadows. The Parent is also the sole member of Carolina Meadows Home Care, Inc., a North Carolina nonprofit corporation (“Home Care”) and the sole member of Carolina Meadows Charitable Foundation, Inc. (“the Foundation”). The Parent, Home Care, and the Foundation are recognized by the IRS as exempt from the payment of federal income taxes under Section 501(c)(3) of the Code and as supporting organizations of Carolina Meadows. The Parent does not have any members and is governed by its board of directors. The Parent elects the board of directors of Carolina Meadows, Inc., Home Care, and the Foundation. Currently, eight of the nine members of the board of directors of the Parent are also members of the board of directors of Carolina Meadows, and four of the seven members of the board of directors of Home Care are also members of the board of directors of Carolina Meadows. Five of the eight board members of the Foundation are also members of the board of directors of Carolina Meadows. Certain actions of the board of directors of Carolina Meadows, Home Care, and the Foundation require the consent of the Parent, as more fully described in the bylaws of Carolina Meadows, Home Care and the Foundation.

The Parent is also the sole shareholder of Carolina Meadows Management and Development Services, Inc., a North Carolina corporation (“Management and Development Services”). The board of directors of Management and Development Services is elected by the Parent. Currently, four of the five members of the board of directors of Management and Development Services are also members of the board of directors of Carolina Meadows. Certain actions of the board of

directors of Management and Development Services require the consent of Parent, as more fully described in the bylaws of Management and Development Services.

Carolina Meadows is also affiliated with and a dues paying member of Novare, a consortium of single-site and small-system CCRCs in non-competing markets around the country that provide opportunities for collaboration, sharing best practices, leadership development, and fostering innovation within the senior living industry.

None of the entities affiliated with Carolina Meadows, including Parent, Home Care, the Foundation, Management and Development Services, or Novare, is responsible for the financial and contractual obligations of Carolina Meadows.

Required Criminal Violations Statement

Neither the President/Chief Executive Officer, any management staff, nor any member of the Board of Directors has been convicted of a felony or pleaded nolo-contendere to a felony charge or judgment, for a felony or civil action involved in fraud, embezzlement, fraudulent conversion, or misappropriation of property. Neither is any member of management or Board of Directors subject to a currently effective injunction or restrictive court order, or within the last five years has any State or Federal license or permit suspended or revoked as a result of any action brought by a governmental agency or department, arising out of or relative to business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for the aged, or facility subject to North Carolina G.S. 58-64 or similar laws in another state.

Accreditation

Carolina Meadows is accredited by CARF-CCAC (Commission on Accreditation of Rehabilitation Facilities – Continuing Care Accreditation Commission). Current accreditation is valid through January 2023 and is for a term of 5 years. Accreditation is earned based on conforming to annual accreditation standards and allowing CARF-CCAC to periodically review the organization through a combination of written submissions and onsite surveys. Carolina Meadows has been accredited since 1994.

Fitch Rating

Fitch Ratings has assigned an “A-” rating to Carolina Meadows with a stable outlook based on consistently strong product demand, improving financial profile, good cost management, low debt burden, and future expansion plans allowing for additional debt capacity if needed.

Board of Directors

Carolina Meadows is governed and managed by a volunteer, community-based, Board of Directors. The By-Laws call for no less than twelve (12) voting Directors up to a maximum of fifteen (15) voting Directors and two (2) Ex-Officio non-voting Directors made up of the Chair of

the Residents Association and the Chief Executive Officer of Carolina Meadows. Four of the voting Directors are required to be residents living at Carolina Meadows. The following is a list of the current Board of Directors of Carolina Meadows, Inc.

Steve Miller (Chair)

177 Crystal Springs Court

Chapel Hill, NC 27516

Originally from Louisville, KY, Mr. Miller moved to Chapel Hill in 1971 to attend the University of North Carolina, earning a BA in 1975. After spending a few years in Washington, DC where he worked on Capitol Hill as a Legislative Aide, Mr. Miller returned to Chapel Hill and received an MSPH from the School of Public Health in 1982 and a law degree in 1985. He has practiced law in Chapel Hill since 1985, and is a partner in the firm of Alexander Miller & Schupp, LLP. Mr. Miller practices in the area of business and corporate law, estate planning and administration, and residential and commercial real estate. Mr. Miller served for many years on the Board of Directors of Freedom House Recovery Center, has served on the Board of the Strowd Roses Foundation since its inception in 2001, and also serves today on the Board of Directors of Eyes, Ears, Nose and Paws, a service dog training and placement organization.

Joan Pharr, CPA (Treasurer)

Principal, Blackman & Sloop, CPAs, P.A.

1414 Raleigh Road, Ste. 300

Chapel Hill, NC 27517

Mrs. Pharr is a Certified Public Accountant and Principle of Blackman & Sloop, CPAs, P. A., a full-service accounting firm in Chapel Hill, NC, where she has in excess of thirty years of experience working with individuals, family owned businesses, and not-for-profit organizations. She currently spends much of her professional time working with trusts, estates, and high net worth individuals from both a compliance and planning perspective. Joan earned her Bachelor of Science in Business Administration degree with a concentration in accounting from the University of North Carolina at Chapel Hill and has designations as a Chartered Global Management Accountant (CGMA) and as a certified specialist in retirement planning (CSRP). Joan is a member of the North Carolina Association of Certified Public Accountants (NCACPA), where she has served in multiple volunteer capacities, including service as Chairman of the Board of Directors. She is a member of the American Institute of Certified Public Accountants (AICPA), where she is currently serving as an elected member of the Joint Trial Board. Joan has volunteered her time and talents throughout her community having served on multiple boards of not-for-profit organizations

Dr. Pat Mandell (Resident)

502 Carolina Meadows Villa

Chapel Hill, NC 27217

Dr. Mandell is a native of Kansas. After graduating from Kansas State University in 1971, she moved to Texas, where she spent the next 33 years. There, she earned an MA in Learning

Disabilities and a Doctorate in Educational Psychology. She taught elementary grades, special education and university courses in colleges of education. In addition to teaching, Dr. Mandell served as Head of School in three private schools in Texas, one in Houston and two in San Antonio. She served as the founding president of a national organization of Reform Jewish Day Schools. In 2004, Pat moved to Baltimore, MD to marry Dr. Wallace Mandell. In Baltimore, she taught at Towson University and was Head of School at Baltimore Hebrew Day School. The Mandell's retired and moved to Carolina Meadows in 2012. Pat has been a volunteer in the Pines and the library. She has served as Precinct Secretary and Representative for Precinct 15, chair of the Community Outreach Committee and chair of the Women's Luncheon Committee. She also is a member of the Carolina Meadows University steering committee. She currently serves as Chair of the Board of Directors for the Carolina Meadows Foundation, Inc.

Richard Gurlitz

Gurlitz Architectural Group

121 S. Estes Drive, Suite 100

Chapel Hill, NC 27514

Mr. Gurlitz has been a Chapel Hill resident since 1979. He is the founding member of Gurlitz Architectural Group. His undergraduate degree is in Art History from Johns Hopkins University, coupled with a design studio under a beaux arts professor at Columbia University, directed him to pursue architecture as a profession. The program at the University of Wisconsin, strong in community planning and design, set his path for bringing strong design features to community projects. He is responsible for all design efforts in the architectural firm and has been licensed in North Carolina for 30 years. Richard has served as Treasurer with the Chapel Hill Reform Board of Trustees and Chair for Chapel Hill School System New Facilities Review Committee.

John Gabor (Resident)

238 Carolina Meadows Villa

Chapel Hill, NC 27517

Mr. Gabor arrived in New York from Budapest at age 15. He went to NYU receiving a degree in Journalism. After Army services at Fort Bragg, he worked in Cincinnati and Baltimore, where he and his wife Ann married in 1962. He then moved to New York. Mr. Gabor worked in advertising then was sales and marketing director of several startup companies developing electronic information technologies, now known as the Internet. Mr. Gabor has served on the Board of Family Violence and Rape Crisis Services as well as consulting pro bono with many Triangle nonprofits through the Executive Service Corps, where he also served on the board.

Pickett Guthrie (Resident)

535 Carolina Meadows Villa

Chapel Hill, NC 27517

Although a native of North Carolina, Ms. Guthrie lived her early adult life in Denver, Colorado and Princeton, NJ. She was educated at Duke University and at the University of Denver. Returning to North Carolina, she earned a master's degree in Library Science at UNC Chapel Hill

and built her career as a Law Librarian for several large law firms. She later moved to the nonprofit world, earning a certificate in Non-Profit Management from Duke University. She co-founded the Restless Legs Syndrome Foundation (RLSF) and was executive director from 1992-1996. Several years later, she returned as a member of RLSF's Board of Directors, serving on the Executive Committee and as Chair of Governance and of Corporate Relations. Recently, Pickett held a position on the Board of UNC's Program in the Humanities. Since 2013, she and husband, Robert, have made their home at Carolina Meadows. Pickett is a long-term volunteer at the Pines where Robert lived until the end of his life in 2017.

William (Bill) Kalkhof
39 Westridge Drive
Durham, NC 27713

Mr. Kalkhof is the former President/CEO of Downtown Durham, Inc. (DDI). For twenty years he has lead the remarkable revitalization efforts that transformed downtown Durham. Mr. Kalkhof was instrumental in brokering the catalytic public-private partnerships that were so essential to the success of Durham's renaissance – the Durham Bulls Athletic Park, Durham Performing Arts Center (DPAC), American Tobacco Historic Campus, West Village, Durham Central Park, the Farmers Market, and many more. Prior to starting DDI, Mr. Kalkhof was the Executive Vice President of the Home Builders Association of Durham & Orange Counties. He has been active in the community affairs of Durham and the Triangle serving on numerous boards and commissions. He has received numerous awards and recognitions including having a major public art sculpture commissioned in his honor and located in the CCB Plaza in downtown Durham. He was also honored by the American Cancer Society for raising over \$100,000 to help support research and services in the efforts to find a cure for cancer. Mr. Kalkhof retired from DDI in April 2013.

J.B. Culpepper
2513 Buxton Court
Chapel Hill, NC 27514

Mrs. Culpepper is an independent consulting planner and a member of the American Institute of Certified Planners. She holds a B.A. in Urban Affairs and a Master's degree in Urban Planning from Virginia Tech. As Director of Planning for the Town of Chapel Hill for nine years, she managed the Town's long-range planning process, development review process, and oversaw innovative planning approaches. Recently, she has been involved in community planning for an aging population and has helped arrange and conduct a series of work sessions on the topic. In addition, she contributed a chapter on modifying community infrastructure in the newly-published book "Reimagining Your Neighborhood."

Dr. Anne Kissel (Secretary)
19104 Stone Brook

Chapel Hill, NC 27517

Dr. Kissel grew up in the nomadic childhood of a military family, beginning kindergarten in Germany and finishing high school in Hawaii. After undergraduate school at W. Kentucky (BA, Sociology) and graduate school at the University of Florida (M.Ed., Ed.S, Ph.D, Counseling and Gerontology) she enjoyed a career in hospice administration and bereavement and with agencies serving elders, retiring in 2013 as Executive Director of Fearrington Cares. Currently, she serves as Chatham County Delegate to the NC Sr. Tar Heel Legislature, on the Triangle J Area Agency on Aging Advisory Council, the Chatham Advocacy for Seniors Team and as a volunteer with UNC Hospice, League of Women Voters, Chatham Historical Society and other community programs.

Mr. Gregory Herman-Giddens

Henderson, Franklin, Starnes & Holt P.A.

8889 Pelican Bay Blvd., Ste 400

Naples, FL 34108

Mr. Herman-Giddens is a shareholder in the Naples, Florida office of Henderson, Franklin, Starnes & Holt, P.A. He also maintains a home and office in Chapel Hill, North Carolina. Greg is a trusts and estates attorney, having practiced law for over 31 years. He holds a B.A. from UNC-Chapel Hill, a J.D. from Tulane Law School, and an LL.M. in Estate Planning from the University Of Miami School Of Law. Greg is certified as a Specialist in Estate Planning and Probate Law by the North Carolina State Bar Board of Legal Specialization and is a Certified Financial Planner. He is licensed to practice law in North Carolina, Florida, New York and Tennessee.

Robin McDuffie

Principal, Blackman and Sloop, CPAs, P.A.

1414 Raleigh Road, Suite 300

Chapel Hill, NC 27517

Ms. McDuffie is a principal of Blackman & Sloop, CPAs, P. A. in Chapel Hill where she has over thirty years of experience working with individuals, businesses and not-for-profit organizations. Robin works in the assurance area providing audits, reviews and compilation of financial statements. Many of her assurance clients are in the construction and not-for-profit industries. In addition, she has expertise in tax compliance and consulting for individuals and nonprofits. Robin has a Bachelor of Science degree in business administration with a concentration in accounting from the University of North Carolina at Chapel Hill. She is a member of the American Institute of Certified Public Accountants and the North Carolina Association of Certified Public Accountants. She volunteers her time and talents throughout the community and serves on the board of directors for non-profit organizations. Robin lives in Chatham County where she enjoys spending time with her grandchildren.

Rodgers Harshbarger
300 North Elliot Road
Chapel Hill, NC 27514

Mr. Harshbarger is the Director of Private Investments at UNC Management Company, Inc. in Chapel Hill, NC. A native of Virginia, Mr. Harshbarger completed his undergraduate degree at the University of Virginia and his MBA at the University of North Carolina Kenan-Flagler Business School. He possesses a diverse knowledge of investment management experience having served various positions since 1999 with Bain & Company, Atlantic Pacific Capital, Inc., Donaldson, Lufkin & Jenrette-Credit Suisse First Boston, and Prudential Securities.

William (Bill) Lehrburger (Resident)
104 Carolina Meadows Villa
Chapel Hill, NC 27517

Raised in Brookline, MA, Mr. Lehrburger earned a BA in Economics from the College of William and Mary in Williamsburg, VA and an MBA from Harvard Business School. His working career encompassed marketing, advertising and general management positions in several industries, including plywood, farm machinery, small appliances, retail and marketing consulting. He also served as the first president of a 1,500-unit gated community and as a volunteer consultant in Istanbul, Turkey under the auspices of the International Executive Service Corps. He resided in Queens, Rye and Scarsdale, NY, Glastonbury, CT, Toronto, Canada, and Boca Raton, FL before moving to Farrington Village in 2006, then Carolina Meadows in 2014. Since being at Carolina Meadows, he served as Chair of the Resident Buildings, Grounds and Safety Advisory Committee and as a member of the Resident Health Center Task Force.

Joan Pellettier
2300 Englewood Ave.
Durham, NC 27705

Born in New York and raised in Oregon, Ms. Pellettier came to North Carolina in 1969. She received a BA from Duke University and a MA from North Carolina Central University. Now retired, she was Director of the Triangle J Council of Governments' Area Agency on Aging, which covers a seven-county area. She served as chair of the NC Association of Area Agency on Aging and as a member of numerous local and state aging-related committees, including the North Carolina Study Commission on Aging. Ms. Pellettier was Executive Director of the private-non-profit Council for Senior Citizens in Durham County, NC, the lead aging service-providing agency in that county. Earlier experience was with aging and disability programs, including work with the Durham County Department of Social Services. She currently serves as chair of the North Carolina Partnership to Address Adult Abuse and Durham's Partnership for Seniors.

Dr. Christine Kesner (Resident)

President of the Residents Association and Ex-Officio Board Member

541 Carolina Meadows Villa

Chapel Hill, NC 27517

Dr. Kesner was born in Florida and grew up in Kent, Ohio. She graduated from Kent State University with a degree in Home Economics/Business concentration. She earned an MA in Home Economics and Family Ecology with Art as a minor area from the University of Akron (OH). In 1979, she moved to Pennsylvania and completed a Ph.D. in Architecture from Carnegie Mellon University with a Building Diagnostics focus. She taught interior design at the university level for seven years at the University of Akron and 26 years at Indiana University of Pennsylvania coordinating the Interior Design program and retiring in 2005. Chris and her husband, Michael, made the decision to move to Carolina Meadows in 2013, having visited 16 CCRCs in the southeastern U.S. Shortly after arriving at CM, she became involved with Marketing, chairing the Weekend Ambassadors and Marketing Committees. She served two years as the Residents Association Vice President. Chris has two sons, three grandchildren and enjoys being creative, staying fit, and traveling.

Executive Management Team

Kevin A. McLeod, CPA (Ex-Officio Board Member)

President and Chief Executive Officer

Carolina Meadows, Inc.

100 Carolina Meadows

Chapel Hill, NC 27517

Mr. McLeod is the President and Chief Executive Officer of Carolina Meadows. He previously served as Carolina Meadows' Chief Financial Officer from 1998 to January 2006. Prior to joining Carolina Meadows, he was the Chief Financial Officer at a retirement community in Greensboro, NC. He is a licensed Certified Public Accountant having worked in public accounting prior to joining the senior living industry. He received his Bachelor of Science degree in Geology from the University of North Carolina at Chapel Hill and he completed his accounting coursework at North Carolina State University. Mr. McLeod currently serves as a financial and administrative surveyor with CARF, the international accrediting organization for continuing care retirement communities. He is a member of the North Carolina Association of Certified Public Accountants and the American Institute of Certified Public Accountants. He is a former Board member and Past Chair of the Board of Directors of LeadingAge North Carolina.

Ben Cornthwaite

Executive Vice President and Chief Operating Officer

Carolina Meadows, Inc.

100 Carolina Meadows

Chapel Hill, NC 27517

Mr. Cornthwaite is the Executive Vice President and Chief Operating Officer where he oversees all operational areas of Carolina Meadows. Mr. Cornthwaite is deeply involved with all aspects of the business and works closely with the CEO to develop and implement strategic plans for the organization. Before joining Carolina Meadows, he served as the Vice President and Executive Director for Erickson Living. He has also served as the Associate Executive Director, Senior Administrator, and Nursing Home Administrator. He holds a master's degree in Management of Aging Services from the University of Maryland Baltimore County and a bachelor's degree in Health Services Administration from James Madison University. He is a current Board member of LeadingAge North Carolina.

Gary Levine, CPA**Executive Vice President and Chief Financial Officer****Carolina Meadows, Inc.****100 Carolina Meadows****Chapel Hill, NC 27517**

Mr. Levine is the Executive Vice President and Chief Financial Officer. Prior to serving as the Chief Financial Officer, he served as the Director of Finance for Carolina Meadows from 2009 to 2015. Prior to Carolina Meadows, Mr. Levine spent almost 20 years in the biotechnology and pharmaceutical industries, working for several independent biotechnology firms, having been through several public market IPOs, as well as holding responsibility for financial consolidation in Eli Lilly Research Laboratories. He began his career in public accounting with the national "Big 8" firm of Ernst & Whinney in New York City, New York. He also worked for a land developer and real estate management group in Raleigh, North Carolina. Mr. Levine received his Bachelor of Science in Business Administration degree from Washington University in St. Louis with a double major in Sociology and History. He is a licensed CPA and member of the American Institute of Certified Public Accountants and the North Carolina Association of Certified Public Accountants.

Section 2: Facility Introduction and Information

Situated on 166 acres of rolling wooded land, Carolina Meadows is located in north Chatham County approximately three miles south of Chapel Hill. There are 448 independent living homes consisting of 161 apartments in six three-story buildings and 287 single story villas. Four of the apartments have been converted to guest rooms and one apartment has been turned into a marketing showroom bringing the total available independent living homes to 443. There are 95 licensed beds in 78 units in the Fairways Assisted Living, and 90 licensed nursing care beds in the Pines Health Center. Four of the 90-bed rooms in the Pines Health Center are constructed as semi-private but are most often used as private rooms thus giving couples the opportunity to stay in close proximity when needed or desired. The campus is home to over 720 residents living in apartments, villas, assisted living, memory care, and health center accommodations. A system of

walkways, most of which are covered, connect the apartment buildings with the central Club Center. Each apartment building has common meeting areas available to all residents. Numerous outdoor seating areas are accessible from a walking path system, which encompasses the par 3, nine-hole golf course and meanders through the campus.

A large two-story Club Center building serves as the campus core. It houses a 400-seat auditorium, resident business center, enclosed swimming pool and Jacuzzi, library, craft and activity areas, and administrative offices. The adjoining Activities Center houses a café, fitness area and exercise studio, art studio, activity areas, and conference rooms. Other major amenities include two tennis courts, a croquet court, bocce courts, garden space with raised planter beds, and a woodworking shop.

The Club Center Dining facilities include an upscale courtyard dining venue and a private dining venue with state of the art audio and visual amenities for meetings and presentations. In addition, a Pub and Bakery are nestled in the Club Center for residents and guests to enjoy a meal of their choice. The marketplace dining venue features fresh foods and entrees made-to-order while you watch and wait and provides a wide variety of choices for those who desire a less formal dining venue.

The Fairways Assisted Living is licensed for 95 beds in 78 units as an Adult Care Home by the State of North Carolina Division of Health Service Regulation. It is a 103,000 square foot Residential Assisted Living Facility. It includes 64 apartments along with spacious common areas, an upscale dining venue, activity and lounge space, as well as The Green with 14 rooms with 15 beds providing special care for memory-challenged residents. The Green is licensed as an Adult Care Home Special Care facility.

The Pines Health Center is licensed for 90 beds and does not participate in the Medicare program. Residents who have Medicare qualifying hospital stays may choose to pay prevailing per diem in the Pines Health Center or avail themselves of Medicare Part A benefits in local Medicare certified nursing facilities reciprocal care arrangements with Carolina Meadows. Upon completion of a qualified Medicare stay at the local nursing facilities, residents may return to Carolina Meadows Health Center, Assisted Living or Independent Living.

Rehabilitation is provided on site through contract services in areas specially equipped to encompass both physical and occupational therapies. Speech therapy is available as well. Primary focus is on restoring residents' skills in preparation to return to their independent living home after an acute episode such as a stroke. To the extent that services provided by the rehabilitation services contractor are covered by Medicare Part B, the contractor will bill both Medicare and secondary insurances. Rehabilitation services that are not covered by Medicare will be billed to the resident.

An onsite Medical Practice houses seven exam rooms, a laboratory area and offices for private consultation. In addition to nurse practitioners and registered nurses, Carolina Meadows employs a full time physician experienced in geriatric medicine to provide excellent care for the residents

of the community. The Medical Practice accepts Medicare Part B for the billing of medical services provided by Carolina Meadows' physicians and medical staff. Secondary insurance may also be billed in the Medical Practice. Other contracted medical services, billed separately by the provider, include podiatry, dentistry, dermatology, audiology and psychology.

On-Campus Living and Early Advantage Program

Carolina Meadows offers two programs by which persons can become Residents of Carolina Meadows:

1. If a villa or apartment is available, one can reserve that accommodation, proceed through Carolina Meadows' admission process, take residency of the accommodation, and enjoy on-campus retirement living and related services, plus ensure access to future health care services as needed.
2. If a vacancy in Carolina Meadows' Early Advantage program is available, one can reserve that position, proceed through Carolina Meadows' admission process, become a Resident of Carolina Meadows with full access to the campus amenities, and ensure access to future health care services as needed -- while remaining in their current home for the time being -- and retaining their position on the Ready List for a potential move to campus at a later date. Residents who join Early Advantage may also move into Carolina Meadows if they so choose.

Whether living on campus or continuing to live in their current home, residents in each setting have access to Carolina Meadows' assisted living facilities, health center and other health care programs.

Since the Early Advantage program does not include residency on campus, the array of retirement living services offered under Early Advantage are different than the services offered to residents who live on campus -- and the fee structure reflects those differences (Refer to the Services section of this Disclosure Statement).

Aside from those differences, however, Carolina Meadows has made the two programs as similar as possible. Some of the key similarities are the following:

1. Only persons who are on Carolina Meadows' Ready List will be offered available residences on campus, and only those on the Ready/Waiting Lists will be offered Early Advantage.
2. Once an Applicant has reserved a residence or a position in the Early Advantage Program, the admission process is identical, and includes a financial analysis.
3. Once one becomes a Resident of Carolina Meadows, whether living on campus or through Early Advantage, they have equal access to all common areas of campus, equal standing as members of the Residents Association, and equal access to Carolina Meadows' health care facilities and Medical Practice.

To emphasize the wide array of similarities between the two programs, the next sections on Policies and Services will intersperse information related to both programs. To help understand the similarities and the differences, each section will contain helpful tables that provide side-by-side comparison of key policies and services, and how those apply to each program.

Section 3: Ongoing or Proposed Expansion/Repositioning

The Board of Directors of Carolina Meadows has agreed to replace a portion of the existing 90-bed Pines skilled nursing center (“Health Center”) within the next 3-5 years on the same site as the existing Health Center. The initial repositioning plans called for building up to forty (40) new independent living homes in four (4) separate buildings with ten (10) homes in each building. All forty (40) proposed homes were pre-sold within eight (8) days of announcing the project, called Birchtree, to the public. Construction on twenty (20) new Birchtree independent living homes began in the third quarter of 2019 with completion expected by March 2021 with the remaining twenty (20) new homes by late 2021. Construction for replacing a portion of the Health Center is projected to begin in late 2024.

Construction of the new independent living homes is funded by a revolving construction line of credit through a local bank. Entry fees from initial occupants upon move in will be used to pay off the construction line of credit for each 10-home building while construction continues on the remaining homes.

Section 4: Admissions and Residency Requirements

The admission requirements for residency and the Early Advantage Program at Carolina Meadows are non-discriminatory with respect to race, creed, religion, gender, sexual orientation or gender expression. Admission to either Carolina Meadows’ Early Advantage program or On-Campus living is restricted to persons age 62 or older. Carolina Meadows is open to both couples (married or unmarried) and singles. Please refer to the Tables below that explain the agreement type, their purpose, and the expected time entry fees and monthly accommodation or membership fees are due:

1. Table 1 – Agreement Type and Purpose
2. Table 2 – Comparison of Admission Requirements
3. Table 3 – Comparison of Timing of Signing of Agreements and Entry Fee Payments

Table 1 - Agreement Type and Purpose

Purpose	Agreement Type	
	Early Advantage	On Campus
Individual expresses initial interest	Waiting or Ready List Agreement	Waiting or Ready List Agreement
Upon availability of an independent living unit, an individual decides to move forward with either moving to campus or joining the Early Advantage Program	Early Advantage Reservation Agreement	Residential Reservation Agreement
Individual becomes a resident of Carolina Meadows or joins the Early Advantage Program	Early Advantage Agreement	Residency and Care Agreement
Upon availability, Early Advantage member decides to move to campus	Residential Reservation Agreement following Early Advantage	Not applicable
Early Advantage member moves to campus	Residency and Care Agreement following Early Advantage	Not applicable

Table 2- Comparison of Admissions Requirements

	Early Advantage	On-Campus
Access to Programs	Available to Members of Carolina Meadows’ Ready and Waiting Lists.	Available to Members of Carolina Meadows Ready List.
Geographical Consideration	Persons must live in Chatham County, NC or surrounding counties, in convenient proximity to Carolina Meadows.	No geographical constraint, since persons are seeking a move to Carolina Meadows.
Offering Admission	When an Early Advantage slot is available, persons on the Interest List for Early Advantage are contacted in sequential order.	When an apartment or villa is available, persons on the Ready List who have expressed interest in that accommodation type are contacted in sequential order.
Admissions Process		
Reservation Agreement	Applicant signs an Early Advantage Reservation Agreement to reserve the available slot.	Applicant signs a Residential Reservation Agreement to reserve the available residence.
Financial Analysis	Applicant submits a Confidential Financial Statement with 10 days of signing an Early Advantage Residential Reservation.	Applicant submits a Confidential Financial Statement with 10 days of signing a Residential Reservation Agreement.
Insurance Requirements	Applicant must carry Medicare parts A and B or comparable alternative primary medical insurance and supplemental medical insurance.	Same

Table 3 – Comparison of Timing of Signing Agreements and Entry Fee Payments

	Early Advantage	On-Campus
Within 10 days after receiving notice of acceptance by Carolina Meadows Admissions Committee	Any Applicant’s deposits will be applied to the balance of Early Advantage Entry Fee	Applicant’s Ready List deposit of 5% is transferred to their entry fee specified in their Residential Reservation Agreement
Date of Financial Responsibility	Date when Early Advantage Agreement is signed and remaining Entry Fee is paid.	Date when Residency and Care Agreement is signed, remaining Entry Fee and prevailing Resident Assistance Fee is paid.
	Within 10 days of signing Early Advantage Reservation Agreement.	Within 110 days from signing either Residential Reservation Agreements or when the unit is available for occupancy, whichever comes first. Customized modifications may delay your move in date but will not delay date of Financial Responsibility.
	30-day Rescission period begins at the latter of the execution of the agreement or the date this disclosure statement is received.	30-day Rescission period begins at the latter of the execution of the agreement or the date this disclosure statement is received.

Early Advantage Agreement

At the time that an applicant is accepted for admission under Carolina Meadows’ Early Advantage program, the applicant will be notified in writing and have 10 days to sign an Early Advantage Agreement and pay the applicable Entry Fee in full. Any previous deposits made by an applicant will be applied towards the Entry Fee for the Early Advantage Program. The date that the Agreement is signed constitutes the Date of Financial Responsibility for subsequent monthly accommodation fees.

Residency and Care Agreement

Date of Financial Responsibility will be within 110 days from signing the Residential Reservation Agreement or when the unit is available for occupancy, whichever comes first. Customized modifications may delay your move in date but will not delay date of Financial Responsibility. At that time, applicant will sign the Residency and Care Agreement and pay the remaining Entry Fee and Resident Assistance Fee. The thirty (30) day Rescission period begins at the latter of the execution of the agreement or the date this disclosure statement is received.

Residency and Care Agreement following Early Advantage

A resident under the Early Advantage Program who then desires to move to Independent Living on campus will sign the Residency and Care Agreement following Early Advantage prior to closing on a residence at Carolina Meadows. The Early Advantage Entry Fee and any excess deposits paid by the resident will be applied to the prevailing Entry Fee for the reserved residence. The remainder of the Entry Fee will be paid at the time of closing on the residence.

Financial and Insurance Criteria

Applicants are required to provide a detailed financial statement plus supporting documents from which Carolina Meadows uses a widely accepted actuarial-based program to measure an applicant's income and assets against projected expenses over their life expectancy. The results of this comparison are used to determine one's ability to meet future service and care costs over their actuarially projected life expectancy and to identify potential deemed financial risks, if any, to Carolina Meadows.

While Carolina Meadows encourages you to utilize long-term care insurance as an important financial planning tool and benefit, it is not required as a condition of entry. However, if you elected to purchase long-term care insurance from an agent of your choosing, whether previously or in order to meet our financial screening requirements, and, if we have approved your financial application based on the financial resources provided by the long-term care insurance, we require you to maintain the coverage as long as you are living at Carolina Meadows. You agree to provide periodic proof, and as reasonably requested, that your coverage remains in effect. If you do not maintain or provide proof that you maintain your long-term care insurance as agreed, we reserve the right to not approve any financial assistance in the event your finances become depleted or insufficient to cover the monthly accommodation fees and other costs associated with living at Carolina Meadows.

Section 5: General Amenities, Health Care/Wellness Benefits and Services

General Campus Amenities included in Fees

General Campus Amenities	Early Advantage	On Campus
Membership in Carolina Meadows Residents Association	✓	✓
Participation in all social, educational, recreational and cultural activities offered at Carolina Meadows and/or to other off-campus activities or events sponsored by Carolina Meadows or the Residents Association	✓	✓
Use of all Carolina Meadows' common areas, meeting rooms, classrooms and private dining rooms	✓	✓
Wellness Center, indoor pool and Jacuzzi	✓	✓
Library	✓	✓
Craft/Woodworking Shops and Art Studio	✓	✓
Golf Course, Croquet Court, Bocce Court, Tennis Courts and Walking Trails	✓	✓
Resident Business Center	✓	✓
Resident rate for meals at any of the six dining venues at Carolina Meadows: Courtyard Dining, The Pub, The Marketplace, Café, Bakeshop, and The Fairways Dining Room	✓	✓

Residential Services Included in Fees

The following services are included in the monthly accommodation fees, membership fees and entry fee.

Responsibilities of and Services Provided by Carolina Meadows	Early Advantage	On-Campus
Emergency call systems and in-home security systems monitored by 24-hour security and nursing staff	N/A	Included
Professional management of the community and its facilities	Included	Included
Regularly scheduled transportation from campus	Included	Included
Maintenance of all buildings and grounds; upkeep of roads and walkways; routine landscaping around campus	Included	Included
Repair of all equipment and appliances that we provide	N/A	Included
Housekeeping in all common areas and spaces	N/A	Included
General liability and property insurance coverage of Carolina Meadows' property. In addition, Carolina Meadows provides Renter's Legal Liability insurance on your home or unit. (We do not insure the personal contents of your home or unit and you are strongly encouraged to insure, at your own expense, the personal contents of your home or unit.)	Included	Included
Water and sewer services; standard Cable TV and high speed internet service throughout the campus; all utilities in common areas	N/A	Included
Removal of garbage, recyclables, and hazardous household waste	N/A	Included
Social services, counseling, and support programs coordinated by the Care Coordination Team	Included	Included
County property taxes and fees	N/A	Included

Amenities, Personal Services, and Concierge Services (Extra Fees May Apply)

Service or Amenity	Early Advantage	On-Campus
Resident operated Gift Shop	Available on campus	Available on campus
Beauty Shop managed by licensed beauticians	Available on campus	Available on campus
Integrative Health Therapies (massage, acupuncture) provided by licensed therapists	Available on campus	Available on campus
Medical specialty services (podiatry, audiology) provided by independent licensed practitioners in the Medical Practice	Available on campus	Available on campus
Pick up and drop off services at a local dry cleaning business	Available only from campus location	Available on campus
Concierge services including assistance with email correspondence, notary services, assistance with postage and shipping from campus	Available only from campus location	Available on campus
Scheduled bus trips to shopping and other community events	Available from campus	Available from campus
Pick up and drop off point for UPS, FedEx, and other express mail services	Available only from campus location	Available on campus
Housekeeping and/or Handyman services	Not Available	Available on campus
On-campus guest apartment accommodations (reservations required)	Access to preferred partner hotels	Available on campus
Guest meals for your visitors	Available on campus	Available on campus
Resident rate for on campus dining/meals	Members charged same rate as on-campus residents	Residents charged a monthly meal minimum; additional charges at resident rate

Health Care and Wellness Services and Benefits Included in Fees

Services and Benefits	Early Advantage	On-Campus Living
Health Care “Free Days” which, when used, make the applicable daily rate for health care charge zero dollars (\$0).	Accrue 5 days a year. Maximum of 10 lifetime days prior to move on campus.	Not included
Ability to access Carolina Meadow’s on-site Primary Care Medical Practice that bills Medicare part B for payment.	Same benefits as residents living on campus	Same benefits as Early Advantage members
Priority access to care in the Fairways Assisted Living, the Pines Skilled Nursing Center and the Green with memory support.	Same benefits as residents living on campus	Same benefits as Early Advantage members
Per diem charges in Assisted Living and Skilled Nursing levels of care.	Same benefits as residents living on campus	Same benefits as Early Advantage members
Scheduled medical transportation during regular hours	Two trips per month covered; additional trips available fee-for-service	Included (no maximum number of trips)
Social services, counseling and support programs coordinated by Carolina Meadows’ Care Coordination Team or Wellness Staff	Same benefits as residents living on campus	Same benefits as Early Advantage members
Activities and programs provided on campus through Carolina Meadows’ Wellness Program and Activities Department	Same benefits as residents living on campus	Same benefits as Early Advantage members
Annual In-Home Assessment by Carolina Meadows’ Care Coordination Team or Wellness Staff	Included	Available as Needed

Health Care and Wellness Services for an Extra Charge

For Both Early Advantage and On-Campus, residents are charged per diem charges each day that they receive assisted living, assisted nursing or skilled nursing services.

Services and Benefits	Early Advantage	On- Campus Living
Prevailing per diem charges in Fairways Assisted Living, Green Assisted Living with Memory Support, and the Pines Skilled Nursing levels of care	Same per diem charges as residents living on campus	Same per diem charges as Early Advantage members
Rehabilitation services available on Campus	Billed to insurance. Resident pays deductibles /copays	Billed to insurance. Resident pays deductibles / copays
Medical supplies, personal need supplies, and other “ancillary” items supplied to residents while in the Fairways or Green Assisted Living	Same charges as On-Campus residents	Same charges as Early Advantage members
Off-hours medical transportation for a fee	Not available	Available from Carolina Meadows staff or other vetted vendor at Extra Charge
Medical Accompaniment (costs of additional staff person accompanying resident to the medical appointment)	Carolina Meadows can provide a list of vendors	Carolina Meadows can provide a list of vendors
Full access to Carolina Meadows on-campus Primary Medical Practice, including the services of Carolina Meadows’ medical director, medical staff and nursing staff	Billed to insurance. Resident pays deductibles /copays	Billed to insurance. Resident pays deductibles / copays
Temporary assistance by a nurse or aide through a licensed home care agency	List of partner home care agencies provided	List of preferred vendors will be provided
Home meal delivery as medically necessary	Not available	Available at Extra Charge
Assistance obtaining Home Care or Home Health Care as medically required	Available at Extra Charge	Available at Extra Charge
On-Campus Nutrition and Diet Counseling	Available at Extra Charge	Available at Extra Charge

Section 6: Entrance and Periodic Fees

On Campus Fees

Carolina Meadows requires the following fees to be paid for admission: A non-refundable application fee currently \$300 per unit and a non-refundable resident assistance fee, currently \$8,500 for single residents or \$17,000 for couples, in addition to the entry fee for their chosen independent living home.

Carolina Meadows offers a unique program known as **The Equity Advantage**. Under this program residents have an opportunity to share in the appreciation of their living unit as entry fees may increase annually at amounts determined by Carolina Meadows. Any amount in excess of the resident's original entry fee, after deducting marketing and refurbishing cost, is split equally between Carolina Meadows and the resident or their estate. Details of this unique program are in the Residency and Care Agreement, Attachment 6 of this document.

Fees are due as follows: the application fee is due at the time of application, a waiting/ready list deposit is due upon approval for these lists and the remainder of the entry fee and the resident assistance fee are due upon the Date of Financial Responsibility.

Strong reputation and increasing demand created the need for a waiting list. This list is divided into two categories: Waiting and Ready. The Waiting List is designed for applicants whose desired occupancy date is undetermined. A fully refundable deposit of \$3,000 is required for this list category. The refund of the deposit is without interest. The Ready List is designed for applicants who plan to move as soon as their chosen unit type is available. The Ready List deposit requirement is 5% of the entry fee. If you choose to withdraw once on the Ready List, there is a \$1,000 forfeiture fee withheld from the refund of the Ready List deposit amount. The refund of the deposit is without interest. Both the \$3,000 waiting list and the 5% ready list deposits are applicable toward the entry fee.

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The following fees illustrate the fee schedules in effect as of January 1, 2020; it is subject to change from time to time but generally changes each January 1.

Entry Fees

Apartments	\$ 131,000	to	\$373,000
Villas and Duplexes	307,200	to	694,000
<u>Resident Assistance Fee</u>	\$8,500	to	\$17,000

Monthly Accommodation Fees

Single Occupancy	\$ 2,880	to	\$3,581
Double Occupancy	3,861	to	4,562
Monthly Food Minimum (<i>per person</i>)	\$250		

Assisted Living and Health Care Accommodations (All rates are per day)

<i>Assisted Living</i>		<i>Nursing Care</i>	
Single	\$233	Private	\$360
Couple/2 bath	\$374	Semi-Private	\$342
Single/1.5 bath	\$262		
Couple/1.5 bath	\$347		
Special Care	\$297		

Early Advantage Program Fees

If you should desire to join the Early Advantage Program, your entry fees and monthly membership fees are as follows:

Entry and Monthly Membership Fees

Entry Fee:	\$13,500 per person
Monthly Membership Fee:	\$575 per person

Your Entry fee is amortized over 25 months, after which there is no refund. If your membership within the Early Advantage program should terminate, you will be refunded any unamortized balance remaining, without interest, within 30 days of termination. If you decide to move on to campus in independent living, your entire Early Advantage entry fee

will be credited to the entry fee for your desired unit regardless of whether the 25 month amortization has been completed or not. You will pay the prevailing rates as noted above for the applicable level of care. You will be required to pay the Resident Assistance Fee once you move permanently to campus.

Historical Changes in Fees

Fees are generally changed annually on January 1 in conjunction with approval of Carolina Meadows' annual budget. Resident input in the annual budgeting process is channeled through the Resident Budget & Finance Committee, prior to presentation to the Board at its November meeting. All fee changes are approved by the Board of Directors. Residents are provided at least thirty days written notice of such changes. Carolina Meadows' goal is to maintain fees at the lowest rate consistent with sound fiscal policies while providing for continued quality service to its residents and generating enough surplus sufficient to provide for proper maintenance and operation of its facilities.

Following are Tables 4, 5 and 6. Table 4 illustrates the 5-year historical changes in Carolina Meadows' monthly accommodation fee structure. Table 5 illustrates the Remarketing Fee Percentage charged upon resale of a unit. Table 6 illustrates the 5-year historical changes in Carolina Meadows' entry fees.

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Table 4 - Historical Monthly Accommodation Fee Increases and Per Diems

	2020	2019	2018	2017	2016
Independent Living Monthly Accommodation Fees					
Single Occupancy	\$2,688 to \$3,581	\$2,661 to \$3,448	\$2,609 to \$3,315	\$2,533 to \$3,165	\$2,508 to \$2,794
<i>Average Monthly Increase</i>	\$107	\$105	\$105	\$105	\$98
Double Occupancy	\$3,460 to \$4,410	\$3,392 to \$4,259	\$3,301 to \$4,090	\$3,276 to \$3,562	\$3,175 to \$3,402
<i>Average Monthly Increase</i>	\$125	\$122	\$114	\$105	\$98
Monthly Food Allowance per Person	\$250	\$250	\$200	\$200	\$200
<i>Average Monthly Increase</i>	\$0	\$50	\$0	\$0	\$0
Health Center Per Diems					
Private - Daily	\$360	\$350	\$341	\$333	\$323
<i>Average Per Diem Increase</i>	\$10	\$9	\$8	\$10	\$12
Semi-Private - Daily	\$342	\$333	\$325	\$317	\$308
<i>Average Per Diem Increase</i>	\$9	\$8	\$8	\$9	\$11
Assisted Living Per Diems					
Single	\$233	\$227	\$221	\$215	\$209
<i>Average Per Diem Increase</i>	\$6	\$6	\$6	\$6	\$8
Couple - 2 bath	\$374	\$364	\$354	\$344	\$334
<i>Average Per Diem Increase</i>	\$10	\$10	\$10	\$12	\$12
Single - 1.5 bath	\$262	\$255	\$248	\$241	\$234
<i>Average Per Diem Increase</i>	\$7	\$7	\$7	\$8	\$9
Couple - 1.5 bath	\$347	\$338	\$329	\$320	\$311
<i>Average Per Diem Increase</i>	\$9	\$9	\$9	\$11	\$12
Special Care	\$297	\$289	\$281	\$273	\$266
<i>Average Per Diem Increase</i>	\$8	\$8	\$8	\$10	\$10
Early Advantage Program Monthly Membership Fee					
<i>(Began in 2017) – no change</i>	\$575	\$575	\$575	\$575	-
Table 5 – Remarketing Fee Percentage Charged on Unit Resales					
<i>Based on current entry fee amount</i>	5%	5%	5%	5%	5%

Table 6- Villa and Apartment Entry Fee Increases

	2020		2019		2018		2017		2016	
	Inc.	Entry Fee	Inc.	Entry Fee	Inc.	Entry Fee	Inc.	Entry Fee	Inc.	Entry Fee
Villas										
Montgomery	91,100	694,000	11,800	602,900	41,200	591,100	5,400	549,900	38,000	544,500
Madison	42,000	633,000	11,600	591,000	40,400	579,400	5,300	539,000	37,200	533,700
Hanover	23,300	599,000	11,300	575,700	39,400	564,400	5,200	525,000	36,300	519,800
Caldwell	5,300	556,000	10,800	550,700	37,700	539,900	4,900	502,200	34,700	497,200
Regent	10,800	553,400	10,600	542,600	37,100	532,000	4,700	494,900	25,500	490,000
Fairfax	18,400	540,000	10,200	521,600	35,700	511,400	4,700	475,700	24,500	471,000
Manchester	10,300	523,800	10,100	513,500	32,900	503,400	4,658	470,500	24,300	465,800
Chatham	9,500	481,000	9,200	471,500	30,200	462,300	4,300	432,100	22,300	427,800
Davidson	8,600	440,100	8,500	431,500	27,700	423,000	3,900	395,300	16,900	391,400
Brunswick	8,200	420,000	8,100	411,800	26,400	403,700	3,700	377,300	16,100	373,600
Cumberland	7,900	401,300	7,700	393,400	25,200	385,700	3,600	360,500	15,400	356,900
Albemarle	6,000	307,200	5,900	301,200	16,700	295,300	2,800	278,600	9,300	275,800
<i>Average Inc.</i>	<i>20,100</i>		<i>9,700</i>		<i>18,000</i>		<i>4,500</i>		<i>25,000</i>	
Apartments										
Kinston	10,700	373,000	8,900	344,000	20,100	355,200	3,300	335,100	17,300	331,800
Combo	6,400	330,000	7,700	307,000	18,000	317,300	3,000	299,300	12,800	296,300
Halifax	6,000	299,900	5,200	277,000	16,300	288,100	2,700	271,800	11,600	269,100
Julian	5,800	298,400	5,300	276,000	16,200	286,900	2,700	270,700	11,500	268,000
Iredell	5,200	265,800	5,000	246,000	14,500	255,500	2,400	241,000	8,100	238,600
Forsyth	2,100	209,400	3,800	203,000	4,000	203,200	-	199,200	6,700	199,200
Lenoir	1,500	148,500	1,700	143,000	2,800	144,100	-	141,300	4,800	141,300
Edgecombe	1,300	131,000	2,300	127,000	2,500	127,200	-	124,700	4,200	124,700
<i>Average Inc.</i>	<i>4,900</i>		<i>4,900</i>		<i>11,800</i>		<i>2,820</i>		<i>9,600</i>	
Early Advantage										
	-	\$13,500	-	\$13,500	-	\$13,500		\$13,500		NA

Section 7: Marriages/New Second Occupants/School Age Children

In the event a resident marries, remarries, or elects to share a living unit with another non-resident person, the new non-resident spouse or such other non-resident person may become a resident by filing a new application with the payment of an Application Fee and Resident Assistance Fund Fee. Such new prospective resident shall be required to meet the prerequisites for living at Carolina Meadows with regard to age, financial ability, and approval to execute a Residency and Care Agreement.

If the new spouse or second occupant does not meet Carolina Meadows' requirements for residency, the current resident may continue to live at Carolina Meadows without that spouse/second person or may terminate his/her Residency and Care Agreement upon two months written notice. Resident is responsible for monthly fees during the notice period. Upon vacancy of the Independent Living unit, the occupancy right will be marketed and sold by Carolina Meadows as set forth in the Residency and Care Agreement.

If an existing resident of Carolina Meadows marries another resident of Carolina Meadows it is presumed that one resident may wish to move into the residence of the other. The resident wishing to move shall notify Carolina Meadows, in writing, thirty (30) days prior to moving. When the couple begins living in the same unit together, then the monthly accommodation fee will convert to a two-person monthly fee.

If the couple elects to retain their two separate residences, then they will continue under their initial Residency and Care Agreements and will continue to pay the single monthly accommodation fees for their residences.

The resident shall receive a refund thirty (30) days after resale of the existing residence. The refund will be calculated by taking the current entry fee for the residence and subtracting a remarketing fee based on the current entry fee. In addition, refurbishment costs required to restore the residence to its original condition will be subtracted from the Current Entry Fee. After subtracting the remarketing fee and the refurbishment costs, the result is the Net Proceeds. The difference between the Net Proceeds and the Original Entry Fee paid is the appreciation (positive or negative) realized. The resident is also entitled to fifty percent (50%) of the positive appreciation, if any, or charged one hundred percent (100%) of the negative appreciation, if any.

Except for reasonable visitation, school age children are prohibited from living on campus.

Section 7(a): Financial Assistance for Residents with Financial Hardships

Carolina Meadows has established a Residents' Assistance Fund to allow a limited number of residents to continue living at Carolina Meadows if, due to circumstances beyond their control, they can no longer pay the fees and charges due. Financial assistance is determined on an individual basis, and there is no guarantee of assistance to any individual resident. All residents or their responsible party(s) are required to provide updated financial information every other year or upon reasonable request.

A Resident Assistance Fee of \$8,500 per person is due at signing of the Residency and Care Agreements. The Fee is non-refundable after occupancy of unit. As long as a resident has acted in good faith in his/her dealings with Carolina Meadows, and we determine that the facts justify special consideration, we will do our best to work with the resident toward a confidential plan that will assist in his/her continued residency. Before providing any new financial assistance, Carolina Meadows will consider the adequacy of the Residents' Assistance Fund and our ability to maintain sound financial operations as a result of providing any new assistance or continuing any existing financial assistance.

Section 7(b): Refunds: Rescission, Cancellation, or Termination

Cancellation of Waiting and Ready List Agreements

- 1) **Waiting List Agreement:** Applicants on the Waiting List (whether waiting for Early Advantage or Residential contracts) may terminate Waiting List agreements upon written request and be removed from the Waiting List. The \$300 application fee is non-refundable.
- 2) **Ready List Agreement:** Applicants on the Ready List (whether waiting for Early Advantage or Residential contracts) may terminate Ready List agreements upon written request. The Ready List Deposit, without interest, minus a \$1,000 forfeiture fee shall be refunded within thirty (30) days. The \$300 application fee is non-refundable.

Cancellation after signing Early Advantage or Residential Reservation Agreements (during Admissions Process)

Cancellation by Applicant: If applicant cancels due to a change in health status, he/she may terminate the Early Advantage or Residential Reservation Agreement, with refund of any prior deposits. The \$300 application fee is non-refundable and without interest.

If applicant cancels during admissions process for reasons other than change in health status, the deposit is refunded less \$1,000 forfeiture fee. In addition, the \$300 application fee is non-refundable.

Cancellation by Carolina Meadows: Carolina Meadows may terminate an Early Advantage Reservation Agreement or Residential Reservation Agreement at any time during the admission process, prior to an applicant's Date of Financial Responsibility, if Carolina Meadows determines that the applicant does not meet the physical, mental, or financial requirements for admission. In the event of such cancellation, the applicant is entitled to a refund of the Entry Fee. The \$300 application fee is non-refundable.

Rescission

A Resident may rescind his/her Early Advantage Agreement, Residency and Care Agreement or Residency and Care Agreement following Early Admission within thirty (30) days of the latter of the execution of the agreement or receipt of this Disclosure Statement required by N.C.G.S. 58-64-20. A Resident is not required to move into Carolina Meadows during such thirty (30) day period.

A Resident will receive a refund of all money or property transferred to Carolina Meadows without interest, less (i) any periodic charges applicable only to the period during which the unit was actually occupied and as specified in the Residency and Care Agreement or amendment, (ii) any non-standard costs incurred by Carolina Meadows at the Resident's request, and (iii) a reasonable service charge not to exceed the greater of one thousand dollars (\$1,000) or two percent (2%) of the Entry Fee paid. Modification costs paid by a Resident are non-refundable.

Cancellation of Early Advantage Agreement

Cancellation by Applicant: Member may terminate an Early Advantage Agreement for any reason after the thirty (30) day Rescission Period by giving Carolina Meadows sixty (60) days advance written notice of intent to terminate. Member may be entitled to a prorated refund of the Entry Fee.

Cancellation by Carolina Meadows: Carolina Meadows may cancel an Early Advantage Agreement if (i) a Member dies; (ii) a Member misrepresents or omits material financial, medical, or other information given during the application process; or (iii) a Member's financial status changes such that he or she no longer meets the financial requirements for admission; (iv) a Member no longer qualifies for Independent Living and fails to follow recommendations of the Carolina Meadows Care Coordination Team, including moving to a higher level of care or obtaining sufficient support in the home.

Refund: If termination occurs within the first 25 months of the Agreement, the Member

is entitled to a pro-rated refund of the Entry Fee. The portion of the Entry Fee that is refundable shall decline at a rate of 4% per month following the Early Advantage Agreement Date. After 25 months, there is no refund of the Early Advantage Entry Fee. The Member shall be responsible for payment of the monthly membership fees and other periodic fees accrued through the date that the Early Advantage Agreement is terminated.

Cancellation of Residency and Care Agreement and Residency and Care Agreement Following Early Acceptance

Cancellation by Carolina Meadows Prior to Occupancy: Carolina Meadows may cancel the Residency and Care Agreement if (i) a Resident dies; (ii) a Resident misrepresents or omits material financial, medical, or other information given during the application process; (iii) a Resident's financial status changes such that he or she no longer meets the financial requirements for admission; or (iv) a Resident no longer qualifies for Independent Living and fails to follow recommendations of the Carolina Meadows Care Coordination Team, including moving to a higher level of care or obtaining sufficient support in the home.

A Resident will receive a refund, of the Entry Fee and the Resident Assistance Fee paid within thirty (30) days, without interest, less a reasonable administrative fee not to exceed the greater of one thousand dollars (\$1,000) or two percent (2%) of the Entry Fee paid and less any non-standard costs incurred by Carolina Meadows at the Resident's request. Modification costs to a residence are non-refundable.

Cancellation by Carolina Meadows After Occupancy: Carolina Meadows may cancel the Residency and Care Agreement if a Resident (i) has misrepresented or omitted financial, medical, or other information given during the application process; (ii) fails to comply with the provisions of the Residency and Care Agreement; (iii) fails to comply with the rules and regulations as Carolina Meadows may establish; (iv) fails to pay the monthly fees or any other required charges as specified by the Residency and Care Agreement, or by the rules and regulations of Carolina Meadows; (v) abandons the residence; or (vi) develops a physical or mental condition that cannot be cared for by Carolina Meadows within the limits of Carolina Meadows' license; (vii) a Resident no longer qualifies for Independent Living and fails to follow recommendations of the Carolina Meadows Care Coordination Team, including moving to a higher level of care or obtaining sufficient support in the home.

Refunds, without interest, will be made thirty (30) days after the residence is covered by a new Residency and Care Agreement with another person or persons and all new fees have been paid in full. Deducted from the refund will be any nonstandard charges incurred by Carolina Meadows at the request of the Resident; a remarketing fee based on the new sales price; and costs to refurbish the residence to its original condition, as determined in the

sole discretion of Carolina Meadows, as well as any unpaid monthly fees for the actual time the unit was occupied. Modification costs incurred are non-refundable. The Resident Assistance Fee is also non-refundable after occupancy.

Cancellation by Resident Prior to Occupancy

A Resident may terminate the Residency and Care Agreement or the Residency and Care Agreement Following Early Advantage prior to occupancy for any reason after the 30 day Rescission Period has expired. A Resident must give sixty (60) days advance written notice of intent to terminate. The right to occupy the residence will have been legally assigned back to Carolina Meadows as soon as written notice is received.

The Entry Fee and the Resident Assistance Fee paid, less a remarketing fee based on the current sales prices and any nonstandard charges incurred by Carolina Meadows at the request of the Resident, will be made thirty (30) days after the residence is covered by a new Residency and Care Agreement with another person or persons and all new fees have been paid in full. The refund is without interest. In addition, Carolina Meadows will withhold a reasonable administrative fee not to exceed the greater of one thousand dollars (\$1,000) or two percent (2%) of the Entry Fee paid. Modification costs incurred are non-refundable.

Cancellation by Resident after Occupancy

A Resident may terminate the Residency and Care Agreement or the Residency and Care Agreement following Early Advantage after occupancy and after the thirty (30) day rescission period has expired. A Resident must give sixty (60) days advance written notice of intent to terminate. The right to occupy the residence will have been legally assigned back to Carolina Meadows as soon as written notice is received.

Refunds, without interest, will be made thirty (30) days after the residence is covered by a new Residency and Care Agreement with another person or persons and all new fees have been paid in full. Deducted from the refund will be any nonstandard charges incurred by Carolina Meadows at the request of the Resident; a remarketing fee based on the current sales price; and costs to refurbish the Residence to its original condition, as determined in the sole discretion of Carolina Meadows, as well as any unpaid monthly fees for the actual time the unit was occupied. Modification costs incurred are non-refundable. Resident Assistance Fee is also non-refundable.

Cancellation upon Death (after 30-day Rescission Period)

The Residency and Care Agreement or the Residency and Care Agreement following Early Advantage shall automatically cancel upon the death of the Resident occupying a residence, or upon the death of the last Resident to die, if a joint Residency and Care

Agreement.

Refunds, without interest, will be made thirty (30) days after the residence is covered by a new Residency and Care Agreement with another person or persons and all new fees have been paid in full. Deducted from the refund will be any nonstandard charges incurred by Carolina Meadows at the request of the Resident; a remarketing fee based on the current sales price; and costs to refurbish the Residence to its original condition, as determined in the sole discretion of Carolina Meadows, as well as any unpaid monthly fees for the actual time the unit was occupied. Modification costs incurred are non-refundable. Resident Assistance Fee is also non-refundable.

Section 7(c): Resident Transfers or Moves

Carolina Meadows may require residents to move from their Independent Living units to Assisted Living or Nursing Care, on either a temporary or permanent basis. Such moves may be made only after consultation with Carolina Meadows' medical staff, the resident (if able), resident's family or legal representative and resident's attending physician. Additionally, the move must be deemed in the best interest of the resident, to protect personal health and safety and/or in the general welfare of all Carolina Meadows residents.

Moves from one Independent Living unit to another are permitted Management. Charges and credits are adjusted pursuant to the then prevailing entry fees and monthly accommodation fees for the Independent Living units in question.

Carolina Meadows is committed to the delivery of quality services in environments exemplary of good health for both residents and staff. As a tobacco free campus, Carolina Meadows has designated all enclosed public areas of its campus as well as The Fairways and The Pines Health Center as smoking and vaping free environments.

Section 8: Financial and Other Information

Reserves, Escrows, and Trusts: Operating Reserve Requirement

NCGS 58-64-33 requires Carolina Meadows to maintain an operating reserve equal to 50% of its forecasted operating costs for the twelve-month period following the period covered by the most recent annual disclosure statement filed with the North Carolina Department of Insurance. The reserve requirement drops to 25% of the total forecasted operating costs if occupancy levels are in excess of 90%. Such reserves may only be released upon approval by the North Carolina Commissioner of Insurance. Occupancy is calculated on the number of Independent Living Units and Assisted Living Units and ignores the effect of occupancy in the Health Center.

According to the Operating Reserve Requirements, Carolina Meadows' forecasted financial statements as of December 31, 2019, (Attachment 4) indicate a minimum reserve requirement of \$8,746,000 based on forecasted occupancy of 95.2%. Occupancy is forecasted to exceed 90% throughout the forecast period 2019 to 2023.

Per the Audited Financial Statements for the Year Ending December 31, 2019 (Attachment 1) Carolina Meadows, Inc. had the following investments available to more than fund the Operating Reserve Requirement for 2019:

Board Designated and Assets Limited as to Use	\$13,429,483
Investments	<u>17,970,742</u>
Total at Fair Market Value	<u>\$ 31,400,225</u>
Total at Cost	<u>\$ 28,185,154</u>

Carolina Meadows' investment accounts are maintained and managed by UBS Financial Services. Overall policies and decisions relative to the magnitude of reserve funds, investment of reserve funds and financial assistance funds are under the direction of the Finance Committee of the Board of Directors. Within the parameters of these policies, specific investment decisions made by UBS Financial Services and their investment managers must follow the asset allocation guidelines developed and approved by the Board of Directors of Carolina Meadows, Inc.

Shared Appreciation

Carolina Meadows' Equity Advantage program and its contract (Attachment 6) provide residents the opportunity to share in appreciation of their independent living unit upon resale of their occupancy right. We recommend you consult with your tax advisor regarding treatment and reporting of any such appreciation.

Attachments

Attachment 1: Audited Financial Statements

**CAROLINA MEADOWS SENIOR COMMUNITIES
& SERVICES, INC. AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

YEARS ENDED DECEMBER 31, 2019 AND 2018



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CAROLINA MEADOWS SENIOR COMMUNITIES & SERVICES, INC. AND AFFILIATES
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Carolina Meadows Senior Communities
& Services, Inc. and Affiliates
Chapel Hill, North Carolina

We have audited the accompanying consolidated financial statements of Carolina Meadows Senior Communities & Services, Inc. and Affiliates ("Carolina Meadows"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations and changes in net deficit and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 audits. We conducted our audits 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 these 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 Carolina Meadows Senior Communities & Services, Inc. and Affiliates as of December 31, 2019 and 2018, and the results of their operations, changes in their net deficit, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding a Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, Carolina Meadows adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The new accounting standard clarifies how revenue is to be recognized and requires expanded disclosures related to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Our opinion is not modified with respect to that matter.

As discussed in Note 2 to the consolidated financial statements, Carolina Meadows adopted the provisions of FASB ASU 2016-18, *Statement of Cash Flows*. The new accounting standard addresses the diversity in the classification and presentation in restricted cash on the statement of cash flows. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2019 supplemental consolidating schedules listed in the Table of Contents are presented for purposes of additional analysis of the consolidated financial statements, rather than to present the financial position, results of operations, and cash flows of the individual entities, and is not a required part of the consolidated financial statements. The supplemental combining information in the Combining Statements of Levels of Care is presented for purposes of additional analysis of the consolidated financial statements, rather than to present the financial position, results of operations, and cash flows of each level of care, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the 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 consolidated 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
April 28, 2020

CAROLINA MEADOWS SENIOR COMMUNITIES & SERVICES, INC. AND AFFILIATES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 6,698,839	\$ 4,902,130
Accounts Receivable	2,215,903	1,901,937
Sales Tax Refund Receivable	133,975	246,843
Inventories	337,372	400,068
Prepaid Expenses	152,836	184,773
Total Current Assets	9,538,925	7,635,751
ASSETS LIMITED AS TO USE	13,429,483	21,926,923
INVESTMENTS	17,970,742	6,033,250
PROPERTY AND EQUIPMENT	74,646,425	73,676,845
Total Assets	\$ 115,585,575	\$ 109,272,769
LIABILITIES AND NET DEFICIT		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 670,000	\$ 650,000
Accounts Payable	2,343,906	2,268,263
Accrued Expenses	2,800,502	2,178,566
Advance Fees and Refunds Due	65,000	130,000
Total Current Liabilities	5,879,408	5,226,829
LINE OF CREDIT	455,071	-
LONG-TERM DEBT, LESS CURRENT MATURITIES	11,757,357	12,601,167
DEFERRED REVENUE AND OTHER LIABILITIES		
Deferred Revenue from Advance Fees	525,170	592,508
Advance Fee Liability	137,669,390	135,662,580
Other Deferred Revenue	488,800	208,000
Deposits on Occupied Units	6,232,950	3,650,220
Agency Funds Due Residents	930,633	1,859,041
Interest Rate Swap Agreement	143,834	208,937
Total Deferred Revenue and Other Liabilities	145,990,777	142,181,286
NET DEFICIT		
Without Donor Restrictions	(48,497,038)	(50,736,513)
Total Liabilities and Net Deficit	\$ 115,585,575	\$ 109,272,769

See accompanying Notes to Consolidated Financial Statements.

CAROLINA MEADOWS SENIOR COMMUNITIES & SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET DEFICIT
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
REVENUES, GAINS AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS		
Resident Fees Earned:		
On Campus	\$ 31,300,139	\$ 30,041,334
Early Advantage	636,411	452,991
Amortization of Advance Fees:		
On Campus	150,800	132,600
Early Advantage	429,578	423,113
Contributions	589,367	9,005
Resident Assistance Fund Fees	467,500	459,000
Dining Services	2,249,490	2,280,961
Maintenance Services	19,041	6,055
Housekeeping Services	298,662	288,537
Resident Services	45,685	81,130
Medical and Ancillary Charges	1,201,473	720,371
Miscellaneous Income	171,607	154,185
Remarketing Income	185,140	545,675
Modification and Refurbishment Revenue	1,419,007	1,296,289
Realized Gains on Investments	263,740	2,787,152
Investment Income	669,218	564,772
Total Revenues, Gains, and Other Support	40,096,858	40,243,170
EXPENSES		
Administrative Services	2,934,809	2,681,603
Early Advantage	116,709	71,671
Dining Services	7,055,310	6,633,370
Housekeeping and Laundry Services	1,609,653	1,470,140
Plant Operations	4,298,833	4,067,215
Grounds	1,160,460	1,089,312
Resident Services	693,786	682,933
Human Resources	806,890	729,569
On-site Medical Practice	1,279,436	1,090,535
Wellness	330,194	322,595
Home Care Services	761,284	263,649
Nursing Services	4,414,804	4,043,071
Assisted Living Services	1,735,925	1,677,375
Marketing	805,893	800,407
Social Services	393,419	460,923
Activities	584,897	519,649
Information Technology	1,522,231	1,233,115
General	2,453,818	1,894,173
Upgrades and Refurbishments	1,704,203	1,489,091
Shared Appreciation Expense	990,661	1,002,776
Depreciation	4,628,525	4,773,706
Interest Expense and Amortization	474,352	496,086
Resident Assistance Expense	614,164	405,206
Total Expenses	41,370,256	37,898,170
Net Operating Income (Loss)	(1,273,398)	2,345,000
Change in Fair Value of Interest Rate Swap Agreement	65,103	170,402
Unrealized Gains (Losses) on Investments, Net	3,447,770	(4,110,014)
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENSES AND CHANGE IN NET DEFICIT WITHOUT DONOR RESTRICTIONS	2,239,475	(1,594,612)
NET DEFICIT WITHOUT DONOR RESTRICTIONS:		
Beginning of Year - As Restated (See Note 2)	(50,736,513)	(49,141,901)
END OF YEAR	\$ (48,497,038)	\$ (50,736,513)

See accompanying Notes to Consolidated Financial Statements.

CAROLINA MEADOWS SENIOR COMMUNITIES & SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Deficit Without Donor Restrictions	\$ 2,239,475	\$ (1,594,612)
Adjustments to Reconcile Change in Net Deficit to Net Cash Provided by Operating Activities:		
Proceeds from Advance Fees	11,279,700	11,251,112
Amortization of Advance Fees	(580,378)	(555,713)
Equity Refund Advances	(55,844)	(23,104)
Depreciation	4,628,525	4,773,706
Amortization of Deferred Financing Costs	45,662	21,900
Gain Related to Interest Rate Swap Agreement	(65,103)	(170,402)
Net Unrealized and Realized Investment (Gains) Losses	(3,711,510)	1,322,862
Net Change in:		
Accounts Receivable	(258,122)	365,051
Sales Tax Refund Receivable	112,868	(4,197)
Inventories	62,696	(26,901)
Prepaid Expenses and Other Assets	31,937	(26,802)
Accounts Payable	75,643	262,002
Accrued Expenses	621,936	(23,165)
Net Cash Provided by Operating Activities	14,427,485	15,571,737
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments and Assets Limited as to Use	13,199,586	47,002,964
Purchase of Investments and Assets Limited as to Use	(13,856,536)	(47,406,829)
Acquisition and Construction of Property and Equipment	(5,598,105)	(2,503,343)
Net Cash Used in Investing Activities	(6,255,055)	(2,907,208)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change from Deposits on Occupied and Unconstructed Units	2,582,730	640,845
Refunds of Advance Fees	(8,544,050)	(9,655,909)
Principal Payments on Long-Term Debt	(869,472)	(1,594,280)
Proceeds from Line of Credit	455,071	-
Net Change from Deposits in Agency Accounts	(928,408)	(919,413)
Net Cash Used in Financing Activities	(7,304,129)	(11,528,757)
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	868,301	1,135,772
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	6,761,171	5,625,399
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	\$ 7,629,472	\$ 6,761,171
Cash and Cash Equivalents	\$ 6,698,839	\$ 4,902,130
Restricted Cash Included in Assets Limited as to Use (See Note 2)	930,633	1,859,041
	\$ 7,629,472	\$ 6,761,171
Supplemental Disclosures of Cash Flow Information:		
Cash Payments for Interest	\$ 396,461	\$ 500,298

See accompanying Notes to Consolidated Financial Statements.

CAROLINA MEADOWS SENIOR COMMUNITIES & SERVICES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 ORGANIZATION

The accompanying consolidated financial statements include the consolidated balance sheets, statements of operations and cash flows of Carolina Meadows Communities & Services, Inc. and its Affiliates. The entities and activities comprising “Carolina Meadows” consist of the following:

Carolina Meadows Senior Communities & Services, Inc.

Carolina Meadows Senior Communities & Services, Inc. (“Senior Services”) is a Nonprofit North Carolina corporation qualified as a tax-exempt organization under IRS Code Section 501(c)(3) incorporated on April 25, 2017. Senior Services is the sole member of Carolina Meadows, Inc. (“Carolina Meadows” or “the CCRC”) and supports the CCRC as its management and administrative service provider. Senior Services provides the common management team for all entities under the “Carolina Meadows umbrella.”

Carolina Meadows Management and Development Services, Inc.

Carolina Meadows Management and Development Services, Inc. (“Management and Development”) was incorporated on April 25, 2017. Management and Development provides services to the CCRC and will provide similar services to other senior living organizations and development projects that align with a shared mission and business interest that enriches and improves the lives of residents and those connected to the community while supporting the overall mission and values of Carolina Meadows, Inc. Senior Services is the sole shareholder of Management and Development.

Carolina Meadows Home Care, Inc.

Carolina Meadows Home Care, Inc. (“Home Care”) is a Nonprofit North Carolina corporation qualified as a tax-exempt organization under IRS Code Section 501(c)(3) incorporated on April 25, 2017. Home Care provides in-home care services and support to the residents of Carolina Meadows, Inc. Senior Services is the sole member of Home Care.

Carolina Meadows, Inc.

Carolina Meadows, Inc. (“Carolina Meadows” or “the CCRC”) is a Nonprofit North Carolina corporation qualified as a tax-exempt organization under IRS Code Section 501(c)(3). The CCRC provides housing, health care and other related services to residents through the operation of a continuing care retirement community consisting of 287 villas, 156 apartments, 78 assisted living apartments and a 90-bed health center located in Chatham County, North Carolina.

Carolina Meadows Foundation, Inc.

Carolina Meadows Foundation, Inc. (“Foundation”) was incorporated on May 1, 2018. The Foundation provides support for Carolina Meadows. Senior Services is the sole member of Foundation.

CAROLINA MEADOWS SENIOR COMMUNITIES & SERVICES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the consolidated accounts of Senior Services, Management and Development, Home Care, Foundation, and the CCRC. All material intercompany accounts and transactions have been eliminated.

Net Assets

Net assets and revenues, gains and losses, are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets consisting of all resources that have no donor-imposed restrictions. All Carolina Meadows assets are Net Assets Without Donor Restrictions.

Net Assets With Donor Restrictions – Include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both. Carolina Meadows had no Net Assets with Donor Restrictions in 2019 and 2018.

Cash and Cash Equivalents

For purposes of reporting cash flows, Carolina Meadows considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments with original maturities of three months or less when purchased, as cash and cash equivalents. At times, Carolina Meadows places deposits with high credit quality institutions in amounts that may be in excess of federally insured amounts. Carolina Meadows has not experienced any financial loss related to such deposits.

CAROLINA MEADOWS SENIOR COMMUNITIES & SERVICES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Resident accounts receivable consist of resident monthly service fees. Carolina Meadows provides an allowance for uncollectible accounts using management's estimate about the collectability of any past due accounts. Residents are not required to provide collateral for services rendered. Payment for services is required upon receipt of invoice or claim submitted. At December 31, 2019 and 2018, management has determined that no allowance for uncollectible accounts is necessary related to resident accounts receivable.

Inventories

Inventories are valued at the lower of cost or market on a first-in, first-out basis.

Assets Limited as to Use

Assets limited as to use include assets set aside by the Board of Directors for resident assistance payments, resident funds held in agency accounts, and contingencies over which the Board retains control and may, at its discretion, subsequently use for other purposes. It also includes operating reserve funds required under North Carolina General Statute 58-64-33.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Investment income (including interest and dividends) and realized gains and losses on investments are included in the excess of revenues over expenses unless restricted by donors or law. In determining realized gains and losses, the cost of investments is determined using the specific-identification method. Unrealized gains and losses on investments are included in the excess (deficit) of revenues over (under) expenses.

Fair Value Measurements

Carolina Meadows categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation techniques used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

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

CAROLINA MEADOWS SENIOR COMMUNITIES & SERVICES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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 for the asset or liability, which are typically based on Carolina Meadows' own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, Carolina Meadows may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. Carolina Meadows adopted the policy to value certain financial instruments at fair value.

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. Level 2 inputs held by Carolina Meadows include interest rate swap agreements, equity securities held in partnerships and certain alternative investments. Level 3 inputs held by Carolina Meadows include certain alternative investments.

Derivatives

Derivatives and hedging instruments are recorded at fair value in the consolidated financial statements. Carolina Meadows entered into interest rate swap agreements to limit the effect of increases in the interest rates of floating rate debt. The agreements are recorded in the accompanying consolidated balance sheets at estimated fair value at December 31, 2019 and 2018. Carolina Meadows does not hold or issue financial instruments for trading purposes.

CAROLINA MEADOWS SENIOR COMMUNITIES & SERVICES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risks and Uncertainties

Carolina Meadows holds investments in a variety of investment funds. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will continue to occur in the near term and that such changes could materially affect Carolina Meadows' investment balances and the amounts reported in the consolidated balance sheets of Carolina Meadows.

Excess (Deficit) of Revenues Over (Under) Expenses

The consolidated statements of operations and changes in net deficit include excess (deficit) of revenues over (under) expenses, which Carolina Meadows uses as its measure of operations.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Assets that cost at or over \$5,000 and have an estimated useful life of at least three years are capitalized. Contributed property is recorded at the estimated fair value at the date of receipt. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the costs of acquiring these assets. During the years ended December 31, 2019 and 2018, Carolina Meadows did not capitalize interest costs. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which range from three to forty years.

Carolina Meadows periodically assesses the reliability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicated the carrying amount of an asset may not be recoverable. For assets to be held, impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. For assets to be disposed of, impairment is determined to exist if the estimated net realizable value is less than the carrying amount. Depreciation of new construction begins the month following the date the facilities are placed in service.

Advance Fees

Under the terms of the residency and care agreement, each resident pays an entrance fee. A deposit of 5% or 10% of the entrance fee is paid when the ready list agreement is signed, with the balance of the fee to be paid prior to occupancy. Net entrance fees, along with monthly service fees, primarily pay for the cost of services provided to residents.

Carolina Meadows offers a refundable contract option to its residents. The contract provides for payment of the refundable entrance fees and, if the unit has appreciated, half of the shared appreciation on the unit, after the unit is resold and a new resident occupies that unit.

CAROLINA MEADOWS SENIOR COMMUNITIES & SERVICES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advance Fees (Continued)

Deposits paid, less an administrative charge, are refundable to persons canceling their residency and care agreement prior to moving to Carolina Meadows. No administrative charge is assessed for cancellation resulting from death or physical or mental impairment.

Advance fees from the Early Advantage Program (see below) are amortized into revenue as amortization of advance fees using the straight-line method based on the terms of the contract. The unamortized portion of the advance fees from the Early Advantage Program are shown on the consolidated balance sheets as deferred revenue. Refundable advance fees are recorded as Advance Fee Liability on the consolidated balance sheet.

Obligation to Provide Future Services

Carolina Meadows periodically calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from advance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from advance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. At December 31, 2019 and 2018, deferred revenue from advance fees exceeded the present value of the net cost of future services and use of facilities.

Early Advantage Program

In 2017, Carolina Meadows received approval from the North Carolina Department of Insurance to offer a “continuing care without lodging” contract for persons to become residents of Carolina Meadows while not taking residence at Carolina Meadows initially. Under the Early Advantage contract, residents who are living off-campus receive the same access to Carolina Meadow’s campus amenities and the same health care services and future benefits that are afforded to residents who are living on campus, in addition to up to ten free life-time days in the health center before moving on to the campus.

North Carolina General Assembly § 58-64-7(c) stipulates that Carolina Meadows must account for the revenue and expenses related to the Early Advantage program separately from revenue and expenses for on-campus services on consolidated financial statements and five-year forecasts. Carolina Meadows had 105 and 80 residents under contract in the Early Advantage program as of December 31, 2019 and 2018, respectively.

Deferred Costs

Carolina Meadows has adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounts Standards Update (ASU) No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires organizations to present bond issue costs as a direct deduction from the face amount of the related borrowings, amortize bond issue costs using the effective interest method over the life of the debt and record the amortization as a component of interest expense.

Unamortized bond issuance costs related to Carolina Meadows’ long-term debt are being amortized over the maturity of the related bonds.

CAROLINA MEADOWS SENIOR COMMUNITIES & SERVICES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

Carolina Meadows Senior Communities & Services, Inc., Carolina Meadows Home Care, Inc., Carolina Meadows Foundation, Inc., and Carolina Meadows, Inc. are nonprofit, tax-exempt organizations exempt from federal income taxes under Internal Revenue Code Section 501(c)(3); accordingly, the accompanying consolidated financial statements do not reflect a provision or liability for federal and state income taxes. Carolina Meadows Management and Development Services, Inc., a taxable corporation, utilizes the liability method of accounting for income taxes in accordance with standards on accounting for income taxes.

Management is not aware of any activities that would jeopardize the tax-exempt status of Carolina Meadows. Management is not aware of any significant activities that are subject to tax on unrelated business income, excise or other taxes.

Carolina Meadows follows guidance on the income tax standard regarding the recognition and measurement of uncertain tax positions. The implementation has had no impact on Carolina Meadows' consolidated financial statements. Carolina Meadows has determined that it does not have any material unrecognized tax benefit or obligation as of December 31, 2019.

Estimates

The preparation of the consolidated financial statements 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 as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncement

During the year ended December 31, 2019, Carolina Meadows adopted FASB ASU 2016-18, *Statement of Cash Flows*. This new accounting standard requires that the consolidated statement of cash flows explains the change during the prior in total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The adoption of this standard was retrospectively applied to the periods presented and did not have an impact on the Carolina Meadows' financial position or changes in its net deficit.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows:

	2019	2018
Cash and Cash Equivalents	\$ 6,698,839	\$ 4,902,130
Restricted Cash Included in Assets Limited as to Use	930,633	1,859,041
Total	<u>\$ 7,629,472</u>	<u>\$ 6,761,171</u>

CAROLINA MEADOWS SENIOR COMMUNITIES & SERVICES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement (continued)

Carolina Meadows follows ASU 2016-01, *Financial Instruments*. This new accounting standard requires unrealized gains and losses resulting from the change in fair value of investments other than debt securities to be included within the Carolina Meadows' performance indicator on the consolidated statement of operations and changes in net deficit. The adoption of this accounting standard did not have an impact on the Carolina Meadows' financial position or changes in net deficit.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The guidance requires Carolina Meadows to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which Carolina Meadows expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. Carolina Meadows adopted the provisions of ASU 2014-09 on January 1, 2019 as described in Note 14 –Resident Service Revenue.

ASU 2014-09 requires Carolina Meadows to recognize revenue using a five-step process. Carolina Meadows adopted ASU 2014-09 using the full retrospective method for all contracts effective January 1, 2018 and is using a portfolio approach to group contracts with similar characteristics and analyze historical cash collections trends. Full retrospective adoption requires entities to apply the standard retrospectively to the first period presented in the consolidated financial statements, requiring the cumulative effect of the retrospective application as an adjustment to the opening balance of net assets. As a result of the adoption of this standard, a prior period adjustment was recorded to true-up the Advance Fee Liability related to refundable entrance fees that are no longer able to be amortized to revenue under the provisions of the new standard, remove deferred marketing costs, and the prior period net assets were restated.

This prior period adjustment resulted in a decrease of net assets of \$80,673,479 as of January 1, 2018. There was also a decrease in the 2018 amortization revenue presented for comparison purposes that further decreased net assets as of December 31, 2018 by \$6,115,470 related to amortization on refundable entrance fees, remarketing revenue, modification and refurbishment revenue and amortization expense that no longer qualifies for revenue recognition under the new standard. These entries resulted in an increase of Advance Fee Liability from entrance fees as of December 31, 2018 of \$86,756,021 of what was previously reported.

There is no impact to the contractual language on Residency and Care Agreements or the calculation of refunds to former occupants upon re-occupancy. The operations of Carolina Meadows have not materially changed due to the adoption of ASU 2014-09.

CAROLINA MEADOWS SENIOR COMMUNITIES & SERVICES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The below table summarizes the impact of the 2019 adoption of standard ASU 2014-09 on the consolidated financial statements as of and for the year ended December 31, 2018:

	Pre-Adoption Balance	Change	Post-Adoption Balance
INVESTMENTS AND OTHER ASSETS			
Deferred Costs	\$ 32,928	\$ (32,928)	\$ -
Total Investments and Other Assets	6,066,178	(32,928)	6,033,250
Total Assets	109,305,697	(32,928)	109,272,769
DEFERRED REVENUE AND OTHER LIABILITIES			
Deferred Revenue from Advance Fees	49,499,067	(48,906,559)	592,508
Advance Fee Liability	-	135,662,580	135,662,580
Total Deferred Revenue and Other Liabilities	55,425,265	86,756,021	142,181,286
NET ASSETS (DEFICIT)			
Without Donor Restrictions	36,052,436	(86,788,949)	(50,736,513)
Total Liabilities and Net Assets (Deficit)	109,305,697	(32,928)	109,272,769
REVENUES, GAINS AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS			
Amortization of Advance Fees:			
On Campus	5,581,934	(5,449,334)	132,600
Remarketing Income	494,535	51,140	545,675
Total Revenues, Gains and Other Support	45,641,364	(5,398,194)	40,243,170
EXPENSES			
Shared Appreciation	280,958	721,818	1,002,776
Interest and Amortization Expense	500,628	(4,542)	496,086
Total Expenses	37,180,894	717,276	37,898,170
EXCESS OF REVENUE OVER EXPENSES	8,630,872	(6,115,470)	2,515,402
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	4,520,858	(6,115,470)	(1,594,612)
NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS:			
Beginning of Year, as Restated	31,531,578	(80,673,479)	(49,141,901)
END OF YEAR	36,052,436	(86,788,949)	(50,736,513)

Subsequent Events

Carolina Meadows has evaluated the effect subsequent events would have on the consolidated financial statements through April 28, 2020, which is the date the consolidated financial statements were available to be issued.

CAROLINA MEADOWS SENIOR COMMUNITIES & SERVICES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 3 ASSETS LIMITED AS TO USE AND INVESTMENTS

Investments stated at fair value at December 31, 2019 and 2018, include:

	2019	2018
Cash and Certificates of Deposit Unavailable for Investment	\$ 930,633	\$ 1,859,041
Liquid Investments, Principally Money Market Funds	556,711	1,334,385
Mutual Funds	20,445,486	15,515,109
Government Bonds	3,522,690	3,534,828
Corporate Bonds	4,220,792	2,737,129
Alternative Investments	1,723,913	2,979,681
	\$ 31,400,225	\$ 27,960,173

These investments are classified on the consolidated balance sheets as follows:

	2019	2018
Assets Limited as to Use:		
By Board Designation	\$ 3,752,850	\$ 11,586,882
NC Operating Reserve	8,746,000	8,481,000
Resident Funds Held in Agency Accounts	930,633	1,859,041
Total Assets Limited as to Use:	13,429,483	21,926,923
Unrestricted Investments	17,970,742	6,033,250
	\$ 31,400,225	\$ 27,960,173

Historical cost of investments was \$28,185,154 and \$27,332,524, at December 31, 2019 and 2018, respectively.

Board designations of investments at December 31, 2019 and 2018 are summarized as follows:

	2019	2018
Designated for Resident Assistance Payments	\$ -	\$ 3,853,924
Designated for Capital Reserves	-	4,082,738
Designated for Unit Deposits and Reservations	3,752,850	3,650,220
	\$ 3,752,850	\$ 11,586,882

During 2019 the Carolina Meadows' Board of Directors voted to release the investments previously designated for resident assistance payments and capital reserves.

Carolina Meadows has adopted investment policies and monitors the allocation of investments between types of investments including mutual funds, common stocks, and alternative investments.

Alternative Investments

As Carolina Meadows has the ability and intent to hold these investments until fair value is recovered, it does not consider the impairment of these investments to be other-than-temporary at December 31, 2019 and 2018.

CAROLINA MEADOWS SENIOR COMMUNITIES & SERVICES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 4 FAIR VALUES OF ASSETS AND LIABILITIES

Carolina Meadows 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 Carolina Meadows measures fair value refer to Note 2. The following table presents the fair value hierarchy for the balances of the assets and liabilities of Carolina Meadows measured at fair value on a recurring basis as of December 31:

	2019			
	Total	Level 1	Level 2	Level 3
Assets:				
Mutual Funds	\$ 20,445,486	\$ 20,445,486	\$ -	\$ -
Government Bonds	3,522,690	3,522,690	-	-
Corporate Bonds	4,220,792	4,220,792	-	-
Alternative Investments	1,723,913	-	9,075	1,714,838
Financial Assets	<u>\$ 29,912,881</u>	<u>\$ 28,188,968</u>	<u>\$ 9,075</u>	<u>\$ 1,714,838</u>
Liabilities:				
Interest Rate Swaps	<u>\$ 143,834</u>	<u>\$ -</u>	<u>\$ 143,834</u>	<u>\$ -</u>
2018				
	Total	Level 1	Level 2	Level 3
Assets:				
Mutual Funds	\$ 15,515,109	\$ 14,545,752	\$ 969,357	\$ -
Government Bonds	3,534,828	3,534,828	-	-
Corporate Bonds	2,737,129	2,737,129	-	-
Alternative Investments	2,979,681	-	1,773,787	1,205,894
Financial Assets	<u>\$ 24,766,747</u>	<u>\$ 20,817,709</u>	<u>\$ 2,743,144</u>	<u>\$ 1,205,894</u>
Liabilities:				
Interest Rate Swaps	<u>\$ 208,937</u>	<u>\$ -</u>	<u>\$ 208,937</u>	<u>\$ -</u>

Investments include cash equivalents of \$1,487,344 and \$3,193,426 as of December 31, 2019 and 2018, respectively.

Changes in assets measured in a recurring basis using significant unobservable inputs (Level 3 inputs) for the year ended December 31, 2019:

	Fair Value Measurements Using Significant Unobservable Inputs
Balance at December 31, 2017	\$ 967,114
Purchases, Net	173,782
Unrealized Gain	64,998
Balance at December 31, 2018	<u>1,205,894</u>
Purchases, Net	62,771
Unrealized Gain	446,173
Balance at December 31, 2019	<u>\$ 1,714,838</u>

CAROLINA MEADOWS SENIOR COMMUNITIES & SERVICES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4 FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

Carolina Meadows values certain investment holdings at fair value using their net asset value and has the ability to redeem its investment with the investee at net asset value per share (or its equivalent) at the measurement date.

Fair Value Measurements of Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent) as of December 31:

	2019			
	Net Asset Value	Unfunded Commitments	Frequency (If Currently Eligible)	Redemption Notice Period
Morgan Keegan Preferred Fund of Funds, LP	\$ 9,075	\$ -	Short-term	5 Business Days
Brown Advisory Private Equity Partners III, LLP	497,857	96,147	N/A	-
Viking Global Opportunities	971,065	-	Monthly	95 Business Days
Ziegler Link-Age Fund II, L.P.	245,916	50,000	N/A	-
Total	<u>\$ 1,723,913</u>	<u>\$ 146,147</u>		

	2018			
	Net Asset Value	Unfunded Commitments	Frequency (If Currently Eligible)	Redemption Notice Period
Morgan Keegan Preferred Fund of Funds, LP	\$ 9,104	\$ -	Short-term	5 Business Days
Brown Advisory Private Equity Partners III, LLP	426,728	157,883	N/A	-
Global Long Equity Hedged U.S. Equity Managers	969,357	-	Bi-Annually	95 Business Days
Viking Global Opportunities	1,764,682	-	Bi-Annually	95 Business Days
Ziegler Link-Age Fund II, L.P.	660,744	-	Monthly	95 Business Days
Total	<u>\$ 3,949,038</u>	<u>\$ 282,883</u>	N/A	-

The investment funds are valued at the net asset value of units, which are based on market prices of the underlying investments, held by Carolina Meadows at year end. Brown Advisory Private Equity Partners III's investment objective is to provide a vehicle for investors to invest in various private investment funds. The Global Long Equity Managers' investment objective is to invest in long positions in public and private companies. Hedged U.S. Equity Managers' investment objective is to achieve long-term capital appreciation at or above that of the broad U.S. equity market. Viking Global Opportunities' investment objective is to achieve long-term capital appreciation at or above that of the broad global equity market. Ziegler Link-Age Fund's investment objective is to achieve long-term capital appreciation by making equity and equity-like usually minority investments in early to mid-stage, emerging-growth companies that are operating or developing business focused on either the aging or post-acute care markets.

CAROLINA MEADOWS SENIOR COMMUNITIES & SERVICES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 2,185,405	\$ 2,096,762
Land Improvements	6,128,881	5,760,344
Buildings and Building Improvements	123,746,645	122,442,956
Construction in Progress	3,176,994	1,351,697
Furniture and Fixtures	10,130,122	8,472,420
Computer Equipment	1,682,390	1,404,003
Vehicles	836,333	760,485
	<u>147,886,770</u>	<u>142,288,667</u>
Less: Accumulated Depreciation	<u>73,240,345</u>	<u>68,611,822</u>
	<u>\$ 74,646,425</u>	<u>\$ 73,676,845</u>

Construction in progress at December 31, 2019 relates to construction costs of Phase VI Birchtree project of approximately \$1,941,000, which is expected to be completed in 2021. The total expected cost of the project is approximately \$28,600,000. The remaining construction in progress relates to various projects expected to be completed after the construction of Birchtree, as well as the campus master plan.

NOTE 6 LONG-TERM DEBT

Long-term debt consists of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
North Carolina Medical Care Commission Tax-Exempt Bonds Series 2004, outstanding principal paid in full in November 2019, Bearing Interest at a Variable Rate (2.47% at December 31, 2019)	\$ -	\$ 13,295,000
Public Finance Authority Retirement Facilities Revenue Bond Series 2019, Bank Qualified Debt Maturing in 2034, Bearing Interest at a Variable Rate (2.75% at December 31, 2019)	12,645,000	-
	<u>12,645,000</u>	<u>13,295,000</u>
Less: Unamortized Deferred Financing Costs	(217,643)	(43,833)
Less: Current Maturities	(670,000)	(650,000)
Total Long-Term Debt, Less Current Maturities	<u>\$ 11,757,357</u>	<u>\$ 12,601,167</u>

CAROLINA MEADOWS SENIOR COMMUNITIES & SERVICES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 6 LONG-TERM DEBT (CONTINUED)

The following is a schedule by year of the aggregate maturities of long-term debt:

Year Ending December 31,	Amount
2020	\$ 670,000
2021	690,000
2022	715,000
2023	735,000
2024	760,000
Thereafter	9,075,000
	\$ 12,645,000

The following is a discussion of significant terms and conditions regarding the North Carolina Medical Care Commission tax-exempt bonds, Series 2004:

On December 1, 2004, Carolina Meadows entered into a loan agreement with the North Carolina Medical Care Commission (“Medical Commission”) pursuant to the Medical Commission’s \$20,110,000 bond offering for purposes of financing the cost of constructing additional assisted living units and amenities at the facility and extinguishing existing debt. Proceeds from this offering were placed in trust. The trustee paid off the existing North Carolina Medical Care Commission tax-exempt variable rate demand bonds on December 7, 2004, thereby relieving Carolina Meadows of its liability for the outstanding Series 1998 bonds.

The payment of the principal, purchase price of and interest on the Series 2004 bonds was secured by an irrevocable, direct-pay \$18,565,726 bank letter of credit, which was cancelled upon a subsequent debt replacement on December 22, 2010.

On December 22, 2010, Carolina Meadows replaced the Series 2004 variable rate demand bonds with the Series 2004 bank qualified debt issued by SunTrust Bank (“SunTrust”). The Series 2004 bank qualified debt bears interest at 67% of the one-month London Interbank Offered Rate (“LIBOR”), as adjusted monthly with changes in one-month LIBOR, plus .95% per annum.

In November 2019 the Series 2004 bank qualified debt was refunded with the proceeds from the 2019 Bond issue.

Under the Credit Agreement with SunTrust, Carolina Meadows is required to comply with various covenants including, but not limited to, maintaining at least 200 days’ cash on hand and a debt service coverage ratio of at least 1.25x to 1x. In addition, Carolina Meadows must meet minimum reporting requirements, limit investment exposure in alternative investments to 20% of its total cash and investments and limit short-term debt to \$2,000,000. According to these agreements, Carolina Meadows has the ability to remedy any covenant violation within thirty days after receiving written notification from SunTrust Bank, without accelerating the debt payments.

CAROLINA MEADOWS SENIOR COMMUNITIES & SERVICES, INC. AND AFFILIATES
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NOTE 6 LONG-TERM DEBT (CONTINUED)

As security for all obligations issued under the Credit Agreement, Carolina Meadows has granted SunTrust a security interest in its pledged assets. In addition, the Medical Commission assigned to SunTrust its rights as beneficiary under Carolina Meadows' Deed of Trust, which grants SunTrust first priority deed of trust on the site and any buildings or improvements and assigns its rights as secured party with respect to its security interest. This agreement was terminated with the refunding of the Series 2004 Bonds.

The following is a discussion of significant terms and conditions regarding the Public Finance Authority issuance of a \$12,700,000 Retirement Facilities Revenue Bond, Series 2019:

On November 1, 2019, Carolina Meadows entered into a loan agreement with the Public Finance Authority pursuant to the Public Finance Authority bond offering for purposes of refunding the North Carolina Medical Care Commission Weekly Adjustable Rate Health Care Facilities revenue Bonds, Series 2014 and pay certain expenses incurred in connection with the issuance of the Series 2019 Bond. Proceeds from this offering were placed in trust. The trustee paid off the existing North Carolina Medical Care Commission tax-exempt variable rate demand bonds on November 21, 2019, thereby relieving Carolina Meadows of its liability for the outstanding Series 2004 bonds.

Beginning December 1, 2019 Carolina Meadows was required to make the first monthly payment of principal in the amount of \$55,000. Interest on the Series 2019 Bond is payable monthly with interest rate of 1 Month LIBOR plus 1.05%. In connection with the retirement of the Series 2014 Bonds, Carolina Meadows recognized a loss on the early extinguishment of debt of approximately \$44,000 related to the write-off of certain unamortized deferred costs.

The terms of the agreement related to the Series 2019 Bond, subject to the Master Trust Indenture and Bond Purchase and Loan Agreement, Carolina Meadows is required to comply with various covenants including, but not limited to, maintaining at least 150 days' cash on hand and a debt service coverage ratio of at least 1.2. Management believes Carolina Meadows is in compliance with these covenants as of December 31, 2019.

Under the Credit Agreement with SunTrust, Carolina Meadows is required to comply with various covenants including, but not limited to, maintaining at least 150 days' cash on hand and a debt service coverage ratio of at least 1.20x to 1x. In addition, Carolina Meadows must meet minimum reporting requirements and limit investment exposure as outlined by the Carolina Meadows investment policy. According to these agreements, Carolina Meadows has the ability to remedy any covenant violation within thirty days after receiving written notification from SunTrust Bank, without accelerating the debt payments. Management believes Carolina Meadows was in compliance with all such covenants at December 31, 2019 and 2018.

CAROLINA MEADOWS SENIOR COMMUNITIES & SERVICES, INC. AND AFFILIATES
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NOTE 6 LONG-TERM DEBT (CONTINUED)

As security for all obligations issued under the Credit Agreement, Carolina Meadows has granted SunTrust a security interest in its pledged assets and mortgaged property. In addition, the Public Finance Authority assigned to SunTrust its rights as beneficiary under Carolina Meadows' Deed of Trust, which grants SunTrust first priority deed of trust on the site and any buildings or improvements and assigns its rights as secured party with respect to its security interest.

Future maturities of the bond have been classified in accordance with established installment schedule requirements in anticipation that covenant violations, if any, will be waived or remedied.

On December 22, 2010, Carolina Meadows entered into an interest rate swap agreement to reduce the impact of changes in interest rates. At December 31, 2019, Carolina Meadows has an outstanding interest rate swap agreement with SunTrust, having a total notional principal amount of \$6,322,500, which terminates on December 22, 2020. This agreement effectively limits Carolina Meadows' interest rate exposure on the notional amount of outstanding debt to 3.28%. Carolina Meadows is exposed to credit loss in the event of nonperformance by the counter-party to the interest rate swap agreement; however, Carolina Meadows does not anticipate nonperformance by the counter-party. Carolina Meadows does not enter into derivative instruments for any purpose other than cash flow hedging, and does not hold instruments for speculative or investment purposes.

On November 21, 2019, Carolina Meadows entered into an interest rate swap agreement to reduce the impact of changes in interest rates. At December 31, 2019, Carolina Meadows has an outstanding interest rate swap agreement with SunTrust, having a total notional principal amount of \$5,987,500, which becomes effective December 22, 2020 and terminates on December 1, 2034. This agreement effectively limits Carolina Meadows' interest rate exposure on the notional amount of outstanding debt to 1.44%. Carolina Meadows is exposed to credit loss in the event of nonperformance by the counter-party to the interest rate swap agreement; however, Carolina Meadows does not anticipate nonperformance by the counter-party. Carolina Meadows does not enter into derivative instruments for any purpose other than cash flow hedging, and does not hold instruments for speculative or investment purposes.

As noted in Note 2 and Note 4, interest rate swaps are required to be measured at fair value on a recurring basis. As noted in Note 4, the interest rate swap was categorized as Level 2 in the valuation hierarchy.

Below is a table listing the fair value of the liability for interest rate swaps as of December 31, 2019 and 2018:

	2019	2018
Derivatives Designated as Hedging Instruments:		
Interest Rate Swap Agreements	\$ 143,834	\$ 208,937

CAROLINA MEADOWS SENIOR COMMUNITIES & SERVICES, INC. AND AFFILIATES
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NOTE 6 LONG-TERM DEBT (CONTINUED)

An analysis on the effectiveness of the swap was not performed, causing the change in fair value of the swap to be included in the excess (deficit) of revenues over expenses. Below is a table listing the gain recognized in excess (deficit) of revenues over expenses on the interest rate swap for the years ended December 31, 2019 and 2018:

	2019	2018
Changes in Value of Interest Rate Swap:		
Interest Rate Swap Agreements	\$ 65,103	\$ 170,402

NOTE 7 LINE OF CREDIT

In February 2015 Carolina Meadows entered into a loan agreement for an open end revolving line of credit with a financial institution for an amount up to \$2,500,000. The proceeds were used to finance the expansion of the kitchen and dining room areas and to meet cash flow needs. In August 2019 Carolina Meadows modified the terms of the revolving line of credit to extend the maturity date to July 31, 2020.

The line of credit bears interest at one-month LIBOR rate plus 2.25%. At the close of business on December 31, 2019 and 2018, the rate was 3.45% and 4.09%, respectively, on the outstanding balance and is secured by deposits and investments maintained by the borrower with SunTrust and any affiliates. At December 31, 2019 and 2018, Carolina Meadows had no balance outstanding.

Under the Agreement to Commercial Note with SunTrust, Carolina Meadows is required to comply with various covenants including, but not limited to, maintaining at least 200 days' cash on hand and a debt service coverage ratio of at least 1.25x to 1x. Management believes Carolina Meadows was in compliance with all such covenants at December 31, 2019.

In November 2019 Carolina Meadows entered into a loan agreement for an open end revolving line of credit with a financial institution for an amount up to \$12,000,000. The proceeds are to be used for the purpose of construction of Phase VI Birchtree project consisting of 40 independent living units at the Carolina Meadows campus. The maturity date of the revolving line of credit is December 21, 2022.

The line of credit bears interest at one-month LIBOR rate plus 1.15%. At the close of business on December 31, 2019, the rate was 2.85% on the outstanding balance and is secured by mortgaged property and the pledged assets by the borrower with SunTrust and any affiliates. At December 31, 2019, the balance of the line of credit was \$455,071.

CAROLINA MEADOWS SENIOR COMMUNITIES & SERVICES, INC. AND AFFILIATES
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NOTE 8 RETIREMENT PLAN

Carolina Meadows has a retirement plan under Internal Revenue Code Section 403(b), which operates as a deferred annuity contract and is available to all regular full-time employees. Carolina Meadows may, at its discretion, elect to make a qualified matching contribution to the retirement plan. Carolina Meadows matches 100% of participant deferrals up to 5% of their compensation. Participants may make voluntary contributions between 1% and 20% of their annual compensation not to exceed the statutory limit (\$19,000 for year ended December 31, 2019). Eligible participants are also permitted to make after-tax Roth contributions. Participants who have attained age 50 before the end of the plan year are eligible to make catch-up contributions. Expenses relating to the plan were approximately \$486,000 and \$430,000 in 2019 and 2018, respectively.

NOTE 9 AGENCY FUNDS DUE RESIDENTS

Resident funds held in agency accounts represent advance fee refunds withheld from residents deemed to be a financial risk and residents wishing to establish agency accounts in lieu of long-term care insurance. Carolina Meadows has deposited these funds on the residents' behalf in certificates of deposit or money market funds with a financial institution. Carolina Meadows acts as custodian for the agency accounts, which are legally owned by the residents. At December 31, 2019 and 2018, agency funds due residents were approximately \$931,000 and \$1,859,000, respectively.

NOTE 10 CHARITY CARE AND COMMUNITY BENEFITS

Carolina Meadows is actively involved in the community through participation in various community outreach, educational, charitable and volunteer service programs sponsored on campus and throughout the community at large.

Carolina Meadows has estimated its direct and indirect costs of providing benevolent care under its benevolence care policy. In order to estimate the cost of providing such care, management calculated a cost-to-charge ratio by comparing the cost to provide services to residents and amount charged to residents. The cost-to-charge ratio is applied to the charges foregone to calculate the estimated direct and indirect cost of providing benevolent care. Using this methodology, Carolina Meadows has estimated the costs for services under its benevolence care policy to be approximately \$583,000 and \$385,000 for the years ended December 31, 2019 and 2018, respectively.

Charitable donations and community benefits for the years ended December 31, 2019 and 2018 are summarized as follows:

	2019	2018
Charges Foregone for Benevolent Care	\$ 614,164	\$ 405,206
Charitable Donations	173,767	141,345
Donated Volunteer Services by the Staff of Carolina Meadows	63,382	57,721
	\$ 851,313	\$ 604,272

CAROLINA MEADOWS SENIOR COMMUNITIES & SERVICES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 11 COMMITMENTS AND CONTINGENCIES

Carolina Meadows self-insures a portion of its employee health benefits exposure up to \$100,000 per employee, with stop-loss coverage for the majority of the employee claims in excess of \$100,000. An accrual for the self-insurance program was established to provide for estimated claims and losses and applicable legal expenses for claims incurred through December 31, 2019 but not reported. This accrual was determined by management and totaled approximately \$88,000 and \$96,000 at December 31, 2019 and 2018, respectively. The accrual is included in accrued expenses in the consolidated balance sheets. Commercial insurance has been obtained for coverage in excess of the self-insured amounts.

Carolina Meadows has in place insurance coverage for possible litigation in the ordinary course of business related to general and professional liability claims. Management believes that any claims, if asserted, would be settled within the limits of coverage.

NOTE 12 LIQUIDITY AND AVAILABILITY

Carolina Meadows general philosophy is to maintain daily liquidity on all investments. The one exception is the alternative investment category. Carolina Meadows' investment committee is limited to selecting fund groups with no more than 90-day liquidity. The alternative investment category equals approximately 5%% of the total assets available to meet liquidity needs. Carolina Meadows' historical turnover of net accounts receivables is no more than 30 days.

Carolina Meadows' financial assets available within one year of the consolidated statements of financial position for general expenditures are as follows:

	2019	2018
Cash and Cash Equivalents	\$ 6,698,839	\$ 4,902,130
Investments	17,970,742	6,033,250
Board-Designated Assets Limited as to Use	3,752,850	11,586,882
	<u>28,422,431</u>	<u>22,522,262</u>
Resident Accounts Receivable	<u>2,215,903</u>	<u>1,901,937</u>
Total Assets Available to Meet Liquidity Needs	<u>\$ 30,638,334</u>	<u>\$ 24,424,199</u>

NOTE 13 FUNCTIONALIZED EXPENSES

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

CAROLINA MEADOWS SENIOR COMMUNITIES & SERVICES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 13 FUNCTIONALIZED EXPENSES (CONTINUED)

The following is a summary of functional expenses for the year ended December 31, 2019:

	Program Services				Management and General	Total
	Independent Living	Assisted Living	Other Healthcare Service	Total Program Services		
Salaries and Benefits	\$ 8,809,841	\$ 3,016,177	\$ 8,782,495	\$ 20,608,513	\$ 373,318	\$ 20,981,831
Depreciation	4,159,442	# 380,991	88,092	4,628,525	-	4,628,525
Other Operating Expenses	7,622,782	1,078,413	3,473,348	12,174,543	3,111,005	15,285,548
Interest and Amortization Expense	142,331	260,857	71,164	474,352	-	474,352
	<u>\$ 20,734,396</u>	<u>\$ 4,736,438</u>	<u>\$ 12,415,099</u>	<u>\$ 37,885,933</u>	<u>\$ 3,484,323</u>	<u>\$ 41,370,256</u>

The following is a summary of functional expenses for the year ended December 31, 2018:

	Program Services				Management and General	Total
	Independent Living	Assisted Living	Other Healthcare Service	Total Program Services		
Salaries and Benefits	\$ 7,801,844	\$ 2,636,884	\$ 7,470,015	\$ 17,908,743	\$ 1,430,178	\$ 19,338,921
Depreciation	4,302,851	382,763	88,092	4,773,706	-	4,773,706
Other Operating Expenses	7,005,433	931,376	3,132,204	11,069,013	2,220,444	13,289,457
Interest and Amortization Expense	152,724	269,784	73,578	496,086	-	496,086
	<u>\$ 19,262,852</u>	<u>\$ 4,220,807</u>	<u>\$ 10,763,889</u>	<u>\$ 34,247,548</u>	<u>\$ 3,650,622</u>	<u>\$ 37,898,170</u>

NOTE 14 RESIDENT SERVICE REVENUE

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

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

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

CAROLINA MEADOWS SENIOR COMMUNITIES & SERVICES, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 14 RESIDENT SERVICE REVENUE (CONTINUED)

All resident revenue is private pay for the years ended December 31, 2019 and 2018.

The composition of resident revenue based on the Carolina Meadows' service lines of business, method of reimbursement, and timing of revenue recognition for the years ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Service Lines:		
Independent Living	\$ 22,796,098	\$ 22,323,369
Assisted Living	5,972,094	6,093,142
Healthcare	8,511,149	7,659,387
Home Care	714,814	250,630
Amortization of Advance Fees	580,378	555,713
Total	<u>\$ 38,574,533</u>	<u>\$ 36,882,241</u>
Method of Reimbursement:		
Monthly Service Fees	\$ 31,936,550	\$ 30,494,325
Amortization of Advance Fees	580,378	555,713
Fee for Service	6,057,605	5,832,203
Total	<u>\$ 38,574,533</u>	<u>\$ 36,882,241</u>
Timing of Revenue and Recognition:		
Services Transferred Over Time	<u>\$ 38,574,533</u>	<u>\$ 36,882,241</u>

There is no impact to the contractual language on residency and care agreements or the calculation of refunds to former occupants upon re-occupancy. The operations of Carolina Meadows has not materially changed by the adoption of ASU 2014-09.

NOTE 15 SUBSEQUENT EVENTS

Subsequent to year end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to Carolina Meadows, COVID-19 may impact various parts of its 2020 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams. Management believes Carolina Meadows is taking appropriate actions to mitigate the negative impact; however, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of April 28, 2020.

During the period from January 1, 2020 through April 28, 2020, both domestic and international equity markets have experienced significant declines. These losses are not reflected in the consolidated financial statements as of and for the year ended December 31, 2019.

SUPPLEMENTARY INFORMATION

CAROLINA MEADOWS SENIOR COMMUNITIES & SERVICES, INC. AND AFFILIATES
CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	Carolina Meadows Senior Communities & Services, Inc.	Carolina Meadows Management and Development Services, Inc.	Carolina Meadows Home Care, Inc.	Carolina Meadows, Inc.	Carolina Meadows Foundation, Inc.	Elimination	Consolidated Totals
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	\$ -	\$ -	\$ 83,995	\$ 6,598,409	\$ 16,435	\$ -	\$ 6,698,839
Accounts Receivable	-	-	80,834	2,135,069	-	-	2,215,903
Sales Tax Refund Receivable	-	-	235	133,740	-	-	133,975
Inventories	-	-	-	337,372	-	-	337,372
Prepaid Expenses	-	-	-	152,836	-	-	152,836
Total Current Assets	-	-	165,064	9,357,426	16,435	-	9,538,925
ASSETS LIMITED AS TO USE	-	-	-	13,429,483	-	-	13,429,483
INVESTMENTS AND OTHER ASSETS							
Investments	-	-	-	17,864,146	106,596	-	17,970,742
Deferred Costs	-	-	-	-	-	-	-
Total Investments and Other Assets	-	-	-	17,864,146	106,596	-	17,970,742
PROPERTY AND EQUIPMENT							
	-	-	-	74,646,425	-	-	74,646,425
DUE FROM RELATED PARTY							
	-	-	-	621,576	-	(621,576)	-
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 165,064</u>	<u>\$ 115,919,056</u>	<u>\$ 123,031</u>	<u>\$ (621,576)</u>	<u>\$ 115,585,575</u>
LIABILITIES AND NET DEFICIT							
CURRENT LIABILITIES							
Current Maturities of Long-Term Debt	\$ -	\$ -	\$ -	\$ 670,000	\$ -	\$ -	\$ 670,000
Accounts Payable	-	-	902	2,343,004	-	-	2,343,906
Accrued Expenses	-	-	67,034	2,733,468	-	-	2,800,502
Advance Fees and Refunds Due	-	-	-	65,000	-	-	65,000
Total Current Liabilities	-	-	67,936	5,811,472	-	-	5,879,408
LINE OF CREDIT	-	-	-	455,071	-	-	455,071
LONG-TERM DEBT, LESS CURRENT MATURITIES	-	-	-	11,757,357	-	-	11,757,357
DEFERRED REVENUE AND OTHER LIABILITIES							
Deferred Revenue from Advance Fees	-	-	-	525,170	-	-	525,170
Advance Fee Liability	-	-	-	137,669,390	-	-	137,669,390
Other Deferred Revenue	-	-	-	488,800	-	-	488,800
Deposits on Occupied Units	-	-	-	6,232,950	-	-	6,232,950
Agency Funds Due Residents	-	-	-	930,633	-	-	930,633
Interest Rate Swap Agreement	-	-	-	143,834	-	-	143,834
Due to Related Parties	134,619	37,795	428,535	-	20,627	(621,576)	-
Total Deferred Revenue and Other Liabilities	134,619	37,795	428,535	145,990,777	20,627	(621,576)	145,990,777
NET ASSETS (DEFICIT)							
Net Assets (Deficit) Without Donor Restrictions	(134,619)	(37,795)	(331,407)	(48,095,621)	102,404	-	(48,497,038)
Total Liabilities and Net Assets (Deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 165,064</u>	<u>\$ 115,919,056</u>	<u>\$ 123,031</u>	<u>\$ (621,576)</u>	<u>\$ 115,585,575</u>

CAROLINA MEADOWS SENIOR COMMUNITIES & SERVICES, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET DEFICIT
YEAR ENDED DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	Carolina Meadows Senior Communities & Services, Inc.	Carolina Meadows Management and Development Services, Inc.	Carolina Meadows Home Care, Inc.	Carolina Meadows, Inc.	Carolina Meadows Foundation, Inc.	Elimination	Consolidated Totals
REVENUES, GAINS AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS							
Resident Fees Earned:							
On Campus	\$ -	\$ -	\$ -	\$ 31,300,139	\$ -	\$ -	\$ 31,300,139
Early Advantage	-	-	-	636,411	-	-	636,411
Amortization of Advanced Fees:							
On Campus	-	-	-	150,800	-	-	150,800
Early Advantage	-	-	-	429,578	-	-	429,578
Contributions	-	-	-	473,718	561,330	(445,681)	589,367
Resident Assistance Fund Fees	-	-	-	467,500	-	-	467,500
Dining Services	-	-	-	2,249,490	-	-	2,249,490
Maintenance Services	-	-	-	19,041	-	-	19,041
Housekeeping Services	-	-	-	298,662	-	-	298,662
Resident Services	-	-	-	45,685	-	-	45,685
Medical and Ancillary Charges	-	-	714,814	486,659	-	-	1,201,473
Miscellaneous Income	-	-	-	171,607	-	-	171,607
Remarketing Income	-	-	-	185,140	-	-	185,140
Modification and Refurbishment Revenue	-	-	-	1,419,007	-	-	1,419,007
Realized Gains on Investments	-	-	-	263,740	-	-	263,740
Investment Income	-	-	-	668,467	751	-	669,218
Total Revenues, Gains, and Other Support	-	-	714,814	39,265,644	562,081	(445,681)	40,096,858
EXPENSES							
Administrative Services	5,077	(9)	32,419	2,890,778	452,225	(445,681)	2,934,809
Early Advantage	-	-	-	116,709	-	-	116,709
Dining Services	-	-	-	7,055,310	-	-	7,055,310
Housekeeping and Laundry Services	-	-	-	1,609,653	-	-	1,609,653
Plant Operations	-	-	-	4,298,833	-	-	4,298,833
Grounds	-	-	-	1,160,460	-	-	1,160,460
Resident Services	-	-	-	693,786	-	-	693,786
Human Resources	-	-	5,377	801,513	-	-	806,890
On-site Medical Practice	-	-	-	1,279,436	-	-	1,279,436
Wellness	-	-	-	330,194	-	-	330,194
Home Care Services	-	-	761,284	-	-	-	761,284
Nursing Services	-	-	-	4,414,804	-	-	4,414,804
Assisted Living Services	-	-	-	1,735,925	-	-	1,735,925
Marketing	-	-	603	804,809	481	-	805,893
Social Services	-	-	-	393,419	-	-	393,419
Activities	-	-	-	584,897	-	-	584,897
Information Technology	-	-	-	1,522,231	-	-	1,522,231
General	-	-	-	2,453,818	-	-	2,453,818
Upgrades and Refurbishments	-	-	-	1,704,203	-	-	1,704,203
Shared Appreciation Expense	-	-	-	990,661	-	-	990,661
Depreciation	-	-	-	4,628,525	-	-	4,628,525
Interest Expense and Amortization	-	-	-	474,352	-	-	474,352
Resident Assistance Expense	-	-	-	614,164	-	-	614,164
Total Expenses	5,077	(9)	799,683	40,558,480	452,706	(445,681)	41,370,256
Net Operating Income (Loss)	(5,077)	9	(84,869)	(1,292,836)	109,375	-	(1,273,398)
Change in Fair Value of Interest Rate Swap Agreement	-	-	-	65,103	-	-	65,103
Unrealized Gains on Investments, Net	-	-	-	3,442,765	5,005	-	3,447,770
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENSES AND CHANGE IN NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS							
	(5,077)	9	(84,869)	2,215,032	114,380	-	2,239,475
NET DEFICIT WITHOUT DONOR RESTRICTIONS:							
Beginning of Year - Restated (See Note 2)	(129,542)	(37,804)	(246,538)	(50,310,653)	(11,976)	-	(50,736,513)
END OF YEAR	\$ (134,619)	\$ (37,795)	\$ (331,407)	\$ (48,095,621)	\$ 102,404	\$ -	\$ (48,497,038)

CAROLINA MEADOWS, INC.
COMBINING STATEMENTS OF LEVELS OF CARE
YEAR ENDED DECEMBER 31, 2019
WITH COMPARITIVE TOTALS FOR 2018

	2019				2018	Percent Change
	Independent Living	Health Center	Assisted Living	Total	Total	
Resident Fees Earned:						
On Campus	\$ 17,072,236	\$ 8,347,002	\$ 5,880,901	\$ 31,300,139	\$30,041,334	4%
Early Advantage	636,411	-	-	636,411	452,991	40%
Amortization of Advance Fees:						
On Campus	-	-	150,800	150,800	132,600	14%
Early Advantage	429,578	-	-	429,578	423,113	2%
Resident Assistance Fund Fees	467,500	-	-	467,500	459,000	2%
Dining Services	2,168,269	7,654	73,567	2,249,490	2,280,961	-1%
Maintenance Services	15,812	1,165	2,064	19,041	6,055	214%
Housekeeping Services	268,268	30,394	-	298,662	288,537	4%
Resident Services	45,685	-	-	45,685	81,130	-44%
Medical Ancillary Charges	348,972	124,934	12,753	486,659	469,741	4%
Miscellaneous Income	170,364	-	1,243	171,607	154,185	11%
Remarketing Income	185,140	-	-	185,140	545,675	-66%
Modification and Refurbishment Revenue	1,417,441	-	1,566	1,419,007	1,296,289	9%
Contributions	473,718	-	-	473,718	9,005	5161%
Realized Gains on Investments	150,332	71,210	42,198	263,740	2,787,152	-91%
Investment Income	381,026	180,486	106,955	668,467	564,772	18%
Total Operating Revenues	<u>24,230,752</u>	<u>8,762,845</u>	<u>6,272,047</u>	<u>39,265,644</u>	<u>39,992,540</u>	<u>-2%</u>
Administrative Services	1,910,361	515,323	465,094	2,890,778	2,576,478	12%
Early Advantage	116,709	-	-	116,709	71,671	63%
Dining Services	4,886,113	991,538	1,177,659	7,055,310	6,633,370	6%
Housekeeping and Laundry Services	775,180	558,888	275,585	1,609,653	1,470,140	9%
Plant Operations	3,734,407	218,151	346,275	4,298,833	4,067,215	6%
Grounds	1,160,460	-	-	1,160,460	1,089,312	7%
Resident Services	693,786	-	-	693,786	682,933	2%
Human Resources	801,513	-	-	801,513	723,935	11%
On-site Medical Practice	1,279,436	-	-	1,279,436	1,090,535	17%
Wellness	330,194	-	-	330,194	322,595	2%
Nursing Services	-	4,414,804	-	4,414,804	4,043,071	9%
Assisted Living Services	-	-	1,735,925	1,735,925	1,677,375	3%
Marketing	804,809	-	-	804,809	800,407	1%
Social Services	393,419	-	-	393,419	460,923	-15%
Activities	264,859	164,077	155,961	584,897	519,649	13%
Information Technology	1,522,231	-	-	1,522,231	1,224,505	24%
General Expenses	1,931,866	272,856	249,096	2,453,818	1,887,453	30%
Upgrades and Refurbishments	1,468,126	94,125	141,952	1,704,203	1,489,091	14%
Shared Appreciation Expense	990,661	-	-	990,661	1,002,776	-1%
Depreciation	4,159,442	88,092	380,991	4,628,525	4,773,706	-3%
Interest Expense and Amortization	142,331	71,164	260,857	474,352	496,086	-4%
Resident Assistance Expense	-	520,482	93,682	614,164	405,206	52%
Overhead Allocations	(1,496,448)	568,872	927,576	-	-	0%
Total Operating Expenses	<u>25,869,455</u>	<u>8,478,372</u>	<u>6,210,653</u>	<u>40,558,480</u>	<u>37,508,432</u>	<u>8%</u>
Total Operating Surplus (Deficit) Before Nonoperating Activities	(1,638,703)	284,473	61,394	(1,292,836)	2,484,108	-152%
Nonoperating Activities:						
Changes in Fair Value of Interest Rate Sw ap Agreements	65,102	-	-	65,102	170,402	-62%
Unrealized Gains (Losses) on Investments	1,962,376	929,547	550,842	3,442,765	(4,110,014)	-184%
Total Nonoperating Activities	<u>2,027,478</u>	<u>929,547</u>	<u>550,842</u>	<u>3,507,867</u>	<u>(3,939,612)</u>	<u>-189%</u>
Change in Net Assets Without Donor Restrictions	<u>\$ 388,775</u>	<u>\$ 1,214,020</u>	<u>\$ 612,236</u>	<u>\$ 2,215,031</u>	<u>\$ (1,455,504)</u>	<u>-252%</u>

Attachment 2: Actual vs. Projected Results

Carolina Meadows, Inc.
Balance Sheets
Comparison of Actual Results with Forecasted Proforma Projections
Year Ended December 31, 2019

	2019	2019	Variance	
	Actual	Forecasted	Over (Under)	Notes *
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents, Non-Restricted	\$ 6,598,409	\$ 2,000,000	\$ 4,598,409	1
Accounts Receivable	2,135,069	1,902,000	233,069	
Sales Tax Refund Receivable	133,740	247,000	(113,260)	
Inventories	337,372	400,000	(62,628)	
Prepaid Expenses	152,836	185,000	(32,164)	
Total Current Assets	<u>9,357,426</u>	<u>4,734,000</u>	<u>4,623,426</u>	
ASSETS LIMITED AS TO USE	13,429,483	21,927,000	(8,497,517)	2
INVESTMENTS AND OTHER ASSETS				
Investments	17,864,146	10,123,000	7,741,146	3
Deferred Costs	-	28,000	(28,000)	
Total Investments and Other Assets	<u>17,864,146</u>	<u>10,151,000</u>	<u>7,713,146</u>	
PROPERTY AND EQUIPMENT	<u>74,646,425</u>	<u>82,575,000</u>	<u>(7,928,575)</u>	4
OTHER ASSETS	<u>621,576</u>	<u>-</u>	<u>621,576</u>	5
Total Assets	<u>\$ 115,919,056</u>	<u>\$ 119,387,000</u>	<u>\$ (3,467,944)</u>	
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current Maturities of Long-Term Debt	\$ 670,000	\$ 670,000	\$ -	
Construction Line of Credit	455,071	9,683,000	(9,227,929)	6
Accounts Payable	2,343,004	2,268,000	75,004	
Accrued Expenses	2,733,468	2,179,000	554,468	7
Advance Fees and Refunds Due	65,000	130,000	(65,000)	
Total Current Liabilities	<u>6,266,543</u>	<u>14,930,000</u>	<u>(8,663,457)</u>	
LONG-TERM DEBT, LESS CURRENT MATURITIES	11,757,357	11,953,000	(195,643)	
DEFERRED REVENUE AND OTHER LIABILITIES				
Advance Refundable Fees - On Campus	137,669,390	145,582,000	(7,912,610)	8
Advance Refundable Fees - Early Advantage	525,170	906,000	(380,830)	9
Other Deferred Revenue	488,800	208,000	280,800	10
Deposits on Occupied Units	6,232,950	3,650,000	2,582,950	11
Agency Funds Due Residents	930,633	1,859,000	(928,367)	12
Interest Rate Swap Agreements	143,834	209,000	(65,166)	
Total Deferred Revenue and Other Liabilities	<u>145,990,777</u>	<u>152,414,000</u>	<u>(6,423,223)</u>	
NET DEFICIT				
Without Donor Restrictions	<u>(48,095,621)</u>	<u>(59,910,000)</u>	<u>11,814,379</u>	13
Total Liabilities and Net Deficit	<u>\$ 115,919,056</u>	<u>\$ 119,387,000</u>	<u>\$ (3,467,944)</u>	

**See Notes on Following Page for Variances Greater than \$250,000 which is less than 1% of total revenues*

Carolina Meadows, Inc.

Balance Sheets

Comparison of Actual Results with Forecasted Proforma Projections

Notes for Variances

As of and for the Year Ended December 31, 2019

Carolina Meadows considers anything greater than \$250,000 to be material for purposes of analyzing Balance Sheet variances between actual and forecasted results.

1. Cash is greater than forecasted mainly due to increased occupancy, timing of payments and decision to hold more cash in advance of potential capital projects, as well as delayed large capital projects.
2. Assets Limited As To Use were lower than forecasted as the Carolina Meadows Board of Directors voted to release to investments funds previously designated as limited to use for both resident assistance and for capital reserves.
3. Investments were higher than forecasted due to decision to hold more cash in advance of potential capital projects, as well as for the Board of Directors decision to release investments previously designated as Limited As To Use to investments.
4. Property and Equipment are lower due to more fully depreciated assets than anticipated as well as delays in the completion of certain large capital projects, mainly the construction of the Birchtree project for forty new independent living units.
5. Other Assets includes the classification of net amounts due from other corporate entities and activities related to Carolina Meadows, Inc. ('CM') including CM Senior Communities and Services, Inc., CM Management and Development Services, Inc., CM Home Care, Inc. and CM Foundation, Inc.
6. Construction Line of Credit is lower for the purpose of the Birchtree project for forty new independent living units; the project began during late 2019 with some construction delays as compared to the original plan.
7. Accrued expenses were greater than forecasted largely due to an increase for accrued paid annual leave time, as well as accrued compensation and property taxes.
8. Advance Refundable Fees - On Campus is lower than forecasted under the new accounting provisions after adoption of the ASU 2014-09 "Revenue Recognition" financial standard based on the impact from the actual true-up to the Advanced Fee Liability related to advance refundable entrance fees that are no longer able to be amortized over time to revenue.
9. Advance Refundable Fees - Early Advantage was lower than forecasted as the Early Advantage program, and the related timing of member contractual program entrance fees, commenced later than originally anticipated.
10. Other Deferred Revenue is higher than originally forecasted related to the number and timing of Assisted Living Direct Admit residential contracts.
11. Deposits on Occupied Units is higher than forecasted due to an increase in the number and mix of deposits held for both our ready and wait lists in anticipation of availability on campus for both independent living villas and apartments.
12. Agency Funds Due Residents are lower than forecasted due to the number and size of refunds requiring deposits to be held in agency based on associated deemed financial risk, as well as the number and size of refunds paid on accounts previously held in agency.
13. Net Deficit was lower than forecasted under the new accounting provisions after adoption of the ASU 2014-09 "Revenue Recognition" financial standard based on the impact to the net deficit from the actual true-up to the Advanced Fee Liability related to advance refundable entrance fees that are no longer able to be amortized over time to revenue.

Carolina Meadows, Inc.
Statements of Operations and Changes in Net Assets
Comparison of Actual Results with Forecasted Proforma Projections
Year Ended December 31, 2019

	2019	2019	Variance	
	Actual	Forecasted	Over (Under)	Notes *
Independent Living resident fees	\$ 17,072,236	\$ 17,266,000	\$ (193,764)	
Health Center fees	8,347,002	7,695,000	652,002	1
Assisted Living fees	5,880,901	5,504,000	376,901	2
Early Advantage fees	636,411	649,000	(12,589)	
Resident assistance fund fees	467,500	510,000	(42,500)	
Dining services	2,249,490	2,378,000	(128,510)	
Medical and ancillary charges	486,659	575,000	(88,341)	
Housekeeping services	298,662	302,000	(3,338)	
Resident services	45,685	104,000	(58,315)	
Maintenance services	19,041	29,000	(9,959)	
Remarketing income	185,140	693,000	(507,860)	3
Refurbishing reimbursements	1,419,007	1,454,000	(34,993)	
Miscellaneous	171,607	130,000	41,607	
Investment income	668,467	598,000	70,467	
Total operating revenues without donor restrictions	37,947,808	37,887,000	60,808	
On-site Medical Practice	1,279,436	1,214,000	65,436	
Nursing services	4,414,804	3,943,000	471,804	4
Assisted living services	1,735,925	1,801,000	(65,075)	
Dining services	7,055,310	6,860,000	195,310	
Plant operations and grounds	7,163,496	7,037,000	126,496	
Housekeeping and laundry services	1,609,653	1,498,000	111,653	
Resident services	693,786	690,000	3,786	
General and administrative expense	5,344,596	4,539,000	805,596	5
Early Advantage program	116,709	100,000	16,709	
Information Technology	1,522,231	1,430,000	92,231	
Human resources	801,513	669,000	132,513	
Marketing	804,809	831,000	(26,191)	
Wellness, social services and activities	1,308,510	1,307,000	1,510	
Shared appreciation expense	990,661	-	990,661	6
Interest and letter of credit fees expense	474,352	417,000	57,352	
Total operating expenses	35,315,791	32,336,000	2,979,791	
Total operating surplus before other revenues and expenses	2,632,017	5,551,000	(2,918,983)	
<u>Other Revenues and Expenses</u>				
Contributions	473,718	-	473,718	7
Amortization of advance fees - On Campus	150,800	-	150,800	
Amortization of advance fees - Early Advantage	429,578	-	429,578	8
Realized and unrealized investment gains, net	3,706,505	-	3,706,505	9
Change in fair value of interest rate swap agreements	65,103	-	65,103	
Resident assistance expense	(614,164)	(937,000)	322,836	10
Depreciation and amortization	(4,628,525)	(4,576,000)	(52,525)	
Total other revenues and expenses	(416,985)	(5,513,000)	5,096,015	
Change in net deficit without donor restrictions	\$ 2,215,032	\$ 38,000	\$ 2,177,032	

**See Notes on Following Page for Variances Greater than \$250,000 which is less than 1% of total revenues*

Carolina Meadows, Inc.
Statements of Operations and Changes in Net Assets
Comparison of Actual Results with Forecasted Proforma Projections
Notes for Variances
As of and for the Year Ended December 31, 2019

Carolina Meadows considers anything greater than \$250,000 to be material for purposes of analyzing Statements of Operations variances between actual and forecasted results.

1. Health Center revenue was higher than forecasted due to an increase in the occupancy rate, as well as a difference in the mix of room types occupied. Actual rate for 2019 was 76.4% versus a forecasted rate of 71%.
2. Assisted Living revenue was higher than forecasted due to an increase in the occupancy rate, as well as a difference in the mix of room types occupied. Actual rate for 2019 was 80.8% versus a forecasted rate of 78%.
3. Remarketing income was lower than forecasted due to the number and mix of unit turnovers, as well as the impact from the required adoption of the new accounting standard ASU 2014-09, under which our remarketing no longer qualifies for full revenue recognition.
4. Nursing services expenses were greater than forecasted due to an increase in the occupancy rate over forecast requiring additional staffing as well as the impact of inflation on the cost of providing health services.
5. General and administrative expenses were greater than forecasted in several areas including property taxes, insurance and legal expenditures, as well as for administrative salaries and benefits.
6. Shared Appreciation expenses are uncertain, unpredictable and not forecasted, as well as being impacted by the required adoption of ASU 2014-09 and the provisions under the new accounting standard.
7. Contributions are uncertain, unpredictable and not forecasted.
8. Amortization of advance fees - Early Advantage are uncertain and not forecasted.
9. Realized and Unrealized investment gains are uncertain, unpredictable and not forecasted.
10. Resident Assistance Expense was lower than forecasted due to collection on two uncertain outstanding benevolent monthly fee accounts receivable.

Carolina Meadows, Inc.
Statements of Cash Flows
Comparison of Actual Results with Forecasted Proforma Projections
Year Ended December 31, 2019

	2019	2019	Variance	
	Actual	Forecasted	Over (Under)	Notes *
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in Net Deficit Without Donor Restrictions	\$ 2,215,032	\$ 38,000	\$ 2,177,032	1
Adjustments to Reconcile Change in Net Assets to Net Cash				
Provided by Operating Activities:				
Proceeds from Advance Fees - On Campus, including Assisted Living Direct Admits	10,755,460	13,212,000	(2,456,540)	2
Proceeds from Advance Fees - Early Advantage	524,240	438,000	86,240	
Depreciation	4,628,525	4,550,000	78,525	
Amortization of Deferred Costs	-	4,000	(4,000)	
Equity Refund Advances	(55,844)	-	(55,844)	
Amortization of Advance Fees - On Campus	(150,800)	-	(150,800)	
Amortization of Advance Fees - Early Advantage	(429,578)	-	(429,578)	3
Amortization of Deferred Financing Costs	45,662	22,000	23,662	
(Gain) Related to Interest Rate Swap Agreements	(65,103)	-	(65,103)	
Realized and Unrealized Investment Gains, Net	(3,706,505)	-	(3,706,505)	4
Net Change in:				
Accounts Receivable	(233,132)	-	(233,132)	
Accrued Interest Receivable	-	-	-	
Sales Tax Refund Receivable	113,103	-	113,103	
Inventories	62,696	-	62,696	
Prepaid Expenses and Other Assets	31,937	-	31,937	
Accounts Payable	74,741	-	74,741	
Accrued Expenses	582,128	-	582,128	5
Net Cash Provided by Operating Activities	<u>14,392,562</u>	<u>18,264,000</u>	<u>(3,871,438)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sales and Maturities of Investments and Assets Limited as to Use	13,136,160	-	13,136,160	6
Purchase of Investments and Assets Limited as to Use	(13,856,536)	(4,090,000)	(9,766,536)	7
Acquisition and Construction of Property and Equipment	(5,598,105)	(13,448,000)	7,849,895	8
Net Cash Used in Investing Activities	<u>(6,318,481)</u>	<u>(17,538,000)</u>	<u>11,219,519</u>	
CASH FLOWS FROM FINANCING ACTIVITIES				
Net Change from Deposits on Occupied and Unconstructed Units	2,582,730	-	2,582,730	9
Principal Payments on Long-Term Debt	(650,000)	(650,000)	-	
Debt Issuance Cost	(219,472)	-	(219,472)	
Refunds of Advance Fees - On Campus	(8,544,050)	(12,537,000)	3,992,950	10
Refunds of Advance Fees - Early Advantage	-	(124,000)	124,000	
Net Payments from Line of Credit	455,071	9,683,000	(9,227,929)	11
Net Change from Deposits in Agency Accounts	(928,408)	-	(928,408)	12
Net Cash Used in Financing Activities	<u>(7,304,129)</u>	<u>(3,628,000)</u>	<u>(3,676,129)</u>	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	769,952	(2,902,000)	3,671,952	
Cash and Cash Equivalents - Beginning of Year, including Restricted Cash of \$1,859,041	6,759,090	4,902,000	1,857,090	
Cash and Cash Equivalents - End of Year, including Restricted Cash of \$930,633	<u>\$ 7,529,042</u>	<u>\$ 2,000,000</u>	<u>\$ 5,529,042</u>	

**See Notes on Following Page for Variances Greater than \$250,000 which is less than 1% of total revenues*

Carolina Meadows, Inc.
Statements of Cash Flows
Comparison of Actual Results with Forecasted Proforma Projections
Notes for Variances
As of and for the Year Ended December 31, 2019

Cash Flows are determined by the changes within the Balance Sheet accounts and the operating results contained with the Statements of Operations and since those variances have been identified in the preceding pages, Carolina Meadows considers anything greater than \$250,000 to be material for purposes of analyzing variances between actual and forecasted cash flows.

1. The change decreasing the Net Deficit was greater than forecasted largely due to realized and unrealized gains on investments which are uncertain, unpredictable and not forecasted, partly offset by greater than forecasted operating expenses.
2. The change in Proceeds From Advance Fees - On Campus was lower than the forecast due to a variation in the number and mix of units types sold.
3. Amortization of Advance Fees - Early Advantage are uncertain and not forecasted.
4. Realized and Unrealized Investment Losses are uncertain, unpredictable and not forecasted.
5. The actual change in Accrued Expenses was not forecasted.
6. Proceeds from Sales and Maturities of Investments and Assets Limited As To Use are uncertain; however, more investments were sold than forecasted largely due to market conditions and a late 2018 change in investment advisors impacting the 2019 investment portfolio based on a repositioning to meet an updated investment policy.
7. Purchases of Investments and Assets Limited as to Use are uncertain; however, more investments were purchased than forecasted largely due to market conditions and a late 2018 change in investment advisors impacting the 2019 investment portfolio based on a repositioning to meet an updated investment policy.
8. Acquisition and Construction of Property and Equipment are lower due to delays in certain large capital projects, mainly the construction of the Birchtree project for forty new independent living units which began later in 2019 than originally planned.
9. The Net Change from Deposits on Occupied and Unconstructed Units compared to forecast is due to a variation in the number of deposits held for both our ready and wait lists in anticipation of availability on campus for both independent living villas and apartments.
10. Refunds of Advance Fees - On Campus were lower than the forecast due to a variation in the number and mix of unit types refunded.
11. Net Payments from Line of Credit are lower than forecasted due to a delay in the construction of the Birchtree project for forty new independent living units which began later in 2019 than originally planned.
12. Net Change from Deposits in Agency Accounts varies from forecast based on the number and size of refunds requiring deposits to be held in agency based on associated deemed financial risk, as well as the number and size of refunds paid on accounts previously held in agency.

Attachment 3: Interim Financial Statements

CAROLINA MEADOWS, INC.
Preliminary Statements of Financial Position
March 31, 2020 and 2019

ASSETS	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and cash equivalents	\$ 5,673,584	\$ 3,985,174
Accounts receivable	2,059,500	1,932,811
Sales tax refund	205,002	306,725
Inventories	337,374	398,581
Prepaid expenses	365,535	334,855
Total current assets	<u>8,640,995</u>	<u>6,958,146</u>
Assets Limited as to Use		
Board designated funds	3,893,435	8,189,678
N.C. operating reserve fund	8,746,000	8,481,000
Resident funds held in agency accounts	831,630	1,547,779
	<u>13,471,065</u>	<u>18,218,457</u>
Investments and Other Assets		
Investments	13,771,608	11,163,811
Deferred costs	254,676	70,150
	<u>14,026,284</u>	<u>11,233,961</u>
Property and Equipment	<u>75,409,598</u>	<u>73,909,938</u>
Total Assets	<u><u>111,547,942</u></u>	<u><u>110,320,502</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current maturities of long-term debt	670,000	590,000
Line of credit - Birchtree Construction	1,970,624	-
Due to (from) Parent Company	(138,783)	(129,541)
Due to (from) Home Care Company	(425,558)	(245,399)
Due to (from) Management Company	(20,757)	(11,976)
Due to (from) Foundation	(37,795)	(37,804)
Accounts payable	1,269,526	1,375,671
Accrued expenses	2,096,125	1,939,301
Advance fees and refunds due	286,832	481,593
Total current liabilities	<u>5,670,214</u>	<u>3,961,845</u>
Long-term debt, less current maturities	<u>11,810,000</u>	<u>12,495,000</u>
Deferred Revenue and Other Liabilities		
Deferred revenue from advance fees	628,895	49,618,879
Other deferred revenue	564,550	308,100
Advance reservation deposits	6,375,195	4,106,940
Advanced fee liability	146,569,260	-
Agency funds due residents	831,630	1,547,779
Interest rate swap agreements	143,834	208,937
	<u>155,113,364</u>	<u>55,790,635</u>
Total Liabilities	<u>172,593,578</u>	<u>72,247,480</u>
Net Assets without Donor Restrictions	<u>(61,045,636)</u>	<u>38,073,022</u>
Total Liabilities and Net Assets	<u><u>\$ 111,547,942</u></u>	<u><u>\$ 110,320,502</u></u>

CAROLINA MEADOWS, INC.
Preliminary Statements of Activities
For the Period Ended March 31, 2020 and 2019

	Actual	2020 Budget	Variance	2019 Actual
Operating Revenues				
Resident Fees Earned	\$ 8,281,731	\$ 7,892,534	\$ 389,197	\$ 7,581,382
Early Advantage Fees	189,337	172,500	16,837	145,637
Resident Assistance Fund Fees	76,500	51,000	25,500	68,000
Dining Services	519,759	476,155	43,604	526,007
Maintenance Services	3,563	5,375	(1,812)	5,730
Housekeeping Services	70,441	70,311	130	75,827
Resident Services	21,263	8,243	13,020	11,402
Ancillary and Miscellaneous Services	173,753	163,616	10,137	120,049
Remarketing Income	91,880	124,900	(33,020)	70,640
Refurbishment and Modification Income	311,272	347,570	(36,298)	321,854
Investment Income	136,756	140,548	(3,792)	114,166
Total Operating Revenues	9,876,255	9,452,752	423,503	9,040,694
Operating Expenses				
Administrative Services	732,925	716,549	16,376	685,667
Early Advantage	44,476	-	44,476	23,815
Dining Services	1,791,046	1,686,893	104,153	1,581,991
Housekeeping and Laundry	439,648	383,287	56,361	352,910
Plant Operations	1,126,205	1,061,127	65,078	1,010,318
Grounds	356,989	337,896	19,093	251,938
Resident Services	182,510	175,758	6,752	158,647
Human Resources	192,119	192,863	(744)	153,703
On-site Medical Practice	248,104	291,480	(43,376)	377,106
Wellness	89,240	84,700	4,540	76,643
Nursing Services	1,277,551	1,006,851	270,700	972,747
Assistant Living Services	438,111	451,088	(12,977)	408,447
Marketing	130,203	178,830	(48,627)	201,553
Social Services	105,244	100,055	5,189	93,314
Activities	159,521	144,505	15,016	131,882
Information Technology	387,640	400,965	(13,325)	439,633
General Expenses	452,397	441,206	11,191	451,670
Refurbishment and Modification Expense	357,098	420,801	(63,703)	401,323
Shared Appreciation Expense	8,212	-	8,212	(22,410)
Interest Expense	123,527	105,750	17,777	95,806
Total Operating Expenses	8,642,766	8,180,604	462,162	7,846,703
Total Operating Surplus (Deficit) Before Other Revenues and Expenses	1,233,489	1,272,148	(38,659)	1,193,991
Other Revenues and (Expenses)				
Amortization of Deferred Revenue	41,139	-	41,139	29,900
Change in Fair Value of Interest Rate Swap Agreements	-	-	-	-
Realized Gains (Losses) on Investments	-	-	-	24,603
Unrealized Gains (Losses) on Investments	(4,056,283)	-	(4,056,283)	1,597,506
Contributions	4,199	-	4,199	4,745
Depreciation	(1,158,091)	(1,100,800)	(57,291)	(1,111,810)
Amortization	(6,881)	(6,600)	(281)	(6,611)
Resident Assistance Expense	(158,368)	(170,877)	12,509	(137,588)
Total Other Revenues and Expenses	(5,334,285)	(1,278,277)	(4,056,008)	400,745
Change in Net Assets without Donor Restrictions	\$ (4,100,796)	\$ (6,129)	\$ (4,094,667)	\$ 1,594,736

Unaudited - For Management Purposes Only

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CAROLINA MEADOWS, INC.
Preliminary Statements of Cash Flows
For the Period Ended March 31, 2020 and 2019

	2020	2019
CASH FROM OPERATING ACTIVITIES		
Change in net assets	\$ (4,100,796)	\$ 1,594,736
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Proceeds from advance fees	2,664,197	1,665,565
Depreciation	1,158,091	1,111,810
Amortization of advance fees	(41,139)	(29,900)
Amortization of deferred costs, including financing	6,731	6,610
Write-off of 2010 long-term debt	-	-
Equity refund advances	(411,655)	(370,883)
(Gains) losses related to interest rate swap agreements	-	-
Net unrealized and realized investment (gains) losses	4,056,283	(1,622,109)
Net change in:		
Accounts receivable	487,225	340,009
Sales tax refund receivable	(71,262)	(59,882)
Inventories	-	1,487
Prepaid expenses and other assets	(212,698)	(150,081)
Due to (from) Parent Company	(4,165)	-
Due to (from) Home Care Company	2,978	(24,005)
Due to (from) Management Company	17,038	-
Due to (from) Foundation	(17,168)	-
Accounts payable	(1,073,489)	(892,603)
Accrued expenses	(278,865)	(212,037)
Net cash provided by operating activities	2,181,306	1,358,717
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments and assets limited as to use	5,582,204	6,927,524
Purchase of investments and assets limited as to use	(5,587,530)	(6,654,510)
Acquisition and construction of property and equipment	(2,306,307)	(1,344,904)
Increase in debt issuance costs	(15,379)	-
Net cash used in investing activities	(2,327,012)	(1,071,890)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change from unit deposits	142,245	456,720
Net proceeds from line of credit	1,515,553	-
Principal payments on long-term debt	(165,000)	(210,000)
Payments to retire 2010 long-term debt	-	-
Proceeds on new 2019 long-term debt	-	-
Proceeds on term loan	-	-
Principal payments on term loan	-	-
Refunds of advance fees	(2,108,948)	(1,415,753)
Net change in refunds due	221,832	351,593
Deferred modification revenue	18,976	-
Net change from deposits in agency accounts	(99,003)	(384,262)
Net cash used in financing activities	(474,346)	(1,201,702)
Net increase (decrease) in cash	(620,051)	(914,875)
Cash beginning	6,293,635	4,900,049
Cash ending	\$ 5,673,584	\$ 3,985,174

Unaudited - For Management Purposes Only

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Attachment 4: Forecasted Financial Statements (5-Years)

CAROLINA MEADOWS, INC.

FORECASTED FINANCIAL STATEMENTS

For the Years Ending December 31, 2020 through 2024

CAROLINA MEADOWS, INC.
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Years Ending December 31, 2020 Through 2024

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ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors
Carolina Meadows, Inc.
Chapel Hill, North Carolina

Management is responsible for the accompanying financial forecast of Carolina Meadows, Inc., which comprises the forecasted balance sheets as of December 31, 2020 through 2024, and the related forecasted statements of operations and changes in net deficit, and cash flows for the years then ending, and the related summaries of significant assumptions and accounting policies in accordance with guidelines for presentation of a financial forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the financial forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this financial forecast.

The forecasted results may not be achieved as there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and these differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Sanders, Walsh & Eaton, CPAs, LLC

Osterville, Massachusetts
May 5, 2020



CAROLINA MEADOWS, INC.
Forecasted Balance Sheets
At December 31, 2020 through 2024
(Dollars in Thousands)

	ASSETS				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Current Assets:					
Cash and cash equivalents	\$ 6,600	\$ 6,600	\$ 6,600	\$ 6,600	\$ 6,600
Accounts receivable, net	2,135	2,135	2,135	2,135	2,135
Sales tax refund receivable	134	134	134	134	134
Inventories	337	337	337	337	337
Prepaid expenses	153	153	153	153	153
Total current assets	<u>9,359</u>	<u>9,359</u>	<u>9,359</u>	<u>9,359</u>	<u>9,359</u>
Assets limited as to use:					
Board designated, agency and escrow accounts	4,684	4,436	4,144	3,871	3,589
Reserves required by state statute	8,746	8,994	9,286	9,559	9,841
Total assets limited as to use	<u>13,430</u>	<u>13,430</u>	<u>13,430</u>	<u>13,430</u>	<u>13,430</u>
Investments and other assets:					
Investments	18,656	28,153	36,768	46,411	57,540
Deferred cost, net	-	-	-	-	-
Total investments and other assets	<u>18,656</u>	<u>28,153</u>	<u>36,768</u>	<u>46,411</u>	<u>57,540</u>
Property, plant and equipment:					
Property, plant and equipment	166,075	181,795	185,045	188,345	191,345
Less accumulated depreciation	(77,647)	(82,847)	(88,203)	(93,720)	(99,402)
Net property, plant and equipment	<u>88,428</u>	<u>98,948</u>	<u>96,842</u>	<u>94,625</u>	<u>91,943</u>
Due from related party	<u>600</u>	<u>550</u>	<u>500</u>	<u>450</u>	<u>400</u>
Total Assets	<u><u>\$ 130,473</u></u>	<u><u>\$ 150,440</u></u>	<u><u>\$ 156,899</u></u>	<u><u>\$ 164,275</u></u>	<u><u>\$ 172,672</u></u>
	LIABILITIES AND NET DEFICIT				
Current Liabilities:					
Current maturities of long-term debt	\$ 690	\$ 715	\$ 735	\$ 760	\$ 785
Accounts payable	2,343	2,343	2,343	2,343	2,343
Accrued expenses	2,734	2,734	2,734	2,734	2,734
Advance fees and refunds due	65	65	65	65	65
Total current liabilities	<u>5,832</u>	<u>5,857</u>	<u>5,877</u>	<u>5,902</u>	<u>5,927</u>
Line of credit	-	-	-	-	-
Long-term debt, less current maturities	11,089	10,396	9,683	8,945	8,182
Deferred revenue and other liabilities:					
Advance fee liability - On Campus	151,589	168,894	171,969	175,289	178,862
Advance refundable fees - Early Advantage Program	637	730	838	933	1,033
Other deferred revenue	489	489	489	489	489
Deposits on occupied units	6,233	6,233	6,233	6,233	6,233
Agency funds due residents	931	931	931	931	931
Interest rate swap agreement	119	94	69	44	19
Total deferred revenue and other liabilities	<u>159,998</u>	<u>177,371</u>	<u>180,529</u>	<u>183,919</u>	<u>187,567</u>
Total Liabilities	<u>176,919</u>	<u>193,624</u>	<u>196,089</u>	<u>198,766</u>	<u>201,676</u>
Net deficit:					
Without donor restrictions	(46,446)	(43,184)	(39,190)	(34,491)	(29,004)
With donor restrictions	-	-	-	-	-
Total net deficit	<u>(46,446)</u>	<u>(43,184)</u>	<u>(39,190)</u>	<u>(34,491)</u>	<u>(29,004)</u>
Total Liabilities and Net Deficit	<u><u>\$ 130,473</u></u>	<u><u>\$ 150,440</u></u>	<u><u>\$ 156,899</u></u>	<u><u>\$ 164,275</u></u>	<u><u>\$ 172,672</u></u>

See summaries of significant forecast assumptions and accounting policies and accountants' report

CAROLINA MEADOWS, INC.
Forecasted Statements of Operations and Changes in Net Deficit
For the Years Ending December 31, 2020 through 2024
(Dollars in Thousands)

	2020	2021	2022	2023	2024
Revenue, Gains and Other Support Without Donor Restrictions:					
Resident fees earned, On Campus	\$ 18,063	\$ 20,419	\$ 21,542	\$ 22,326	\$ 23,149
Resident fees earned, Early Advantage Program	690	809	833	858	884
Health Care:					
Health Center fees	8,905	9,188	9,582	9,983	10,398
Assisted Living fees	5,762	6,070	6,384	6,714	7,077
Amortization of advance fees, On Campus	-	-	-	-	-
Amortization of advance fees, Early Advantage Program	-	-	-	-	-
Resident assistance fund fees	451	465	478	493	508
Dining services	2,319	2,389	2,460	2,534	2,610
Maintenance services	20	21	21	22	23
Housekeeping services	285	294	302	312	321
Resident services	44	45	47	48	50
Medical ancillary charges	513	528	544	561	577
Miscellaneous	152	156	161	166	171
Remarketing income	500	515	530	546	563
Modification and refurbishing revenue	1,650	1,700	1,750	1,803	1,857
Investment/interest income	1,040	1,172	1,166	1,371	1,607
Contribution/gift income	-	-	-	-	-
Total revenue, gains and other support	<u>40,394</u>	<u>43,771</u>	<u>45,800</u>	<u>47,737</u>	<u>49,795</u>
Expenses:					
Health care:					
On-site Medical Practice	1,247	1,284	1,322	1,361	1,403
Nursing Services	4,097	4,220	4,347	4,478	4,612
Assisted Living Services	1,832	1,887	1,944	2,002	2,062
Dietary services	6,846	7,076	7,313	7,532	7,758
Maintenance, plant operations and grounds	7,181	7,427	7,679	7,909	8,146
Housekeeping and laundry services	1,615	1,663	1,713	1,765	1,818
Resident services	722	764	806	830	855
General and administrative services	5,042	5,243	5,448	5,613	5,781
Human resources	800	824	849	874	900
Information technology	1,609	1,657	1,707	1,758	1,811
Marketing	734	756	779	802	826
Wellness, social services and activities	1,349	1,390	1,431	1,474	1,518
Early Advantage Program	125	129	133	137	141
Interest expense	423	253	222	207	193
Shared appreciation expense	-	-	-	-	-
Resident assistance fund expense	693	714	735	757	780
Depreciation	4,403	5,200	5,356	5,517	5,682
Amortization	26	22	22	22	22
Total expenses	<u>38,744</u>	<u>40,509</u>	<u>41,806</u>	<u>43,038</u>	<u>44,308</u>
Net operating income	<u>1,650</u>	<u>3,262</u>	<u>3,994</u>	<u>4,699</u>	<u>5,487</u>
Excess of revenues over expenses and change in net deficit without donor restrictions	1,650	3,262	3,994	4,699	5,487
Net deficit without donor restrictions:					
Beginning of Year	<u>(48,096)</u>	<u>(46,446)</u>	<u>(43,184)</u>	<u>(39,190)</u>	<u>(34,491)</u>
End of Year	<u>\$ (46,446)</u>	<u>\$ (43,184)</u>	<u>\$ (39,190)</u>	<u>\$ (34,491)</u>	<u>\$ (29,004)</u>

See summaries of significant forecast assumptions and accounting policies and accountants' report

CAROLINA MEADOWS, INC.
Forecasted Statements of Cash Flows
For the Years Ending December 31, 2020 through 2024
(Dollars in Thousands)

	2020	2021	2022	2023	2024
Cash Flows from Operating Activities:					
Change in net deficit without donor restrictions	\$ 1,650	\$ 3,262	\$ 3,994	\$ 4,699	\$ 5,487
Adjustments to reconcile change in net deficit to net cash provided by operating activities:					
Proceeds from advance fees - on campus	28,326	28,203	14,684	15,528	16,664
Proceeds from advance fees - early advantage	236	228	248	244	244
Net realized and unrealized gains on investments and assets limited as to use	-	-	-	-	-
Depreciation	4,407	5,200	5,356	5,517	5,682
Amortization of deferred costs	-	-	-	-	-
Amortization of financing cost	22	22	22	22	22
Amortization of other deferred revenue	-	-	-	-	-
Amortization of advance fees	-	-	-	-	-
Gain related to interest rate swap agreement	(25)	(25)	(25)	(25)	(25)
Net change in:					
Accounts receivable	-	-	-	-	-
Sales tax refund receivable	-	-	-	-	-
Inventories	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Due from related party	22	50	50	50	50
Accounts payable	-	-	-	-	-
Accrued expenses	-	-	-	-	-
Net cash provided by operating activities	<u>34,638</u>	<u>36,940</u>	<u>24,329</u>	<u>26,035</u>	<u>28,124</u>
Cash flows from investing activities:					
Purchase of investments and assets as limited to use	(792)	(9,497)	(8,615)	(9,643)	(11,129)
Acquisition of property and equipment	(18,189)	(15,720)	(3,250)	(3,300)	(3,000)
Net cash used by investing activities	<u>(18,981)</u>	<u>(25,217)</u>	<u>(11,865)</u>	<u>(12,943)</u>	<u>(14,129)</u>
Cash flows from financing activities:					
Net change from deposits on occupied units	-	-	-	-	-
Principal payments of long-term debt	(670)	(690)	(715)	(735)	(760)
Principal payments of line of credit	(14,844)	(11,323)	-	-	-
Refunds of advance fees - on campus	(14,406)	(10,898)	(11,609)	(12,208)	(13,091)
Refunds of advance fees - early advantage	(124)	(135)	(140)	(149)	(144)
Net proceeds from construction loan	14,389	11,323	-	-	-
Net change from deposits in agency accounts	-	-	-	-	-
Net cash used by financing activities	<u>(15,655)</u>	<u>(11,723)</u>	<u>(12,464)</u>	<u>(13,092)</u>	<u>(13,995)</u>
Net increase in cash and cash equivalents	2	-	-	-	-
Cash and cash equivalents, beginning of year	<u>6,598</u>	<u>6,600</u>	<u>6,600</u>	<u>6,600</u>	<u>6,600</u>
Cash and Cash Equivalents, End of Year	<u>\$ 6,600</u>	<u>\$ 6,600</u>	<u>\$ 6,600</u>	<u>\$ 6,600</u>	<u>\$ 6,600</u>
Supplemental disclosure of cash flow information:					
Cash paid for interest	<u>\$ 423</u>	<u>\$ 253</u>	<u>\$ 222</u>	<u>\$ 207</u>	<u>\$ 193</u>

See summaries of significant forecast assumptions and accounting policies and accountants' report

CAROLINA MEADOWS, INC.
Summary of Significant Forecast
Assumptions and Accounting Policies
For the Years Ending December 31, 2020 through 2024

Financial Statements Presentation Assumptions

This financial forecast presents, to the best of the management's knowledge and belief, the expected financial position, results of operations, and cash flows of Carolina Meadows, Inc. ("Carolina Meadows") for the forecast period. Accordingly, the forecast reflects management's judgment as of May 5, 2020, the date of this forecast, of the expected conditions and its expected course of action. This report was prepared for Carolina Meadows, Inc.'s management to comply with the requirements of North Carolina General Statutes, Chapter 58, Article 64, and should not be used for any other purpose. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. Management does not intend to revise this forecast to reflect the changes in present circumstances or the occurrence of unanticipated events.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

Carolina Meadows is a North Carolina not-for-profit corporation established in 1983 for the purpose of providing housing, health care and other related services to residents through the operation of a retirement community containing a built inventory consisting of 287 villas, 156 apartments, 78 assisted living facility apartments and a 90-bed licensed health center located in Chatham County, North Carolina.

Basis of Presentation

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

Net Assets

Carolina Meadows classifies its funds for accounting and reporting purposes as either unrestricted, temporarily restricted and permanently restricted as follows:

- Net Assets Without Donor Restrictions - Net assets consisting of all resources that have no donor-imposed restrictions. All Carolina Meadows assets are currently Net Assets Without Donor Restrictions.
- Net Assets With Donor Restrictions - Include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature and others are perpetual in nature. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both. Carolina Meadows currently has no Net Assets with Donor Restrictions.

Cash and Cash Equivalents

For purposes of reporting cash flows, Carolina Meadows considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments with original maturities of three months or less when purchased, as cash and cash equivalents. At times, Carolina Meadows places deposits with high credit quality institutions in amounts that may be in excess of federally insured amounts. Carolina Meadows has not experienced any financial loss related to such deposits.

CAROLINA MEADOWS, INC.
Summary of Significant Forecast
Assumptions and Accounting Policies
For the Years Ending December 31, 2020 through 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Accounts Receivable

Resident accounts receivable consist of resident monthly service fees. Carolina Meadows provides an allowance for uncollectible accounts using management's estimate about the collectability of any past due accounts. Residents are not required to provide collateral for services rendered. Payment for services is required upon receipt of invoice or claim submitted.

Inventories

Inventories are valued at the lower of cost or market on a first-in, first-out basis.

Assets Limited As To Use

Assets limited as to use include assets set aside by the Board of Directors ("Board") for resident assistance payments, resident funds held in agency accounts, and contingencies over which the Board retains control and may, at its discretion, subsequently use for other purposes. It also includes operating reserve funds required under North Carolina General Statute 58-64-33.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Investment income (including interest and dividends) and realized gains and losses on investments are included in the excess of revenues over expenses unless restricted by donors or law. In determining realized gains and losses, the cost of investments is determined using the specific-identification method. Unrealized gains and losses on investments are included in the excess (deficit) of revenues over (under) expenses.

Fair Value Measurements

Carolina Meadows categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that use quoted prices (unadjusted) in active markets for identical assets or liabilities that Carolina Meadows 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 for the asset or liability, which are typically based on Carolina Meadows' own assumptions, as there is little, if any, related market activity.

CAROLINA MEADOWS, INC.
Summary of Significant Forecast
Assumptions and Accounting Policies
For the Years Ending December 31, 2020 through 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Fair Value Measurements (continued):

Subsequent to initial recognition, Carolina Meadows may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. Carolina Meadows adopted the policy to value certain financial instruments at fair value.

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 held by Carolina Meadows 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. Level 2 inputs held by Carolina Meadows include interest rate swap agreements, equity securities held in partnerships and certain alternative investments. Level 3 inputs held by Carolina Meadows include certain alternative investments.

Derivatives

Derivatives and hedging instruments are recorded at fair value in the financial statements. Carolina Meadows entered into interest rate swap agreements to limit the effect of increases in the interest rates of floating rate debt. The agreements are recorded in the accompanying forecasted balance sheets at estimated fair value and no gains or losses are forecasted. Carolina Meadows does not hold or issue financial instruments for trading purposes.

Risks and Uncertainties

Carolina Meadows holds instruments in a variety of investment funds. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will continue to occur in the near term and that such changes could materially affect Carolina Meadows' investment balances and the amounts reported in the balance sheets of Carolina Meadows.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Assets that cost at or over \$5,000 and have an estimated useful life of at least three years are capitalized. Contributed property is recorded at the estimated fair value at the date of receipt. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which range from three to forty years.

Carolina Meadows periodically assesses the reliability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicated the carrying amount of an asset may not be recoverable. For assets to be held, impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. For assets to be disposed of, impairment is determined to exist if the estimated net realizable value is less than the carrying amount. Management has not forecasted any impairment of assets during the forecast period.

CAROLINA MEADOWS, INC.
Summary of Significant Forecast
Assumptions and Accounting Policies
For the Years Ending December 31, 2020 through 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Advance Fees

Under the terms of the residency and care agreement, each resident pays an entrance fee. A deposit of 5% or 10% of the entrance fee is paid when the ready list agreement is signed, with the balance of the fee to be paid prior to occupancy. Net Entrance fees, along with monthly service fees, primarily pay for the cost of services provided to residents.

Carolina Meadows offers a refundable contract option to its residents. The contract provides for payment of the refundable entrance fees and, if the unit has appreciated, half of the shared appreciation on the unit, after the unit is resold and a new resident occupies that unit.

Deposits paid, less an administrative charge, are refundable to persons canceling their residency and care agreement prior to moving to Carolina Meadows. No administrative charge is assessed for cancellation resulting from death or physical or mental impairment.

New Accounting Pronouncements

During the year ended December 31, 2019, Carolina Meadows adopted FASB ASU 2016-18, Statement of Cash Flows. This new accounting standard requires that the consolidated statement of cash flows explains the change during the prior year in total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The adoption of this standard was retrospectively applied to the periods presented and did not have an impact on the Carolina Meadows' financial position or changes in its net deficit.

Carolina Meadows follows ASU 2016-01, Financial Instruments. This new accounting standard requires unrealized gains and losses resulting from the change in fair value of investments other than debt securities to be included within the Carolina Meadows' performance indicator on the statement of operations and changes in net deficit. The adoption of this accounting standard did not have an impact on Carolina Meadows' financial position or changes in net surplus or deficit.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. The guidance requires Carolina Meadows to recognize revenue to depict the transfer of goods or services to customers to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which Carolina Meadows expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures related to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. Carolina Meadows adopted provisions of ASU 2014-09 on January 1, 2019.

ASU 2014-09 requires Carolina Meadows to recognize revenue using a five-step process. Carolina Meadows adopted ASU 2014-09 using the full retrospective method for all contracts effective January 1, 2018 and is using a portfolio approach to group contracts with similar characteristics and analyze historical cash collections trends. As a result of the adoption of this standard, a prior period adjustment was recorded to true-up the Advance Fee Liability related to refundable entrance fees that are no longer able to be amortized to revenue under the provisions of the new standard, removed deferred marketing costs, and prior period net assets were restated.

CAROLINA MEADOWS, INC.
Summary of Significant Forecast
Assumptions and Accounting Policies
For the Years Ending December 31, 2020 through 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

New Accounting Pronouncements (continued):

The prior period adjustment resulted in a decrease of net assets and amortization revenue related to amortization on refundable entrance fees, remarketing revenue, modification and refurbishment revenue and amortization expense that no longer qualified for revenue recognition under this new standard. These adjustments resulted in an increase of Advance Fee Liability from entrance fees.

There is no impact to the contractual language on Residency and Care Agreements or the calculation of refunds to former occupants upon re-occupancy. The operations of Carolina Meadows have not materially changed due to the adoption of AUS 2014-09.

Income Tax Status

Carolina Meadows is a nonprofit, tax-exempt organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3); accordingly, the accompanying forecasted financial statements do not reflect a provision or liability for federal or state income taxes.

NOTE B - LONG-TERM DEBT:

For purposes of this financial forecast, it has been assumed that the historical carrying value of long-term debt equals the fair value of such debt. Long-term debt consists of a loan agreement with the Public Finance Authority pursuant to the Public Finance Authority 2019 bond offering for purposes of refunding the North Carolina Medical Care Commission bonds. There are predetermined monthly payments scheduled through 2034 with interest rate of 1 Month LIBOR plus 1.05%.

During 2019, Carolina Meadows entered into an interest rate swap agreement to reduce the impact of changes in interest rates. This agreement effectively limits Carolina Meadows' interest rate exposure on the notional amount of outstanding debt to 1.44%. Carolina Meadows is exposed to credit loss in the event of nonperformance by the counter-party to the interest rate swap agreement; however, Carolina Meadows does not anticipate nonperformance by the counter-party. Carolina Meadows does not enter into derivative instruments for any purpose other than cash flow hedging purposes, and does not hold instruments for speculative or investment purposes.

CAROLINA MEADOWS, INC.
Summary of Significant Forecast
Assumptions and Accounting Policies
For the Years Ending December 31, 2020 through 2024

NOTE C - FORECASTED REVENUE AND EXPENSES:

Revenue

Forecasted revenue from service fees on the existing and expanded facilities starting in 2020 are based on the following schedule of forecasted fees and forecasted occupancy:

<u>Independent Living</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Monthly Fees:					
Early Advantage Program	\$ 575	\$ 595	\$ 616	\$ 638	\$ 660
Basic:					
Entrants Prior to January 1, 2001	\$ 2,672	\$ 2,766	\$ 2,862	\$ 2,962	\$ 3,066
New Entrants Beginning January 1, 2001	\$ 2,850	\$ 2,950	\$ 3,053	\$ 3,160	\$ 3,270
Square Footage Rate Beginning January 1, 2011	\$ 3,093	\$ 3,201	\$ 3,313	\$ 3,429	\$ 3,549
Square Footage Rate Beginning January 1, 2016	\$ 3,311	\$ 3,427	\$ 3,547	\$ 3,671	\$ 3,799
Sq. Ft. Rate Beginning January 1, 2019, Expansion units	\$ 3,770	\$ 3,770	\$ 3,902	\$ 4,039	\$ 4,180
Second Person Fees Prior to January 1, 2016	\$ 815	\$ 844	\$ 873	\$ 904	\$ 935
Second Person Fees After January 1, 2016	\$ 981	\$ 1,015	\$ 1,051	\$ 1,088	\$ 1,126
Food Allowance	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250
Units Available	453	483	483	483	483
Occupancy Percent	96%	96%	97%	97%	97%

<u>Health Center</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Daily Rates:					
Private	\$ 360	\$ 371	\$ 382	\$ 393	\$ 405
Semi-Private	\$ 342	\$ 352	\$ 363	\$ 374	\$ 385
Beds Available	86	86	86	86	86
Occupancy Percent	71%	71%	71%	71%	80%

<u>Assisted Living</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Daily Rates:					
Single	\$ 233	\$ 240	\$ 247	\$ 255	\$ 262
Single Unit Couple	\$ 374	\$ 385	\$ 397	\$ 409	\$ 421
1.5 Bath Unit - Single	\$ 262	\$ 270	\$ 278	\$ 286	\$ 295
1.5 Bath Unit - Couple	\$ 347	\$ 357	\$ 368	\$ 379	\$ 391
2 Bath Unit	\$ 274	\$ 282	\$ 291	\$ 299	\$ 308
Special Care	\$ 297	\$ 306	\$ 315	\$ 325	\$ 334
Units Available	78	78	78	78	78
Occupancy Percent	82%	82%	82%	82%	82%

The actual rate increases may be greater than those estimated above based on increased costs to operate Carolina Meadows because of inflation and other unpredictable factors which may cause costs to exceed what has been forecasted by Management. The independent living square footage rates beginning 2011, 2016 and 2020 are average monthly rates across all unit types.

Management has based its forecasted sales and unit turnover assumptions in part on information it obtains from its actuaries and in part on historical experience.

CAROLINA MEADOWS, INC.
Summary of Significant Forecast
Assumptions and Accounting Policies
For the Years Ending December 31, 2020 through 2024

NOTE C - FORECASTED REVENUE AND EXPENSES (continued):

Revenue (continued):

The following table for Entrance Fees from Turnover shows the number of units filled and the corresponding proceeds received over the forecast period:

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Units Filled From Turnover	32	35	35	36	37
Units Filled from Vacant/New Sales	25	20	-	-	-
Units Emptied	(32)	(35)	(35)	(36)	(37)
Entrance Fee Receipts on Turnover	\$ 12,426	\$ 13,854	\$ 14,684	\$ 15,528	\$ 16,664
Entrance Fee Receipts on Vacant/New Sales	15,900	14,349	-	-	-
Entrance Fee Refunds	<u>(14,406)</u>	<u>(10,898)</u>	<u>(11,609)</u>	<u>(12,208)</u>	<u>(13,091)</u>
Net Proceeds	<u>\$ 13,920</u>	<u>\$ 17,305</u>	<u>\$ 3,075</u>	<u>\$ 3,320</u>	<u>\$ 3,573</u>

Other Revenue

Management forecasts other revenues of maintenance services, housekeeping services, resident services, medical and ancillary charges, miscellaneous, remarketing income, modification and refurbishing revenue to increase at rates of 3.0% per year.

Investment Income

Management forecasts investment income to increase at a rate of 2.5% per year.

Expenses

After giving effect to increases related to turnover, operating expenses (excluding depreciation, amortization, and interest expense) are forecasted to increase annually by an average of 3.0% over the forecast period.

Capital Additions

Depreciation and amortization is based on current depreciation and amortization tables, factoring in forecasted capital additions as follows. Capital amounts are noted in thousands as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 18,189
2021	\$ 15,720
2022	\$ 3,250
2023	\$ 3,300
2024	\$ 3,000

Depreciation expense is computed using the straight-line method over the useful lives of the assets. The years 2019 (Construction In Progress), 2020 and 2021 include a total of \$28,600,000 representing the estimated cost of 40 new independent living units as part of the Carolina Meadows campus master plan. A total of \$70,000 in capitalized interest is included in this total of \$28.6 million for the 40 new independent living units.

CAROLINA MEADOWS, INC.
Summary of Significant Forecast
Assumptions and Accounting Policies
For the Years Ending December 31, 2020 through 2024

NOTE D - CAROLINA MEADOWS EARLY ADVANTAGE PROGRAM:

In 2017, Carolina Meadows received approval from the North Carolina Department of Insurance to offer a "continuing care without lodging" contract for persons to become residents of Carolina Meadows while not taking residence at Carolina Meadows initially. Under the Early Advantage contract, residents who are living off-campus receive the same access to Carolina Meadow's campus amenities and the same health care services and future benefits that are afforded to residents who are living on campus, in addition to up to ten free life-time days in the health center before moving on to the campus.

North Carolina General Assembly 58-64-7 (c) stipulates that Carolina Meadows must account for the revenue and expenses related to the Early Advantage program separately from revenue and expense for on-campus services on the financial statements and five-year forecasts. Carolina Meadows had 105 and 80 residents under contract in the Early Advantage Program as of December 31, 2019 and 2018, respectively.

Attachment 5: Actuarial Report (no recent Actuarial Study completed in last 6 years)

Attachment 6(a): Residency and Care Agreement



Residency and Care Agreement

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Residency and Care Agreement

Introduction

This Residency and Care Agreement (the “Agreement”) takes effect on the ____ day of _____. The Agreement is between Carolina Meadows, Inc. and you. In this paragraph and throughout the rest of the Agreement, the words “we”, “us”, “our” or “Carolina Meadows” refer to Carolina Meadows, Inc., and the words “you”, “your”, and Resident(s) refer to _____. All Residents that are parties to this Agreement shall be jointly and severally liable for payment of all fees and charges under this Agreement.

Carolina Meadows is a North Carolina non-profit corporation located in Chatham County, at 100 Carolina Meadows, Chapel Hill, North Carolina, 27517. We are a Life Plan Community licensed as a continuing-care retirement community organized to provide housing, recreation, health care and other services to people after they reach age 62 or older.

You desire to become a resident of Carolina Meadows and to use and enjoy the facilities, programs and services provided by Carolina Meadows subject to the terms and conditions of this Agreement. To that end, you shall have the exclusive right to occupy, use, and enjoy a specific Residence at Carolina Meadows, and you want to obtain related contractual services as described later in this Agreement. This Agreement entitles you to a right to occupy your chosen Residence until this Agreement is terminated as provided below. Your specific rights and responsibilities are detailed in this Agreement.

You and Carolina Meadows agree as follows:

Section 1: Your Residence and Date of Financial Responsibility

You shall have the exclusive right to occupy, use, and enjoy Residence number _____, _____, model _____, an independent living unit that hereinafter will be referred to as your “Residence”, until this Agreement is terminated by either you or us in accordance with Section 6 or 7 below. We agree to equip your Residence with wall-to-wall flooring, range with oven and microwave oven, refrigerator, dishwasher, garbage disposal and individually controlled heating and air conditioning. You agree to provide window treatments for the Residence. Your Residence is to be used for personal living purposes only and shall not be used for any business or profession or in a manner that violates

zoning restrictions or other applicable law. Nothing in this Agreement shall be construed to create any interest in the real property of Carolina Meadows or to create a leasehold or the relationship of landlord and tenant between Carolina Meadows and you.

- 1.1 The Entry Fee is _____ consisting of the following payments:
 - 1.1a A Reservation Deposit of _____, paid on _____.
 - 1.1b The balance of the Entry Fee _____, is due on or before _____.
- 1.2 A Resident Assistance Fee of _____ is to be paid when you pay the balance of the Entry Fee on or before _____. This fee is separate from the Entry Fee and is refundable only if you cancel this Agreement within the Rescission period of 30 days (see Section 5).
- 1.3 The Date of Occupancy is defined as the mutually agreed upon date when our obligation to provide you with services begins, when we make available your Residence to occupy, and when your obligation to pay for services begins. Should your desired modifications delay your ability to occupy your Residence beyond the Date of Occupancy, you agree to begin paying your Monthly Service Fee, as described in Section 2 below, on the Date of Occupancy. Your Date of Occupancy is _____. _____ initials
- 1.4 You will be responsible for paying for your monthly meals as provided in Section 3.3.

Section 2: Monthly Service Fee

In return for the Monthly Service Fee, we will provide the services described in Section 3. The Monthly Service Fee is currently _____, but we may increase it from time to time to reflect changes in operating expenses and services. You are responsible for paying the Monthly Service Fee by the 10th day of each month, in advance, even when you are away, regardless of the reason. _____ initials

Section 3: Services We Provide and Duties We Acknowledge

- 3.1 We will provide these services and facilities in the manner we deem appropriate for all the residents of Carolina Meadows on a non-exclusive basis:
 - A. An emergency call system monitored 24 hours a day
 - B. Professional management of the community and its facilities
 - C. Regularly scheduled transportation

- D. Maintenance of all buildings and grounds; upkeep of roads and walkways
 - E. Repair of all equipment and appliances that we provide
 - F. Housekeeping in hallways, elevators, rest rooms, lounges and other common areas
 - G. General liability insurance for Carolina Meadows, Inc. and property insurance on all Carolina Meadows buildings and property. In addition, Carolina Meadows provides Renter's Legal Liability insurance on your Residence. Since we do not insure the personal contents of your Residence, you are strongly encouraged to insure, at your cost, the personal contents of your Residence and your own personal liability coverage
 - H. 24-hour security
 - I. Water and sewer services; all utilities in common areas; standard television cable service
 - J. Removal of trash and recyclables deposited by residents as designated by us.
 - K. Use of the enclosed swimming pool and exercise room
 - L. Use of the Carolina Meadows golf course. You may be required to pay a greens fee to play the Carolina Meadows golf course
 - M. Wireless Internet availability in designated areas throughout the campus
- 3.2 We will pay the property taxes on your Residence and the taxes on common areas. You are responsible for paying taxes on your personal or intangible property.
- 3.3 We provide central dining facilities. To assure the availability of this convenience, we require you spend a minimum, (the "Meal Minimum") currently \$_____ per resident per month, in our Dining venues. You can elect to have your minimum calculated and billed monthly, quarterly, or semi-annually. You will, however, be billed each month for actual meals purchased. Any unused minimum will be billed to you at the end of your selected meal plan period. We may periodically adjust the Meal Minimum. You are welcome to use your Meal Minimum to entertain guests in the dining room as space permits. Non-resident guest meals are subject to a 20% surcharge and will be billed against your Meal Minimum or may be paid by credit card or check at the time of service.

Section 4: Additional Available Services

You may purchase the following additional services or items for a fee, separate from the Monthly Service Fee. These additional services are not included in the services covered by the Monthly Service Fee. The specific charge for each of these additional services may be changed by us from time to time as *deemed* appropriate in our discretion:

- A. Care in the Pines Health Center (private or semi-private accommodations)

- B. Care in the Fairways Assisted Living
- C. Medical treatment in the Primary Care Medical Practice
- D. Home Care services
- E. Rehabilitation services
- F. Use of guest room accommodations
- G. Personal fitness training
- H. Housekeeping and/or handyman services
- I. Home meal delivery
- J. Meals in excess of the monthly food minimum
- K. Guest meals for your visitors
- L. Assistance by a nurse or aide through a licensed home care agency, home health agency or Carolina Meadows Home Care
- M. Nutrition and diet counseling

Section 5: Your Right to Rescind This Agreement within 30 Days

You have a thirty (30) day Rescission Period in which to cancel this Agreement by giving us written notice of your decision to rescind. You may but are not required to move into the Residence prior to the expiration of this thirty (30) day Rescission Period. The Rescission Period begins when you sign the Agreement, or when you receive from us the state-required disclosure statement, whichever happens last. If you rescind during the Rescission Period, we will refund, without interest, the money you paid under Sections 1.1, 1.1a, 1.1b, and 1.2 minus a service charge not to exceed the greater of \$1,000 or 2% of the Entry Fee. We will issue your refund within 30 days after we receive written notice of your desire to void this Agreement or, if you already have moved into your Residence, thirty (30) days after you move out, whichever happens later.

Section 6: Termination of This Agreement Prior to Occupancy and After the Thirty Day Rescission Period has Expired

6.1 Termination by You: You may terminate this Agreement for any reason after the thirty (30) day Rescission Period but before occupying your Residence by giving Carolina Meadows sixty (60) days advance written notice of intent to terminate. Your right to occupy the Residence will have been legally assigned back to Carolina Meadows as soon as your written notice is received.

Your refund, without interest, of the Entry Fee and Resident Assistance Fee you have paid less a remarketing fee based on the new sales price and less any nonstandard charges incurred by Carolina Meadows at your request, will be made thirty (30) days after the Residence is covered by a new Residency and Care

Agreement with another resident and all new fees for the new resident have been paid in full. In addition, Carolina Meadows will withhold a reasonable administrative fee not to exceed the greater of one thousand dollars (\$1,000) or two percent (2%) of the Entry Fee. Modification costs to your Residence paid by you are nonrefundable.

6.2 Termination by Carolina Meadow:

Prior to Occupancy: Carolina Meadows may terminate this Agreement if (i) you die; (ii) you misrepresent or omit material financial, medical, or other information given during the application process; (iii) your financial status changes such that you no longer meet the financial requirements for admission; or (iv) your health status changes such that independent living is no longer possible.

You will receive a refund, of the Entry Fee and the Resident Assistance Fee paid within thirty (30) days, without interest, less a reasonable administrative fee not to exceed the greater of one thousand dollars (\$1,000) or two percent (2%) of the Entry Fee paid and less any non-standard costs incurred by Carolina Meadows at the Resident's request. Modification costs to a residence are non-refundable.

After Occupancy: Carolina Meadows may terminate this Agreement if you (i) misrepresent or omit financial, medical, or other information given during the application process; (ii) fail to comply with the provisions of the Residency and Care Agreement; (iii) fail to comply with the rules and regulations as Carolina Meadows may establish; (iv) fail to pay the monthly fees or any other required charges as specified by the Residency and Care Agreement, or by the rules and regulations of Carolina Meadows; (v) abandon the residence; (vi) develop a physical or mental condition that cannot be cared for by Carolina Meadows within the limits of Carolina Meadows' license; or (vii) you no longer qualify for Independent Living and fail to follow recommendations of the Carolina Meadows Care Coordination Team, including moving to a higher level of care or obtaining sufficient support in the home.

Refunds, without interest, will be made thirty (30) days after the residence is covered by a new Residency and Care Agreement with another person or persons and all new fees have been paid in full. Deducted from the refund will be any nonstandard charges incurred by Carolina Meadows at the request of the Resident; a remarketing fee based on the new sales price; and costs to refurbish the residence to its original condition, as determined in the sole discretion of Carolina Meadows, as well as any unpaid monthly service fees for the actual time

the unit was occupied. Modification costs incurred are non-refundable. The Resident Assistance Fee is also non-refundable after occupancy.

- 6.3 **Death:** If you die before occupying your Residence, or become incapacitated such that you can no longer occupy your Residence, this Agreement shall be cancelled automatically. You or your estate shall receive a full refund of the Entry Fee and Resident Assistance Fee that you have paid, less the costs of modifications to the chosen residence.

Section 7: Termination of This Agreement After Occupancy and After the Thirty Day Rescission Period has Expired

- 7.1 **Termination by You:** You may terminate this Agreement for any reason by giving Carolina Meadows sixty (60) days written notice of intent to terminate. Your right to occupy the Residence will have been legally assigned back to Carolina Meadows as soon as we receive the notice; however, unless some other arrangement is agreed to, you retain the right to occupy your Residence during the notice period, provided you stay current with your Monthly Service Fee and monthly meal allowance.

Your refund, without interest, of the Entry Fee you have paid, less a remarketing fee based on the new sales price and less any nonstandard charges incurred by Carolina Meadows at your request, will be made thirty (30) days after the Residence is covered by a new Residency and Care Agreement with another resident and all new fees for the new resident have been paid in full. In addition, any unpaid periodic charges specified in this Agreement or any amendment to this Agreement for the period the Residence was actually occupied will be deducted from your refund.

- 7.2 **Termination by Carolina Meadows:** Carolina Meadows may terminate the Residency and Care Agreement if you fail to pay the Monthly Service Fee, the Monthly Meal Allowance, ancillary charges, or fail to follow the standard policies of Carolina Meadows. If we determine, in our judgment, that the interests of other Carolina Meadows residents are jeopardized as a result of your activities or conduct, or if you misrepresented or omitted financial, medical or other information, we can terminate this Agreement. Carolina Meadows may terminate Agreement if Resident fails to abide by the terms of the Agreement, including refusing to receive health care services if that is determined by Carolina Meadows to be in the Resident's best interest. Carolina Meadows may terminate if Resident

refuses to move to assisted living or the health center or obtain sufficient health care support at home if determined by Carolina Meadows' Care coordination team to be in the Resident's best interest. Carolina Meadows is required to give you sixty (60) days written notice of our intent to terminate your Agreement.

Your refund, without interest, of the Entry Fee you have paid, less a remarketing fee based on the new sales price and less any nonstandard charges incurred by Carolina Meadows at your request, will be made thirty (30) days after the Residence is covered by a new Residency and Care Agreement with another resident and all new fees for the new resident have been paid in full. In addition, any unpaid periodic charges specified in this Agreement or any amendment to this Agreement for the period the Residence was actually occupied will be deducted from your refund.

- 7.3 **Death:** This agreement shall automatically terminate upon your death or the death of the last to die if a joint agreement. The refund will occur as noted in this Section.

Section 8: Moving to another Residence at Carolina Meadows and Care Coordination

- 8.1 You may request to move to another Residence at Carolina Meadows. Final approval of any such request is in our sole judgment and discretion. If we approve the move, we will begin reasonable efforts to remarket occupancy rights to your Residence at the then current listed Entry Fee. You can move to your new Residence after someone else has agreed to pay the then current listed Entry Fee for your Residence but no sooner than 30 days prior to the scheduled occupancy date by a new resident who has paid the then current Entry Fee for your original Residence. If you want to move sooner, you may be permitted to do so by paying the then current Entry Fee listed for your new Residence (this would not apply if you were moving in with another resident who already had paid an Entry Fee for his or her Residence). You will be responsible for the cost of refurbishing the Residence you vacate and a remarketing fee based on the current Entry Fee. Other than that, the calculation and refund of any amounts due you following the assignment of occupancy rights to your original Residence will proceed as outlined in Section 7.

- 8.2 If you move permanently to the Fairways Assisted Living facility, The Green memory care at The Fairways or the Pines Health Center nursing facility, we can deduct the cost of your care from any refund proceeds due to you under this Agreement.

Your refund, without interest, of the Entry Fee you have paid for your independent living Residence will be refunded according to the refund formula in Section 9 and will be made thirty (30) days after your Residence is covered by a new Residency and Care Agreement with another resident and all new fees for the new resident have been paid in full. In addition, any unpaid periodic charges specified in this Agreement or any amendment to this Agreement for the period the Residence was actually occupied will be deducted from your refund. We also reserve the right to determine whether proceeds due to you under this Agreement as a result of the assignment of occupancy rights to your Residence should be placed in an income producing account, controlled by Carolina Meadows on your behalf. In cases of financial hardship, both the principal and earnings from such an account would be available to offset your nursing and board charges. When a move involves dual occupancy, we will apply funds from the account as needed, without regard to who has the larger or smaller financial interest in the occupancy rights to the Residence.

- 8.3 If Carolina Meadows determines that your Residence must be temporarily unoccupied for more than one (1) day for an emergency, to meet a law or regulation, for reasons of health or safety, for inspection, for purposes of modifications or repairs, or for some other reasonable purpose, you agree to transfer to a temporary accommodation arranged by Carolina Meadows. Your Monthly Service Fees will continue but the costs of transfer and of the temporary accommodation will be paid by Carolina Meadows unless the reason for the transfer was caused by actions or inactions by you, your guests, or your non-Carolina Meadows service providers.

- 8.4 You agree to move to a different Residence if changes implemented by Carolina Meadows will eliminate or significantly change Your Residence. Such a move would only be required when deemed necessary by Carolina Meadows for the welfare of current or future Residents or for the continued successful operation of Carolina Meadows. You will be given at least thirty days (30) notice. All costs for your move will be paid by Carolina Meadows. Carolina Meadows will endeavor to provide you with a similar Residence whenever possible. Improvements that

you have made to your Residence that you are vacating will be reimbursed by Carolina Meadows based on fair market value or, at Carolina Meadows' option and expense, relocated or replicated in your new Residence.

- 8.5 Carolina Meadows shall furnish Care Coordination services to you by qualified staff who will partner with you to assess your needs; develop a plan and follow up to ensure that your needs are appropriately met.

All decisions regarding your Care Coordination plan, including the prospect of your need for support services in your home, temporary or permanent transfer to Fairways Assisted Living, the Green Memory support care or the Pines Health Center, or outside facilities will be made after consultation with you and, when appropriate, with your family or designee.

- 8.6 If it is determined by Carolina Meadows' Care Coordination team that your needs require temporary or permanent transfer to Carolina Meadows' Fairways Assisted Living or Pines Health Center facilities, and if you choose not to move to those facilities, then you agree to accept sufficient services to provide appropriate care and safety in your home. If, in our sole judgment, the services you elect to receive are insufficient for appropriate care and safety in your home, you must move to an appropriate level of care at Carolina Meadows, or we will have the right to terminate this Agreement. Carolina Meadows' decision will be binding.

If you move permanently to a Fairways Assisted Living residence, the provisions in Exhibit A shall apply. You will be responsible for paying the then current per diem rate for your accommodations at The Fairways. Carolina Meadows reserves the right to change Exhibit A from time to time in its sole discretion in order to reflect current operating practices and procedures for The Fairways, which changes shall be effective when given in writing to you. This Agreement shall continue in effect during your residency in The Fairways until terminated as otherwise provided in this Agreement. _____ initials

If you move permanently to The Green, whether as a result of a permanent move from your independent living Residence or a permanent move from your Fairways Assisted Living residence, the provisions in Exhibit B shall apply. You will be responsible for paying the then current per diem rate for your accommodations at The Green. Carolina Meadows reserves the right to change Exhibit B from time to time in its sole discretion in order to reflect current operating practices and procedures for The Green, which changes shall be effective when given in writing

to you. This Agreement shall continue in effect during your residency in The Green until terminated as otherwise provided in this Agreement. _____ initials

If you move permanently to the Pines Health Center, whether as a result of a permanent move from your independent living Residence or a permanent move from your Fairways Assisted Living residence, the provisions in Exhibit C shall apply. You will be responsible for paying the then current per diem rate for your accommodations at the Pines Health Center. Carolina Meadows reserves the right to change Exhibit C from time to time in its sole discretion in order to reflect current operating practices and procedures for the Pines Health Center, which changes shall be effective when given in writing to you. This Agreement shall continue in effect during your residency in the Pines Health Center until terminated as otherwise provided in this Agreement. _____ initials

Section 9: Your Refund under The Equity Advantage Program

Your refund will be calculated by taking the Current Entry Fee for your Residence and subtracting a remarketing fee based on the Current Entry Fee. In addition, refurbishment costs required to restore your Residence to its original condition will be subtracted from the Current Entry Fee. After subtracting the remarketing fee and the refurbishment costs, the result is the Net Proceeds. The difference between the Net Proceeds and your Entry Fee paid in Section 1.1 is the appreciation (positive or negative) your Residence has realized since you paid your Entry Fee. You are entitled to fifty percent (50%) of the positive appreciation, if any, or charged one hundred (100%) of the negative appreciation, if any. Your refund is calculated according to the following formula:

Current Entry Fee	\$XXX,XXX
Less: Remarketing Fee	(\$XX,XXX)
Less: Refurbishment Costs	<u>(\$XX,XXX)</u>
Equals: Net Proceeds	<u>\$XXX,XXX</u>
Net Proceeds	\$XXX,XXX
Less: Your Entry Fee Paid (Section 1.1)	<u>(\$XXX,XXX)</u>
Equals: Net Appreciation or Negative Appreciation	<u>\$XX,XXX</u>
Your Share of Net Appreciation at 50%	\$XX,XXX
Or your Negative Appreciation at 100%	(\$XX,XXX)
Original Entry Fee	<u>\$XXX,XXX</u>
Equals: Your Refund	<u>\$XXX,XXX</u>



Just as real estate values outside of Carolina Meadows are determined by market conditions, Entry Fees are also based on prevailing market conditions and there is no guarantee that Entry Fees will increase or will not decrease from year to year.

Carolina Meadows determines, in its sole discretion, the amount of necessary refurbishment to restore your unit to its original condition. Refurbishment costs will depend on length of time the unit is occupied, any conditions beyond normal wear and tear to your Residence, and any modifications you made that must be removed in order to remarket your Residence. All refunds will be paid to you or your estate unless specifically directed otherwise through an addendum to this Agreement.

Section 10: Your Obligations as a Carolina Meadows Resident

- 10.1 You agree to abide by all Carolina Meadows' existing and future rules, operating procedures, regulations and policies.
- 10.2 You agree to provide Carolina Meadows with the following information prior to occupancy:
 - Emergency contact information for persons to notify in an emergency
 - Name of your local physician
 - Names of persons having the right of entry into your Residence
 - Copy of current Durable Power of Attorney
 - Copy of current Health Care Power of Attorney
 - Copy of any Advance Directives
 - Name, address, and phone number of funeral director (prior arrangements are encouraged)
 - Information necessary to complete a death certificate
 - Copies of relevant portions of Trusts indicating where any refunds should be sent if not to the Estate or surviving spouse.
 - Name and address of the executor of your Estate
- 10.3 You agree, upon admission and approximately annually thereafter, to participate in an assessment of your health and medical status for the purpose of identifying any goals or needs for which we may be of assistance as well as providing some basic but vital information for our use in the event of an emergency.
- 10.4 You agree to cooperate in keeping your Residence and your surroundings in good repair, safe and sanitary, making alterations or additions only with the written

consent of Carolina Meadows and always at your own expense. Permanent improvements or modifications made to your Residence become the property of Carolina Meadows and may remain as a part of the Residence after you leave. You may have to pay to restore the residence to its original condition if the next resident does not wish to keep the modifications made.

- 10.5 You agree to let Carolina Meadows know when you are going to be away for 24 hours or more, and to give us the names of people we can contact in an emergency.
- 10.6 You agree to give representatives of Carolina Meadows reasonable access to your Residence for management purposes, and immediate access for emergency response purposes.
- 10.7 You accept the community's ideals of neighborliness, cooperation and good will, and agree to abide by rules designed to promote the safety, comfort and security of all residents.
- 10.8 You agree to furnish your own Residence, except for the fixtures and appliances we provide, and to select window treatments that will appear white or off-white from the outside.
- 10.9 You acknowledge that your funeral and burial expenses are entirely your own responsibility.
- 10.10 You agree that upon permanently vacating your Residence, you or the personal representative of your estate will remove your personal property not later than thirty (30) days after the date you permanently vacate. For purposes of this clause, the date of permanent vacancy is defined as the date of permanent admission to the Pines Health Center, or date of permanent admission to the Fairways Assisted Living facility or The Green memory care, or the date of your death, or the date you permanently move out of the Carolina Meadows community, whichever occurs first. You agree that Carolina Meadows may enter your Residence, remove your property and store it at your expense if you or the personal representative of your estate fails to remove your personal property within the allotted thirty (30) day time period or if your Monthly Service Fee goes unpaid for 30 days or more. A trash removal fee up to \$500 may be charged for removal of excessive trash and items abandoned in the residence. _____ initial
- 10.11 You agree that we are not to be held liable for losses or damage to your property, or injuries suffered by you or your guests, except if those mishaps are the direct

result of negligence on the part of Carolina Meadows. Beyond the protection we provide under Section 3.1 [G], you are responsible for your own insurance coverage. You agree that if you damage Carolina Meadows' property with your vehicle, you agree that you will file a claim under your auto policy to cover the costs of the damage with Carolina Meadows as the named beneficiary. You further agree that if your auto policy fails to pay, you will be responsible for the cost of repairs to Carolina Meadows' property.

- 10.12 You agree to pay for your own health care, utilities (except for those we provide under Section 3.1 [I]), telephone, and all other services not expressly covered by the fees and allowances provided for in this Agreement.
- 10.13 You agree to maintain a Medicare A and B policy, as well as a supplement to that coverage. If you are not eligible for Medicare, you agree to maintain health care coverage that we deem to be comparable.
- 10.14 While Carolina Meadows encourages you to utilize long-term care insurance as an important financial planning tool and benefit, it is not required as a condition of entry. However, if you elected to purchase long-term care insurance from an agent of your choosing, whether previously or in order to meet our financial screening requirements, as determined solely by us, and, if we have approved your financial application based on the financial resources provided by the long-term care insurance, we require you to maintain the coverage as long as you are living at Carolina Meadows. You agree to provide periodic, and as reasonably requested, proof that your coverage remains in effect after you execute this Agreement. If you do not maintain or provide proof that you maintain your long-term care insurance as agreed, we reserve the right to not approve any financial assistance in the event your finances become depleted or insufficient to cover the Monthly Service Fees and other costs associated with living at Carolina Meadows.
- 10.15 If you carry long-term care insurance at the time you execute this Agreement and Section 10.14 does not apply because your financial application was not based on the financial resources provided by the long-term care insurance, you agree to provide us a copy of the statement of policy benefits from your long-term care insurance policy prior to or contemporaneously with the execution of this Agreement. You also agree to notify us, in writing, thirty days prior to allowing your coverage to lapse in the event you wish no longer to maintain your long-term care policy.

- 10.16 You agree that any decisions we make regarding arrangements, admission, cancellation, termination, accommodation, or finances for another resident are within the sole province of Carolina Meadows and will remain private between Carolina Meadows and that resident.
- 10.17 You agree to pay, in full and on time, all fees and allowances due to Carolina Meadows. You will be charged a late fee of eighteen percent (18%) per year of the unpaid balance on any fees not paid on time, as specified in this Agreement.
_____ initial
- 10.18 You represent and warrant that all of the information you have provided about yourself is accurate, and agree that serious omissions or untruths are grounds for terminating this Agreement, at the sole discretion of Carolina Meadows.
- 10.19 You agree to indemnify and hold Carolina Meadows harmless from and against all claims, losses and expenses resulting from your own negligence.
- 10.20 We are proud of our record in keeping Carolina Meadows on solid financial footings, but we do borrow money from time to time to finance projects and operations, and we pledge our property as security for such borrowings. You agree that a lender's security interest will take precedence over your interests and rights under this Agreement, including your right to occupy the Residence, and you agree to sign whatever forms and instruments a lender might require confirming that your rights are subordinated to the lender's rights.
- 10.21 You agree to provide updated financial information every two years, or as reasonably requested, for the purpose of determining the adequacy of the Residents' Assistance Fund created to assist residents who become unable to pay their fees. You also agree that your failure or refusal to provide updated financial information may jeopardize your eligibility to receive any financial assistance under the Financial Assistance Policy established by Carolina Meadows and as noted in Section 14 of this Agreement.

Section 11: Tobacco and Smoke Free Campus

Carolina Meadows is a tobacco, smoke and vaping free campus. You agree that you or your guests will not use tobacco, smoking or vaping products on campus or in any building or vehicle owned by Carolina Meadows.

Section 12: Amendments and Partial Invalidation

Generally, this Agreement can be changed only by mutual written consent. However, we may make changes without your consent (i) to Exhibit A, Exhibit B and Exhibit C as described in Sections 8.5, 8.6 and 8.7, respectively, and (ii) to keep this Agreement in compliance with applicable laws and regulations – provided that the changes we make do not substantially reduce your benefits under this Agreement. We will notify you of any such change. If any provision in this Agreement is invalidated, all other provisions will remain in force.

Section 13: Dual Occupancy

- 13.1 In cases of dual occupancy, each of you is required to sign this Agreement, and each of you is jointly and severally responsible for all of your duties and obligations under this Agreement.
- 13.2 If you and your spouse – or you and a blood relative such as a brother or sister – live together in a Residence at Carolina Meadows, and your spouse or relative dies, you can continue to live in the Residence until you die or leave, at which time you or your estate will be the sole beneficiary of any refund or other amount due under Section 7 of this Agreement unless otherwise specified through a separate addendum to this Agreement.
- 13.3 If you and a non-related companion live together in a Residence at Carolina Meadows, and your companion dies, you can continue to live in the Residence until you die or leave, at which time the two of you (or your respective estates) become the beneficiaries of equal shares of any refund or other amount due under Section 7 of this Agreement unless otherwise specified through a separate addendum to this Agreement.
- 13.4 If, while a resident of Carolina Meadows, you desire to marry a non-resident or share your Residence with a non-resident, your new companion will be accepted as a resident only after going through the following standard qualification and application procedures:
 - A. They must be qualified to become Carolina Meadows residents
 - B. They must complete all application forms and go through the standard interview and approval process
 - C. They must execute a Residency and Care Agreement acceptable to us
 - D. They must pay an Application Fee and a Resident Assistance Fee

- E. They must agree to pay Monthly Service Fees and monthly meal allowances, and abide by the rules and regulations of the Carolina Meadows community

Section 14: Financial Assistance

Carolina Meadows has established a Resident Assistance Fund to allow a limited number of residents to continue living at Carolina Meadows if, due to circumstances beyond their control, they can no longer pay the fees and charges due to us. Financial assistance is determined on an individual basis and there is no guarantee of assistance to any individual Resident. However, as long as you have acted in good faith in your dealings with Carolina Meadows, and we determine that the facts justify special consideration, we will do our best to work with you toward a confidential plan that will assist in your continued residency. Before providing any new financial assistance, Carolina Meadows will consider the adequacy of the Residents' Assistance Fund and our ability to maintain sound financial operations as a result of providing any new assistance or continuing any existing financial assistance.

Your Entry Fee is a condition of entrance into your Residence. Your Monthly Service Fee is necessary to support the ongoing operations of Carolina Meadows. Your acceptance into Carolina Meadows has been based on facts recorded by you as part of your confidential application. If you weaken your financial position or your ability to pay the Monthly Service Fees or other charges because you have made gifts to others or misused personal wealth after submitting such financial information, you may not be eligible for any financial assistance. Carolina Meadows will request a current financial statement from you and you agree to provide supporting documentation to confirm the data in your financial statement. Should you find your current income insufficient to meet your Monthly Service Fees or other charges, you agree to take necessary steps to liquidate investments or capital assets in order to keep your account on a current basis before applying for and receiving any financial assistance. _____ initial

- 14.1 Understand that if you need financial assistance, it is your responsibility to notify us before your account becomes in arrears and you agree to apply for financial assistance under the Financial Assistance Policy established by Carolina Meadows.
- 14.2 If you are approved for financial assistance and for the purpose of determining all future financial assistance, you agree to provide periodic updated financial information under this Agreement and the Financial Assistance Policy as reasonably requested by Carolina Meadows.

Section 15: No Unauthorized Assignment

Your contract grants certain occupancy rights and privileges to you only. You may not assign or otherwise transfer these rights and privileges at any time to anyone else.

Section 16: Visitors

Your visitors may not visit for more than fourteen (14) consecutive days in your Residence or in approved guest quarters on campus; however, no person(s) other than you may reside in your Residence without the express written approval of Carolina Meadows. School age children under the age 18 are prohibited from living or staying on campus for more than fourteen (14) days in any consecutive twelve (12) month period.

Section 17: Private Duty Nurses and Companions

Carolina Meadows offers a list of preferred service providers including Carolina Meadows Home Care. You agree to abide by any and all Carolina Meadows policies and procedures for use of such providers. Carolina Meadows reserves the right to limit or prohibit access to its property by such provider or providers if Carolina Meadows determines there is a risk or potential risk. You agree to indemnify and hold harmless Carolina Meadows for any claim, loss or expense resulting from actions of such providers. Such providers are not considered Visitors as described in Section 16 above.

Section 18: Pet Policy

"Pets" shall be defined as household dogs, cats, tropical fish and caged birds. No other animals will be permitted without the approval of Management. Each pet must be viewed and approved by the Carolina Meadows staff before the pet can be brought into the Carolina Meadows community. Carolina Meadows requires that no pet shall be a nuisance or health threat to other residents or staff and must be properly cared for at all times. Failure to comply with any policies regarding pets may necessitate the removal of such pet. If a pet is not removed after a request has been made for such removal, Carolina Meadows reserves the right to terminate this Agreement. You agree to be responsible for all damage caused by your pet and you agree to have your pet in control at all times when outside your Residence.

Section 19: Illnesses or Conditions for which Carolina Meadows is Not Responsible for Providing Care or Services

Carolina Meadows does not provide services or care for the following conditions:

- Drug or alcohol abuse or addiction
- Dangerous Communicable Diseases
- Severe psychiatric or mental health disorders

In the event any of these conditions are such that your continued health and safety or that of other residents may be compromised, Carolina Meadows may require you to be transferred to another facility capable of managing your condition(s) or terminate your Residency and Care Agreement if you do not agree to be transferred. You agree to be responsible for the cost of care in an outside facility as well as continuing to pay your monthly fees as if you were living at Carolina Meadows unless you terminate your Residency and Care agreement and vacate your residence or unit.

Section 20: Miscellaneous Provisions

- 20.1 If you fail to honor some provision in this Agreement and we do nothing about it – or if we fail to do something and you overlook it – nothing in this Agreement changes. In other words, nothing old is waived; nothing new is authorized. The Agreement will remain fully enforceable.
- 20.2 This Agreement will not be considered valid until we have received medical and financial documents as requested. By signing this Agreement, you authorize the release to Carolina Meadows of any information we may request.
- 20.3 Carolina Meadows will stand behind all of the statements, promises and representations in this Agreement, but no others. If you feel something has been promised to you, but it is not specifically mentioned in this Agreement, now is the time to discuss it – before you sign.

Section 21: Entire Agreement

All exhibits, schedules and addenda attached to this Agreement are incorporated herein and made a part hereof by reference. This Agreement, including any exhibits, schedules and addenda attached hereto, constitutes the entire agreement between Carolina Meadows and you and supersedes all prior written or prior contemporaneous oral understandings or agreements between Carolina Meadows and you. Carolina Meadows shall not be liable or bound in any manner by any statements, representations, or promises made by any person representing or assuming to represent Carolina Meadows, unless such statements, representations, or promises are set forth in this Agreement or

its exhibits, schedules and addenda. This Agreement shall not be altered, amended or modified except in writing and duly executed by you and Carolina Meadows. This Agreement is governed by the laws of the State of North Carolina.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

CAROLINA MEADOWS, INC.

RESIDENT

By: _____

Name: _____

Title: _____

Name: _____

Date: _____

Date: _____

Revision Date: May 29, 2020

Exhibit A: Fairways Assisted Living Agreement

The rights and responsibilities contained within the Residency and Care Agreement, to which this Exhibit is a part, shall remain in full force and effect and are not changed by this Exhibit.

“You”, “Your”, or “Resident(s)” shall refer to _____.
Your new Residence is room number _____. The current daily per diem for your new Residence is _____ and will take effect on _____. The daily per diem may be adjusted periodically by management as approved by the Board of Directors. Carolina Meadows is required to give you thirty (30) days written notice prior to a change in the daily per diem. You may enjoy your Residence until terminated by either you or us in accordance with Section 7 of your Residency and Care Agreement.

Carolina Meadows is committed to a person-centered care approach in The Fairways tailored to the abilities and changing needs of each resident. To that end, we focus our care in meeting your physical, mental, and emotional needs by providing an environment in which you may maintain identity and independence, value relationships, make choices, use abilities in meaningful activities and feel safe and secure.

You desire to become a resident of the Fairways Assisted Living at Carolina Meadows and to use and enjoy the facilities, programs and services provided by Carolina Meadows subject to the terms and conditions of this Agreement. To that end, you shall have the exclusive right to occupy, use, and enjoy a specific Fairways Residence at Carolina Meadows, and you want to obtain related contractual services as described later in this Agreement.

You and Carolina Meadows agree as follows:

Section 1: Your Residence

You shall have the exclusive right to occupy, use, and enjoy Fairways Residence number _____, hereinafter referred to as your “Residence”, until terminated by either you or us in accordance with Section 7 of your Residency and Care Agreement. We agree to equip your Residence with wall-to-wall flooring, refrigerator, individually controlled heating and air conditioning and blinds on external windows. Your Residence is to be used for personal living purposes only and shall not be used for any business or profession or in a manner that violates zoning restrictions or other applicable law. Nothing in this Agreement shall be construed to create any interest in the real property of Carolina Meadows or to create a leasehold or the relationship of landlord and tenant between Carolina Meadows and you.

Section 2: Daily Service Fee

On the Date of Occupancy you will begin paying a base Daily Service Fee, billed on a monthly basis, currently set at \$____ per day. The base Daily Service Fee may include an additional Daily Level of Care Fee for your level of care needs, currently set at \$____ per day. The Level of Care determination is based on your care plan, which is completed within thirty days of admission, annually or with a significant change of condition. All Fairways Assisted Living residents must have care plans in place. You are responsible for paying the Daily Service Fee and all ancillary fees by the 10th day of each month, in advance, even when you are away, regardless of the reason. We may raise Daily Service Fees and/or Level of Care Fees annually to reflect changes in operating expenses and services.

Section3: Services We Provide and Other Duties We Acknowledge

- 3.1 In addition to the services and facilities described in Section 3.1 of your Residency and Care Agreement that you received while living in your independent living residence, we will provide these additional services and facilities while you are residing in your Fairways Assisted Living Residence in the manner we deem appropriate for all the residents of Carolina Meadows on a non-exclusive basis:
- A. Activities programming
 - B. Three meals daily, seven days a week
 - C. Bed and bath linens
 - D. Assistance with activities of daily living
 - E. Medication administration
 - F. Twenty-four (24) hour nursing staff in Fairways Assisted Living
 - G. Access to campus wide health monitoring and promotion programs
 - H. Daily light housekeeping services
- 3.2 We will pay the property taxes on your Residence and the taxes on common areas. You are responsible for paying taxes on your personal or intangible property.
- 3.3 We will provide a central dining facility where you may take meals. You are welcome to entertain guests in the dining room as space permits. The charges for guests will be placed on your monthly bill.

Section 4: Additional Available Services

- 4.1 You may purchase the following additional services or items for a fee, separate from the Daily Service Fee. These additional services are not included in the services covered by the Daily Service Fee. The specific charge for each of these additional services may be changed by us from time to time as deemed appropriate in our discretion:
- A. Medical care in the Pines Health Center (private or semi-private accommodations)
 - B. Medical treatment in the Community Health Clinic
 - C. Rehabilitation services
 - D. Use of guest room accommodations
 - E. Home Care services
 - F. Personal fitness training
 - G. Housekeeping beyond routine scheduled services
 - H. Handyman services for personal requests or damaged items
 - I. Guest meals for your visitors
 - J. Assistance by a nurse or aide through a licensed home care or home health agency as medically required
 - K. Nutrition and diet counseling
 - L. Concierge services including shopping, personal errand running (unaccompanied) and information technology support services

Section 5: Additional Requirements

- 5.1 Carolina Meadows shall not be responsible for loss of any property belonging to you or your guests or invitees due to theft, fire, or any other cause. Resident shall be responsible for providing insurance protection on personal items.
- 5.2 You agree to abide by the rules and regulations of Carolina Meadows as may be established or revised from time to time.
- 5.3 Except for changes required by law, Carolina Meadows will notify you of any proposed change in the scope of services provided at least 30 days before such change is effective.
- 5.4 Carolina Meadows shall have the right at all reasonable times to enter your Residence for the purpose of inspecting or repairing it.

- 5.5 Carolina Meadows reserves the right to ask you to leave for non-payment of fees. You are entitled to a 30-day notice.
- 5.6 Carolina Meadows recognizes you have the right of self-determination. We will attempt to involve you or your representative in all decisions related to moves and changes in level of care. However, Carolina Meadows reserves sole authority in determining whether you should be moved to The Green, the Pines Health Center or another more appropriate care facility if your care needs exceed our capabilities for which we are licensed to provide.
- 5.7 You may be charged a trash removal fee up to \$500 for removal of excessive trash or items abandoned upon vacating a unit.

IN WITNESS WHEREOF, the parties hereto have executed EXHIBIT A as part of your Residency and Care Agreement.

CAROLINA MEADOWS, INC.

RESIDENT/RESPONSIBLE PARTY

By: _____

Name: _____

Title: _____

Name: _____

Date: _____

Date: _____

Revision Date: May 29, 2020



Exhibit B: The Green Memory Care at the Fairways Agreement

The rights and responsibilities contained within the Residency and Care Agreement, to which this Exhibit is a part, shall remain in full force and effect and are not changed by this Exhibit.

“You”, “Your”, or “Resident(s)” shall refer to _____.
Your new Residence is room number _____. The current daily per diem for your new Residence is _____ and will take effect on _____. An additional daily level of care fee may apply based on your individual plan of care as determined within thirty days of admission, quarterly or following a significant change of condition. The daily per diem and daily level of care fee may be adjusted periodically by management as approved by the Board of Directors. Carolina Meadows is required to give you thirty (30) days written notice prior to a change in the daily per diem. You may enjoy your Residence until terminated by either you or us in accordance with Section 7 of your Residency and Care Agreement.

Carolina Meadows is committed to a person-centered care approach in The Green tailored to the abilities and changing needs of each resident. To that end, we focus our care in meeting your physical, mental, and emotional needs by providing an environment in which you may maintain identity and independence, value relationships, make choices, use abilities in meaningful activities and feel safe and secure.

You desire to become a resident of The Green at Carolina Meadows and to use and enjoy facilities, programs and services provided by The Green subject to the terms and conditions of this Agreement. To that end, you shall have the exclusive right to occupy, use, and enjoy a specific unit within The Green, and you want to obtain related contractual services as described later in this Agreement.

You and Carolina Meadows agree as follows:

Section 1: Your Residence

You shall have the exclusive right to occupy, use, and enjoy The Green unit number _____ that hereinafter will be referred to as your “Residence”. We agree to equip your Residence with wall-to-wall flooring, individually controlled heating and air conditioning and blinds. Your Residence is to be used for personal living purposes only and shall not be used for any business or profession or in a manner that violates zoning restrictions or other applicable law. Nothing in this Agreement shall be construed to create any interest in the real property of Carolina Meadows or to create a leasehold or the relationship of landlord and tenant between Carolina Meadows and you.

Section 2: Daily Service Fee

On the Date of Occupancy you will begin paying a base Daily Service Fee, billed on a monthly basis, currently set at \$____ per day. You are responsible for paying the Daily Service Fee and all ancillary fees by the 10th day of each month, in advance, even when you are away, regardless of the reason. We may raise Daily Service Fees and/or Level of Care Fees annually to reflect changes in operating expenses and services.

Section 3: Services We Provide and Other Duties We Acknowledge

- 3.1 In addition to the services and facilities described in Section 3.1 of your Residency and Care Agreement that you received while living in your independent living residence, we will provide these additional services and facilities while you are residing in your Residence at The Green in the manner we deem appropriate for all the residents of Carolina Meadows on a non-exclusive basis:
- A. Activities programming
 - B. Three meals daily, seven days a week
 - C. Bed and bath linens
 - D. Assistance with activities of daily living
 - E. Medication administration
 - F. Twenty-four (24) hour nursing staff in Assisted Living
 - G. Access to campus wide health monitoring and promotion programs
 - H. Concierge services including shopping, personal errand running (unaccompanied) and information technology support services
- 3.2 We will pay the property taxes on your Residence and the taxes on common areas. You are responsible for paying taxes on your personal or intangible property.
- 3.3 We will provide a central dining venue. You are welcome to entertain guests in the dining room as space permits. The charges for guests will be placed on your monthly bill.

Section 4: Additional Available Services

- 4.1 You may purchase the following additional services or items for a fee, separate from the Daily Service Fee. These additional services are not included in the services covered by the Daily Service Fee. The specific charge for each of these

additional services may be changed by us from time to time as deemed appropriate in our discretion:

- A. Medical care in the Pines Health Center (private or semi-private accommodations)
- B. Medical treatment in the Community Health Clinic
- C. Home Care services
- D. Rehabilitation services
- E. Use of guest room accommodations
- F. Housekeeping beyond routine scheduled services
- G. Handyman services for personal requests or damaged items
- H. Home meal delivery as medically required
- I. Guest meals for your visitors
- J. Temporary assistance by a nurse or aide through a licensed home care or home health agency as medically required
- K. Nutrition and diet counseling

Section 5: Additional Requirements

5.1 Prior to or contemporaneously with your move to The Green, you will be assessed by our staff. From this assessment, your plan of care will be created to provide care-giving information to staff who will be caring for you. The assessment is designed to provide understanding about your:

- Cognitive Health
- Physical Health
- Physical Functioning
- Behavior Status
- Sensory Capabilities
- Decision-Making Capacity
- Communication Abilities
- Personal Background
- Cultural Preferences
- Spiritual Needs and Preferences

5.2 The assessment tool and periodic staff observations are designed to anticipate changes in behaviors and abilities across different staff shifts. Such changes can be seen as a form of communication and an expression of preferences to which our staff will respond to accordingly.

- 5.3 Family members and/or responsible parties are encouraged to participate in any medical consultations. Family involvement is key to success in The Green and participation is encouraged in support groups. However, Carolina Meadows reserves the sole right in making the best decisions for individuals when considering safety and security concerns for all residents and staff in The Green.
- 5.4 The Green is a secured environment which utilizes a magnetic safety system. The exterior doors of the Green are secured by an electronic magnet. You may be required to wear a device which receives transmissions from transponders located throughout The Green. The device is used to prevent unattended egress from The Green. Carolina Meadows provides ample space and amenities as part of The Green to enjoy outside activities while preserving your safety and security.
- 5.5 Carolina Meadows shall not be responsible for loss of any property belonging to you or your guests or invitees due to theft, fire, or any other cause. Carolina Meadows will not be responsible for loss of personal clothing. Resident shall be responsible for providing insurance protection on personal items.
- 5.6 You agree to abide by the rules and regulations of Carolina Meadows as may be established or revised from time to time.
- 5.7 Except for changes required by law, Carolina Meadows will notify you of any proposed change in the scope of services provided at least 30 days before such change is effective.
- 5.8 Carolina Meadows shall have the right at all reasonable times to enter your Residence for the purpose of inspecting or repairing it.
- 5.9 Carolina Meadows reserves the right to ask you to leave for non-payment of fees.
- 5.10 Carolina Meadows recognizes you have the right of self-determination. We will attempt to involve you or your representative in all decisions related to moves and changes in level of care. However, Carolina Meadows reserves sole authority in determining whether you should be moved to the Pines Health Center or another facility if your care needs change beyond our ability to successfully address them.

IN WITNESS WHEREOF, the parties hereto have executed EXHIBIT B as part of your Residency and Care Agreement.

CAROLINA MEADOWS, INC.

RESIDENT/RESPONSIBLE PARTY

By: _____

Name: _____

Title: _____

Name: _____

Date: _____

Date: _____

Revised May 29, 2020

Exhibit C: Pines Health Center Agreement

The rights and responsibilities contained within the Residency and Care Agreement, to which this Exhibit is a part, shall remain in full force and effect and are not changed by this Exhibit.

“You”, “Your”, or “Resident(s)” shall refer to _____.
The current daily per diem for your home is _____ and will take effect on _____.
The daily per diem may be adjusted periodically by management as approved by the Board of Directors. Carolina Meadows is required to give you thirty (30) days written notice prior to a change in the daily per diem.

Carolina Meadows is committed to a person-centered care approach in our Pines Health Center tailored to the abilities and changing needs of each resident. To that end, we focus our care in meeting your physical, mental, and emotional needs by providing an environment in which you may maintain identity and independence, value relationships, make choices, use abilities in meaningful activities and feel safe and secure.

You have received copies of the following material and the information has been explained to you:

<input type="checkbox"/> Policies and Procedures	<input type="checkbox"/> CPR policy
<input type="checkbox"/> Medical Care Decisions, Advance Directives	<input type="checkbox"/> Fee Schedule
<input type="checkbox"/> Residents’ Rights in long term care facilities	<input type="checkbox"/> Restraint Free Environment

Personal Laundry: You wish to have Carolina Meadows Pines Health Center do your personal laundry. You have been advised of the fees for this service and understand that this service is optional and may be cancelled at any time.

Yes No

1. The Pines Health Center provides general nursing care, room and board and other health services for your comfort and well-being. You authorize us to provide these services. Depending on room availability and changing needs of the health center, you may be asked to move to a different room during your stay.
2. The Pines Health Center is not a hospital but is licensed as a nursing facility. We do not provide diagnostic or acute care for an unstable condition.

3. Physicians do not visit daily but communicate with the nursing staff by phone to prescribe medications and treatments. We are not liable for any acts or omissions of your physician in accurately following his/her instructions.
4. You have received a copy of the fee schedule and agree to pay all charges. Please note: upon permanent discharge from the Pines Health Center, you are responsible for daily fees as long as your belongings remain in the room. In the case of a resident's death, there will be no room charge for the first five days (day one being the date of death); bedhold charges will begin on the sixth day should belongings still remain in the room. After 10 days, Carolina Meadows reserves the right to remove said belongings and to store them at your expense. You may be charged a fee up to \$500 for removal of excessive trash and items abandoned in the room.
5. Should it be deemed necessary, you may be required to wear a device to prevent wandering outside The Pines unless attended by staff.
6. The Pines Health Center may require you to have an escort for away-appointments. On some occasions a family member or resident volunteer may be both available and suitable. On others, a paid agency escort may be needed, the cost for which you are responsible. The Pines Health Center will consult with you prior to scheduling.
7. You understand that we contract for certain services (lab, x-ray, pharmacy, rehabilitative therapies). They are provided upon order of your physician. To the extent possible, these providers' bill third party payers for these services, however, you are responsible for payment.
8. You authorize us to release medical records to: any insurance company to process payment, to Medical Claims Rx to assist in claim processing, to a hospital or other medical facility if you are discharged, and to licensing inspectors.
9. If the Carolina Meadows Care Coordination Team determines that one-on-one companion or additional care is deemed necessary, such care will be your financial responsibility. We are not liable for any harm for failure to provide such services nor are we liable for any acts performed or omitted by such staff.
10. Smoking and vaping are prohibited in all areas of the Pines Health Center.
11. We are not responsible for loss, theft or destruction of personal property. This includes personal items such as dentures, glasses or hearing aids that are occasionally lost. Reasonable efforts are made to minimize the risk of loss, theft or destruction of personal property but it cannot be guaranteed. Items that are irreplaceable due to cost or sentiment should not be brought into the Pines Health Center.

IN WITNESS WHEREOF, the parties hereto have executed EXHIBIT C as part of your Residency and Care Agreement.

CAROLINA MEADOWS, INC.

RESIDENT/RESPONSIBLE PARTY

By: _____

Name: _____

Title: _____

Name: _____

Date: _____

Date: _____

Revision Date: May 29, 2020

Attachment 6(b): Residency and Care Agreement Following Early Advantage



Residency and Care Agreement
Following Early Advantage

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Residency and Care Agreement Following Early Advantage

Introduction

This Residency and Care Agreement (the “Agreement”) takes effect on the ____ day of _____. The Agreement is between Carolina Meadows, Inc. and you. In this paragraph and throughout the rest of the Agreement, the words “we”, “us”, “our” or “Carolina Meadows” refer to Carolina Meadows, Inc., and the words “you”, “your”, and Resident(s) refer to _____. All Residents that are parties to this Agreement shall be jointly and severally liable for payment of all fees and charges under this Agreement.

Carolina Meadows is a North Carolina non-profit corporation located in Chatham County, at 100 Carolina Meadows, Chapel Hill, North Carolina, 27517. We are a Life Plan Community licensed as a continuing care retirement community organized to provide housing, recreation, health care and other services to people after they reach age 62 or older.

You desire to become a resident of Carolina Meadows and to use and enjoy the facilities, programs and services provided by Carolina Meadows subject to the terms and conditions of this Agreement. To that end, you shall have the exclusive right to occupy, use, and enjoy a specific Residence at Carolina Meadows, and you want to obtain related contractual services as described later in this Agreement. This Agreement entitles you to a right to occupy your chosen Residence until this Agreement is terminated as provided below. Your specific rights and responsibilities are detailed in this Agreement.

Resident is entering Carolina Meadows through the Early Advantage program as follows:

- ___ Independent Living
- ___ Fairways Assisted Living: Exhibit A
- ___ The Green Memory Care: Exhibit B
- ___ The Pines Health Center: Exhibit C

You and Carolina Meadows agree as follows:

Section 1: Your Residence and Date of Financial Responsibility

You shall have the exclusive right to occupy, use, and enjoy Residence number _____, _____, model _____, an independent living unit that hereinafter will be referred to as your "Residence", until this Agreement is terminated by either you or us in accordance with Section 6 or 7 below. We agree to equip your Residence with wall-to-wall flooring, range with oven and microwave oven, refrigerator, dishwasher, garbage disposal and individually controlled heating and air conditioning. You agree to provide window treatments for the Residence. Your Residence is to be used for personal living purposes only and shall not be used for any business or profession or in a manner that violates zoning restrictions or other applicable law. Nothing in this Agreement shall be construed to create any interest in the real property of Carolina Meadows or to create a leasehold or the relationship of landlord and tenant between Carolina Meadows and you.

- 1.1 The Entry Fee is _____ consisting of the following payments:
 - 1.1a An Early Advantage Entry Fee of _____ paid on _____.
 - 1.1b Excess Ready List Deposit of _____.
 - 1.1c The balance of the Entry Fee _____, is due on or before _____.
- 1.2 A Resident Assistance Fee of _____ is to be paid when you pay the balance of the Entry Fee on or before _____. This fee is separate from the Entry Fee and is refundable only if you cancel this Agreement within the Rescission period of 30 days (see Section 5).
- 1.3 The Date of Occupancy is defined as the mutually agreed upon date when our obligation to provide you with services begins, when we make available your Residence to occupy, and when your obligation to pay for services begins. Should your desired modifications delay your ability to physically occupy your Residence beyond the Date of Occupancy, you agree to begin paying your monthly accommodation fee on the Date of Occupancy. Your Date of Occupancy is _____. _____ initials
- 1.4 You will be responsible for paying for your monthly meals as provided for in Section 3.3.

Section 2: Monthly Accommodation Fee

In return for the monthly accommodation fee, we will provide the services described in Section 3. The monthly accommodation fee is currently _____, but we may increase it from time to time to reflect changes in operating expenses and services. You are responsible for paying the monthly accommodation fee by the 10th day of each month, in advance, even when you are away, regardless of the reason. _____ initials

Section 3: Services We Provide and Duties We Acknowledge

- 3.1 We will provide these services and facilities in the manner we deem appropriate for all the residents of Carolina Meadows on a non-exclusive basis:
- A. An emergency call system monitored 24 hours a day
 - B. Professional management of the community and its facilities
 - C. Regularly scheduled transportation
 - D. Maintenance of all buildings and grounds; upkeep of roads and walkways
 - E. Repair of all equipment and appliances that we provide
 - F. Housekeeping in hallways, elevators, rest rooms, lounges and other common areas
 - G. General liability insurance for Carolina Meadows, Inc. and property insurance on all Carolina Meadows buildings and property. In addition, Carolina Meadows provides Renter's Legal Liability insurance on your Residence. Since we do not insure the personal contents of your Residence, you are strongly encouraged to insure, at your cost, the personal contents of your Residence and your own personal liability coverage
 - H. 24-hour security
 - I. Water and sewer services; all utilities in common areas; standard television cable service
 - J. Removal of trash and recyclables deposited by residents as designated by us
 - K. Use of the enclosed swimming pool and exercise room
 - L. Use of the Carolina Meadows golf course. You may be required to pay a greens fee to play the Carolina Meadows golf course
 - M. Wireless Internet availability in designated areas throughout the campus
- 3.2 We will pay the property taxes on your Residence and the taxes on common areas. You are responsible for paying taxes on your personal or intangible property.
- 3.3 We provide central dining facilities. To assure the availability of this convenience, we require you spend a minimum, (the "Meal Minimum") currently \$____ per resident per month, in our Dining venues. You can elect to have your minimum calculated and billed monthly, quarterly, or semi-annually. You will, however, be billed each month for actual meals purchased. Any unused minimum will be billed

to you at the end of your selected meal plan period. We may periodically adjust the Meal Minimum. You are welcome to use your Meal Minimum to entertain guests in the dining room as space permits. Non-resident guest meals are subject to a 20% surcharge and will be billed against your Meal Minimum or may be paid by credit card or check at the time of service.

Section 4: Additional Available Services

You may purchase the following additional services or items for a fee, separate from the monthly accommodation fee. These additional services are not included in the services covered by the monthly accommodation fee. The specific charge for each of these additional services may be changed by us from time to time as deemed appropriate in our discretion:

- A. Care in the Pines Health Center (private or semi-private accommodations)
- B. Care in the Fairways Assisted Living
- C. Medical treatment in the Primary Care Medical Practice
- D. Home Care services
- E. Rehabilitation service
- F. Use of guest room accommodations
- G. Personal fitness training
- H. Housekeeping and/or handyman services
- I. Home meal delivery
- J. Meals in excess of the monthly food minimum.
- K. Guest meals for your visitors
- L. Assistance by a nurse or aide through a licensed home care agency, home health agency or Carolina Meadows Home Care
- M. Nutrition and diet counseling
- N. Concierge services including shopping, personal errand running and information technology support services

Section 5: Your Right to Rescind This Agreement within 30 Days

You have a thirty (30) day Rescission Period in which to cancel this Agreement by giving us written notice of your decision to rescind. You may but are not required to move into the Residence prior to the expiration of this thirty (30) day Rescission Period. The Rescission Period begins when you sign the Agreement, or when you receive from us the state-required disclosure statement, whichever happens last. If you rescind during the Rescission Period, we will refund, without interest, the money you paid under Sections 1.1, 1.1a, 1.1b, and 1.2 minus a service charge not to exceed the greater of \$1,000 or 2% of the Entry Fee. We will issue your refund within 30 days after we receive written notice

of your desire to void this Agreement or, if you already have moved into your Residence, thirty (30) days after you move out, whichever happens later.

Section 6: Termination of This Agreement Prior to Occupancy and After the Thirty Day Rescission Period has Expired

6.1 Termination by You: You may terminate this Agreement for any reason after the thirty (30) day Rescission Period but before occupying your Residence by giving Carolina Meadows sixty (60) days advance written notice of intent to terminate. Your right to occupy the Residence will have been legally assigned back to Carolina Meadows as soon as your written notice is received.

Your refund, without interest, of the Entry Fee and Resident Assistance Fee you have paid less a remarketing fee based on the new sales price and less any nonstandard charges incurred by Carolina Meadows at your request, will be made thirty (30) days after the Residence is covered by a new Residency and Care Agreement with another resident and all new fees for the new resident have been paid in full. In addition, Carolina Meadows will withhold a reasonable administrative fee not to exceed the greater of one thousand dollars (\$1,000) or two percent (2%) of the Entry Fee. Modification costs to your Residence paid by you are nonrefundable.

6.2 Termination by Carolina Meadows: Carolina Meadows may terminate this Agreement if (i) you die; (ii) you misrepresent or omit material financial, medical, or other information given during the application process; (iii) your financial status changes such that you no longer meet the financial requirements for admission; or (iv) you no longer qualifies for Independent Living and fails to follow recommendations of the Carolina Meadows Care Coordination Team, including moving to a higher level of care or obtaining sufficient support in the home.

You will receive a refund, of the Entry Fee and the Resident Assistance Fee paid within thirty (30) days, without interest, less a reasonable administrative fee not to exceed the greater of one thousand dollars (\$1,000) or two percent (2%) of the Entry Fee paid and less any non-standard costs incurred by Carolina Meadows at the Resident's request. Modification costs to a residence are non-refundable.

6.3 Death: If you die before occupying your Residence, or become incapacitated such that you can no longer occupy your Residence, this Agreement shall be cancelled automatically. You or your estate shall receive a full refund of the Entry Fee and

Resident Assistance Fee that you have paid, less the costs of modifications to the chosen residence.

Section 7: Termination of This Agreement After Occupancy and After the Thirty Day Rescission Period has Expired

- 7.1 **Termination by You:** You may terminate this Agreement for any reason by giving Carolina Meadows sixty (60) days written notice of intent to terminate. Your right to occupy the Residence will have been legally assigned back to Carolina Meadows as soon as we receive the notice; however, unless some other arrangement is agreed to, you retain the right to occupy your Residence during the notice period, provided you stay current with your monthly accommodation fee and monthly meal allowance.

Your refund, without interest, of the Entry Fee you have paid, less a remarketing fee based on the new sales price and less any nonstandard charges incurred by Carolina Meadows at your request, will be made thirty (30) days after the Residence is covered by a new Residency and Care Agreement with another resident and all new fees for the new resident have been paid in full. In addition, any unpaid periodic charges specified in this Agreement or any amendment to this Agreement for the period the Residence was actually occupied will be deducted from your refund.

- 7.2 **Termination by Carolina Meadows:** Carolina Meadows may terminate the Residency and Care Agreement if you fail to pay the monthly accommodation fee, the Monthly Meal Allowance, ancillary charges, or fail to follow the standard policies of Carolina Meadows. If we determine, in our judgment, that the interests of other Carolina Meadows residents are jeopardized as a result of your activities or conduct, or if you misrepresented or omitted financial, medical or other information, we can terminate this Agreement. Carolina Meadows may terminate Agreement if Resident fails to abide by the terms of the Agreement, including refusing to receive health care services if that is determined by Carolina Meadows to be in the Resident's best interest. Carolina Meadows may terminate if Resident refuses to move to assisted living or the health center or obtain sufficient health care support at home if determined by Carolina Meadows' Care coordination team to be in the Resident's best interest. Carolina Meadows is required to give you sixty (60) days written notice of our intent to terminate your Agreement.

Your refund, without interest, of the Entry Fee you have paid, less a remarketing fee based on the new sales price and less any nonstandard charges incurred by Carolina Meadows at your request, will be made thirty (30) days after the Residence is covered by a new Residency and Care Agreement with another resident and all new fees for the new resident have been paid in full. In addition, any unpaid periodic charges specified in this Agreement or any amendment to this Agreement for the period the Residence was actually occupied will be deducted from your refund.

- 7.3 **Death:** This agreement shall automatically terminate upon your death or the death of the last to die if a joint agreement. The refund will occur as noted in this Section.

Section 8: Moving to another Residence at Carolina Meadows and Care Coordination

- 8.1 You may request to move to another Residence at Carolina Meadows. Final approval of any such request is in our sole judgment and discretion. If we approve the move, we will begin reasonable efforts to remarket occupancy rights to your Residence at the then current listed Entry Fee. You can move to your new Residence after someone else has agreed to pay the then current listed Entry Fee for your Residence but no sooner than 30 days prior to the scheduled occupancy date by a new resident who has paid the then current Entry Fee for your original Residence. If you want to move sooner, you may be permitted to do so by paying the then current Entry Fee listed for your new Residence (this would not apply if you were moving in with another resident who already had paid an Entry Fee for his or her Residence). You will be responsible for the cost of refurbishing the Residence you vacate and a remarketing fee based on the current Entry Fee. Other than that, the calculation and refund of any amounts due you following the assignment of occupancy rights to your original Residence will proceed as outlined in Section 7.
- 8.2 If you move permanently to the Fairways Assisted Living facility, The Green memory care at The Fairways or the Pines Health Center nursing facility, we can deduct the cost of your care from any refund proceeds due to you under this Agreement.

Your refund, without interest, of the Entry Fee you have paid for your independent living Residence, less a remarketing fee based on the new sales price and less any

nonstandard charges incurred by Carolina Meadows at your request, will be made thirty (30) days after your Residence is covered by a new Residency and Care Agreement with another resident and all new fees for the new resident have been paid in full. In addition, any unpaid periodic charges specified in this Agreement or any amendment to this Agreement for the period the Residence was actually occupied will be deducted from your refund. We also reserve the right to determine whether proceeds due to you under this Agreement as a result of the assignment of occupancy rights to your Residence should be placed in an income producing account, controlled by Carolina Meadows on your behalf. In cases of financial hardship, both the principal and earnings from such an account would be available to offset your nursing and board charges. When a move involves dual occupancy, we will apply funds from the account as needed, without regard to who has the larger or smaller financial interest in the occupancy rights to the Residence.

- 8.3 If Carolina Meadows determines that your Residence must be temporarily unoccupied for more than one (1) day for an emergency, to meet a law or regulation, for reasons of health or safety, for inspection, for purposes of modifications or repairs, or for some other reasonable purpose, you agree to transfer to a temporary accommodation arranged by Carolina Meadows. Your monthly accommodation fees will continue but the costs of transfer and of the temporary accommodation will be paid by Carolina Meadows unless the reason for the transfer was caused by actions or inactions by you, your guests, or your non-Carolina Meadows service providers.
- 8.4 You agree to move to a different Residence if changes implemented by Carolina Meadows will eliminate or significantly change Your Residence. Such a move would only be required when deemed necessary by Carolina Meadows for the welfare of current or future Residents or for the continued successful operation of Carolina Meadows. You will be given at least thirty days (30) notice. All costs for your move will be paid by Carolina Meadows. Carolina Meadows will endeavor to provide you with a similar Residence whenever possible. Improvements that you have made to your Residence that you are vacating will be reimbursed by Carolina Meadows based on fair market value or, at Carolina Meadows' option and expense, relocated or replicated in your new Residence.

- 8.5 Carolina Meadows shall furnish Care Coordination services to you by qualified staff who will partner with you assess your needs; develop a plan and follow up to ensure that your needs are appropriately met.

All decisions regarding your Care Coordination plan, including the prospect of your need for support services in your home, temporary or permanent transfer to Fairways Assisted Living, the Green Memory support care or the Pines Health Center, or outside facilities will be made after consultation with you and, when appropriate, with your family or designee.

- 8.6 If it is determined by Carolina Meadows' Care Coordination team that your needs require temporary or permanent transfer to Carolina Meadows' Assisted Living or Health Center facilities, and if you choose not to move to those facilities, then you agree to accept sufficient services to provide appropriate care and safety in your home. Any support services in your home would be your financial responsibility. If, in our sole judgment, the services you elect to receive are insufficient for appropriate care and safety in your home, you must move to an appropriate level of care at Carolina Meadows, or we will have the right to terminate this Agreement. Carolina Meadows' decision will be binding.

If you move permanently to a Fairways Assisted Living residence, the provisions in Exhibit A shall apply. You will be responsible for paying the then current per diem rate for your accommodations at The Fairways. Carolina Meadows reserves the right to change Exhibit A from time to time in its sole discretion in order to reflect current operating practices and procedures for The Fairways, which changes shall be effective when given in writing to you. This Agreement shall continue in effect during your residency in The Fairways until terminated as otherwise provided in this Agreement. _____ initials

If you move permanently to The Green, whether as a result of a permanent move from your independent living Residence or a permanent move from your Fairways Assisted Living residence, the provisions in Exhibit B shall apply. You will be responsible for paying the then current per diem rate for your accommodations at The Green. Carolina Meadows reserves the right to change Exhibit B from time to time in its sole discretion in order to reflect current operating practices and procedures for The Green, which changes shall be effective when given in writing to you. This Agreement shall continue in effect during your residency in The Green until terminated as otherwise provided in this Agreement. _____ initials

If you move permanently to the Pines Health Center, whether as a result of a permanent move from your independent living Residence or a permanent move from your Fairways Assisted Living residence, the provisions in Exhibit C shall apply. You will be responsible

for paying the then current per diem rate for your accommodations at the Pines Health Center. Carolina Meadows reserves the right to change Exhibit C from time to time in its sole discretion in order to reflect current operating practices and procedures for the Pines Health Center, which changes shall be effective when given in writing to you. This Agreement shall continue in effect during your residency in the Pines Health Center until terminated as otherwise provided in this Agreement. _____ initials

Section 9: Your Refund under The Equity Advantage Program

Your refund will be calculated by taking the Current Entry Fee for your Residence and subtracting a remarketing fee based on the Current Entry Fee. In addition, refurbishment costs required to restore your Residence to its original condition will be subtracted from the Current Entry Fee. After subtracting the remarketing fee and the refurbishment costs, the result is the Net Proceeds. The difference between the Net Proceeds and your Entry Fee paid in Section 1.1 is the appreciation (positive or negative) your Residence has realized since you paid your Entry Fee. You are entitled to fifty percent (50%) of the positive appreciation, if any, or charged one hundred (100%) of the negative appreciation, if any. Your refund is calculated according to the following formula:

Current Entry Fee	\$XXX,XXX
Less: Remarketing Fee	(\$XX,XXX)
Less: Refurbishment Costs	<u>(\$XX,XXX)</u>
Equals: Net Proceeds	<u>\$XXX,XXX</u>
Net Proceeds	\$XXX,XXX
Less: Your Entry Fee Paid (Section 1.1)	<u>(\$XXX,XXX)</u>
Equals: Net Appreciation or Negative Appreciation	<u>\$XX,XXX</u>
Your Share of Net Appreciation at 50%	\$XX,XXX
Or your Negative Appreciation at 100%	(\$XX,XXX)
Original Entry Fee	<u>\$XXX,XXX</u>
Equals: Your Refund	<u>\$XXX,XXX</u>

Just as real estate values outside of Carolina Meadows are determined by market conditions, Entry Fees are also based on prevailing market conditions and there is no guarantee that Entry Fees will decrease or increase from year to year.

Carolina Meadows determines, in its sole discretion, the amount of necessary refurbishment to restore your unit to its original condition. Refurbishment costs will depend on length of

time the unit is occupied, any conditions beyond normal wear and tear to your Residence, and any modifications you made that must be removed in order to remarket your Residence. All refunds will be paid to you or your estate unless specifically directed otherwise through an addendum to this Agreement.

Section 10: Your Obligations as a Carolina Meadows Resident

- 10.1 You agree to abide by all Carolina Meadows' existing and future rules, operating procedures, regulations and policies.
- 10.2 You agree to provide Carolina Meadows with the following information prior to occupancy:
- Emergency contact information for persons to notify in an emergency
 - Name of your local physician
 - Names of persons having the right of entry into your Residence
 - Copy of current Durable Power of Attorney
 - Copy of current Health Care Power of Attorney
 - Copy of any Advance Directives
 - Name, address, and phone number of funeral director (prior arrangements are encouraged)
 - Information necessary to complete a death certificate
 - Copies of relevant portions of Trusts indicating where any refunds should be sent if not to the Estate or surviving spouse.
 - Name and address of the executor of your Estate
- 10.3 You agree, upon admission and approximately annually thereafter, to participate in an assessment of your health and medical status for the purpose of identifying any goals or needs for which we may be of assistance as well as providing some basic but vital information for our use in the event of an emergency.
- 10.4 You agree to cooperate in keeping your Residence and your surroundings in good repair, safe and sanitary, making alterations or additions only with the written consent of Carolina Meadows and always at your own expense. Permanent improvements or modifications made to your Residence become the property of Carolina Meadows and remain as a part of the Residence after you leave. You may have to pay to restore your Residence to its original condition if the next resident does not wish to keep the modification made.

- 10.5 You agree to let Carolina Meadows know when you are going to be away for 24 hours or more, and to give us the names of people we can contact in an emergency.
- 10.6 You agree to give representatives of Carolina Meadows reasonable access to your Residence for management purposes, and immediate access for emergency response purposes.
- 10.7 You accept the community's ideals of neighborliness, cooperation and good will, and agree to abide by rules designed to promote the safety, comfort and security of all residents.
- 10.8 You agree to furnish your own Residence, except for the fixtures and appliances we provide, and to select window treatments that will appear white or off-white from the outside.
- 10.9 You acknowledge that your funeral and burial expenses are entirely your own responsibility.
- 10.10 You agree that upon permanently vacating your Residence, you or the personal representative of your estate will remove your personal property not later than thirty (30) days after the date you permanently vacate. For purposes of this clause, the date of permanent vacancy is defined as the date of permanent admission to the Pines Health Center, or date of permanent admission to the Fairways Assisted Living facility or The Green memory care, or the date of your death, or the date you permanently move out of the Carolina Meadows community, whichever occurs first. You agree that Carolina Meadows may enter your Residence, remove your property and store it at your expense if you or the personal representative of your estate fails to remove your personal property within the allotted thirty (30) day time period or if your monthly accommodation fee goes unpaid for 30 days or more. A trash removal fee up to \$500 may be charged for removal of excessive trash and items left behind. _____ initial
- 10.11 You agree that we are not to be held liable for losses or damage to your property, or injuries suffered by you or your guests, except if those mishaps are the direct result of negligence on the part of Carolina Meadows. Beyond the protection we provide under Section 3.1 [G], you are responsible for your own insurance coverage. You agree that if you damage Carolina Meadows' property with your vehicle, you agree that you will file a claim under your auto policy to cover the costs of the damage with Carolina Meadows as the named beneficiary. You

further agree that if your auto policy fails to pay, you will be responsible for the cost of repairs to Carolina Meadows' property.

- 10.12 You agree to pay for your own health care, utilities (except for those we provide under Section 3.1 [I]), telephone, and all other services not expressly covered by the fees and allowances provided for in this Agreement.
- 10.13 You agree to maintain a Medicare A and B policy, as well as a supplement to that coverage. If you are not eligible for Medicare, you agree to maintain health care coverage that we deem to be comparable.
- 10.14 While Carolina Meadows encourages you to utilize long-term care insurance as an important financial planning tool and benefit, it is not required as a condition of entry. However, if you elected to purchase long-term care insurance from an agent of your choosing, whether previously or in order to meet our financial screening requirements, as determined solely by us, and, if we have approved your financial application based on the financial resources provided by the long-term care insurance, we require you to maintain the coverage as long as you are living at Carolina Meadows. You agree to provide periodic, and as reasonably requested, proof that your coverage remains in effect after you execute this Agreement. If you do not maintain or provide proof that you maintain your long-term care insurance as agreed, we reserve the right to not approve any financial assistance in the event your finances become depleted or insufficient to cover the monthly accommodation fees and other costs associated with living at Carolina Meadows.
- 10.15 If you carry long-term care insurance at the time you execute this Agreement and Section 10.14 does not apply because your financial application was not based on the financial resources provided by the long-term care insurance, you agree to provide us a copy of the statement of policy benefits from your long-term care insurance policy prior to or contemporaneously with the execution of this Agreement. You also agree to notify us, in writing, thirty days prior to allowing your coverage to lapse in the event you wish no longer to maintain your long-term care policy.
- 10.16 You agree that any decisions we make regarding arrangements, admission, cancellation, termination, accommodation, or finances for another resident are within the sole province of Carolina Meadows and will remain private between Carolina Meadows and that resident. _____ initial

- 10.17 You agree to pay, in full and on time, all fees and allowances due to Carolina Meadows. You will be charged a late fee of eighteen percent (18%) per year of the unpaid balance on any fees not paid on time, as specified in this Agreement.
_____ initial
- 10.18 You represent and warrant that all of the information you have provided about yourself is accurate, and agree that serious omissions or untruths are grounds for terminating this Agreement, at the sole discretion of Carolina Meadows.
- 10.19 You agree to indemnify and hold Carolina Meadows harmless from and against all claims, losses and expenses resulting from your own negligence.
- 10.20 We are proud of our record in keeping Carolina Meadows on solid financial footings, but we do borrow money from time to time to finance projects and operations, and we pledge our property as security for such borrowings. You agree that a lender's security interest will take precedence over your interests and rights under this Agreement, including your right to occupy the Residence, and you agree to sign whatever forms and instruments a lender might require confirming that your rights are subordinated to the lender's rights.
- 10.21 You agree to provide updated financial information every two years, or as reasonably requested, for the purpose of determining the adequacy of the Residents' Assistance Fund created to assist residents who become unable to pay their fees. You also agree that your failure or refusal to provide updated financial information may jeopardize your eligibility to receive any financial assistance under the Financial Assistance Policy established by Carolina Meadows and as noted in Section 14 of this Agreement.

Section 11: Tobacco and Smoke Free Campus

Carolina Meadows is a tobacco, smoke and vaping free campus. You agree that you or your guests will not use tobacco, smoking or vaping products on campus or in any building or vehicle owned by Carolina Meadows.

Section 12: Amendments and Partial Invalidation

Generally, this Agreement can be changed only by mutual written consent. However, we can make changes without your consent (i) to Exhibit A, Exhibit B and Exhibit C as described in Sections 8.5, 8.6 and 8.7, respectively, and (ii) to keep this Agreement in compliance with applicable laws and regulations – provided that the changes we make do

not substantially reduce your benefits under this Agreement. We will notify you of any such change. If any provision in this Agreement is invalidated, all other provisions will remain in force.

Section 13: Dual Occupancy

- 13.1 In cases of dual occupancy, each of you is required to sign this Agreement, and each of you is jointly and severally responsible for all of your duties and obligations under this Agreement.
- 13.2 If you and your spouse – or you and a blood relative such as a brother or sister – live together in a Residence at Carolina Meadows, and your spouse or relative dies, you can continue to live in the Residence until you die or leave, at which time you or your estate will be the sole beneficiary of any refund or other amount due under Section 7 of this Agreement unless otherwise specified through a separate addendum to this Agreement.
- 13.3 If you and a non-related companion live together in a Residence at Carolina Meadows, and your companion dies, you can continue to live in the Residence until you die or leave, at which time the two of you (or your respective estates) become the beneficiaries of equal shares of any refund or other amount due under Section 7 of this Agreement unless otherwise specified through a separate addendum to this Agreement.
- 13.4 If, while a resident of Carolina Meadows, you desire to marry a non-resident or share your Residence with a non-resident, your new companion will be accepted as a resident only after going through the following standard qualification and application procedures:
 - A. They must be qualified to become Carolina Meadows residents
 - B. They must complete all application forms and go through the standard interview and approval process
 - C. They must execute a Residency and Care Agreement acceptable to us
 - D. They must pay an Application Fee and a Resident Assistance Fee
 - E. They must agree to pay monthly accommodation fees and monthly meal allowances, and abide by the rules and regulations of the Carolina Meadows community

Section 14: Financial Assistance

Carolina Meadows has established a Resident Assistance Fund to allow a limited number of residents to continue living at Carolina Meadows if, due to circumstances beyond their control, they can no longer pay the fees and charges due to us. Financial assistance is determined on an individual basis and there is no guarantee of assistance to any individual Resident. However, as long as you have acted in good faith in your dealings with Carolina Meadows, and we determine that the facts justify special consideration, we will do our best to work with you toward a confidential plan that will assist in your continued residency. Before providing any new financial assistance, Carolina Meadows will consider the adequacy of the Residents' Assistance Fund and our ability to maintain sound financial operations as a result of providing any new assistance or continuing any existing financial assistance.

Your Entry Fee is a condition of entrance into your Residence. Your monthly accommodation fee is necessary to support the ongoing operations of Carolina Meadows. Your acceptance into Carolina Meadows has been based on facts recorded by you as part of your confidential application. If you weaken your financial position or your ability to pay the monthly accommodation fee or other charges because you have made gifts to others or misused personal wealth after submitting such financial information, you may not be eligible for any financial assistance. Carolina Meadows will request a current financial statement from you and you agree to provide supporting documentation to confirm the data in your financial statement. Should you find your current income insufficient to meet your monthly accommodation fee or other charges, you agree to take necessary steps to liquidate investments or capital assets in order to keep your account on a current basis before applying for and receiving any financial assistance. _____ initial

- 14.1 Understand that if you need financial assistance, it is your responsibility to notify us before your account becomes in arrears and you agree to apply for financial assistance under the Financial Assistance Policy established by Carolina Meadows.
- 14.2 If you are approved for financial assistance and for the purpose of determining all future financial assistance, you agree to provide periodic updated financial information under this Agreement and the Financial Assistance Policy as reasonably requested by Carolina Meadows.

Section 15: No Unauthorized Assignment

Your contract grants certain occupancy rights and privileges to you only. You may not assign or otherwise transfer these rights and privileges at any time to anyone else.

Section 16: Visitors

Your visitors may not visit for more than fourteen (14) consecutive days in your Residence or in approved guest quarters on campus; however, no person(s) other than you may reside in your Residence without the express written approval of Carolina Meadows. School age children under the age 18 are prohibited from living or staying on campus for more than fourteen (14) days in any consecutive twelve (12) month period.

Section 17: Private Duty Nurses and Companions

Carolina Meadows offers a list of preferred service providers including Carolina Meadows Home Care. You agree to abide by any and all Carolina Meadows policies and procedures for use of such providers. Carolina Meadows reserves the right to limit or prohibit access to its property by such provider or providers if Carolina Meadows determines there is a risk or potential risk. You agree to indemnify and hold harmless Carolina Meadows for any claim, loss or expense resulting from actions of such providers. Such providers are not considered Visitors as described in Section 16 above.

Section 18: Pet Policy

"Pets" shall be defined as household dogs, cats, tropical fish and caged birds. No other animals will be permitted without the approval of the Chief Executive Officer. Each pet must be viewed and approved by the Carolina Meadows staff before the pet can be brought into the Carolina Meadows community. Carolina Meadows requires that no pet shall be a nuisance or health threat to other residents or staff and must be properly cared for at all times. Failure to comply with any policies regarding pets may necessitate the removal of such pet. If a pet is not removed after a request has been made for such removal, Carolina Meadows reserves the right to terminate this Agreement. You agree to be responsible for all damage caused by your pet and you agree to have your pet in control at all times when outside your Residence.

Section 19: Illnesses or Conditions for which Carolina Meadows is Not Responsible for Providing Care or Services

Carolina Meadows does not provide services or care for the following conditions:

- Drug or alcohol abuse or addiction
- Dangerous Communicable Diseases
- Severe psychiatric or mental health disorders

In the event any of these conditions are such that your continued health and safety or that of other residents may be compromised, Carolina Meadows may require you to be transferred to another facility capable of managing your condition(s) or terminate your Residency and Care Agreement if you do not agree to be transferred. You agree to be responsible for the cost of care in an outside facility as well as continuing to pay your monthly fees as if you were living at Carolina Meadows unless you terminate your Residency and Care agreement and vacate your residence or unit.

Section 20: Miscellaneous Provisions

- 20.1 If you fail to honor some provision in this Agreement and we do nothing about it – or if we fail to do something and you overlook it – nothing in this Agreement changes. In other words, nothing old is waived; nothing new is authorized. The Agreement will remain fully enforceable.
- 20.2 This Agreement will not be considered valid until we have received medical and financial documents as requested. By signing this Agreement, you authorize the release to Carolina Meadows of any information we may request.
- 20.3 Carolina Meadows will stand behind all of the statements, promises and representations in this Agreement, but no others. If you feel something has been promised to you, but it is not specifically mentioned in this Agreement, now is the time to discuss it – before you sign.

Section 21: Entire Agreement

All exhibits, schedules and addenda attached to this Agreement are incorporated herein and made a part hereof by reference. This Agreement, including any exhibits, schedules and addenda attached hereto, constitutes the entire agreement between Carolina Meadows and you and supersedes all prior written or prior contemporaneous oral understandings or agreements between Carolina Meadows and you. Carolina Meadows

shall not be liable or bound in any manner by any statements, representations, or promises made by any person representing or assuming to represent Carolina Meadows, unless such statements, representations, or promises are set forth in this Agreement or its exhibits, schedules and addenda. This Agreement shall not be altered, amended or modified except in writing and duly executed by you and Carolina Meadows. This Agreement is governed by the laws of the State of North Carolina.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

CAROLINA MEADOWS, INC.

RESIDENT

By: _____

Name: _____

Title: _____

Name: _____

Date: _____

Date: _____

Revision Date: May 29, 2020

Exhibit A: Fairways Assisted Living Agreement Following Early Advantage

The rights and responsibilities contained within the Residency and Care Agreement, to which this Exhibit is a part, shall remain in full force and effect and are not changed by this Exhibit.

“You”, “Your”, or “Resident(s)” shall refer to _____.
Your new Residence is room number _____. The current daily per diem for your new Residence is _____ and will take effect on _____. The daily per diem may be adjusted periodically by management as approved by the Board of Directors. Carolina Meadows is required to give you thirty (30) days written notice prior to a change in the daily per diem. You may enjoy your Residence until terminated by either you or us in accordance with Section 7 of your Residency and Care Agreement.

Carolina Meadows is committed to a person-centered care approach in The Fairways tailored to the abilities and changing needs of each resident. To that end, we focus our care in meeting your physical, mental, and emotional needs by providing an environment in which you may maintain identity and independence, value relationships, make choices, use abilities in meaningful activities and feel safe and secure.

You desire to become a resident of the Fairways Assisted Living at Carolina Meadows and to use and enjoy the facilities, programs and services provided by Carolina Meadows subject to the terms and conditions of this Agreement. To that end, you shall have the exclusive right to occupy, use, and enjoy a specific Fairways Residence at Carolina Meadows, and you want to obtain related contractual services as described later in this Agreement.

You and Carolina Meadows agree as follows:

Section 1: Your Residence

You shall have the exclusive right to occupy, use, and enjoy Fairways Residence number _____, hereinafter referred to as your “Residence”, until terminated by either you or us in accordance with Section 7 of your Residency and Care Agreement. We agree to equip your Residence with wall-to-wall flooring, refrigerator, individually controlled heating and air conditioning and blinds on external windows. Your Residence is to be used for personal living purposes only and shall not be used for any business or profession or in a manner that violates zoning restrictions or other applicable law. Nothing in this Agreement shall be construed to create any interest in the real property of Carolina Meadows or to create a leasehold or the relationship of landlord and tenant between Carolina Meadows and you.

Section 2: Daily Service Fee

On the Date of Occupancy you will begin paying a base Daily Service Fee, billed on a monthly basis, currently set at \$____ per day. The base Daily Service Fee may include an additional Daily Level of Care Fee for your level of care needs, currently set at \$____ per day. The Level of Care determination is based on your care plan, which is completed within thirty days of admission, annually or with a significant change of condition. All Fairways Assisted Living residents must have care plans in place. You are responsible for paying the Daily Service Fee and all ancillary fees by the 10th day of each month, in advance, even when you are away, regardless of the reason. We may raise Daily Service Fees and/or Level of Care Fees annually to reflect changes in operating expenses and services.

Section3: Services We Provide and Other Duties We Acknowledge

- 3.1 In addition to the services and facilities described in Section 3.1 of your Residency and Care Agreement that you received while living in your independent living residence, we will provide these additional services and facilities while you are residing in your Fairways Assisted Living Residence in the manner we deem appropriate for all the residents of Carolina Meadows on a non-exclusive basis:
- A. Activities programming
 - B. Three meals daily, seven days a week
 - C. Bed and bath linens
 - D. Assistance with activities of daily living
 - E. Medication administration
 - F. Twenty-four (24) hour nursing staff in Assisted Living
 - G. Access to campus wide health monitoring and promotion programs
 - H. Daily light housekeeping services
- 3.2 We will pay the property taxes on your Residence and the taxes on common areas. You are responsible for paying taxes on your personal or intangible property.
- 3.3 We will provide a central dining facility where you may take meals if you wish. You are welcome to entertain guests in the dining room as space permits. The charges for guests will be placed on your monthly bill.

Section 4: Additional Available Services

- 4.1 You may purchase the following additional services or items for a fee, separate from the Daily Service Fee. These additional services are not included in the services covered by the Daily Service Fee. The specific charge for each of these additional services may be changed by us from time to time as deemed appropriate in our discretion:
- A. Medical care in the Pines Health Center (private or semi-private accommodations)
 - B. Medical treatment in the Community Health Clinic
 - C. Home Care services
 - D. Rehabilitation services
 - E. Use of guest room accommodations
 - F. Personal fitness training
 - G. Housekeeping beyond routine scheduled services
 - H. Handyman services for personal requests or damaged items
 - I. Guest meals for your visitors
 - J. Assistance by a nurse or aide through a licensed home care or home health agency as medically required
 - K. Nutrition and diet counseling
 - L. Concierge services including shopping, personal errand running (unaccompanied) and information technology support services

Section 5: Additional Requirements

- 5.1 Carolina Meadows shall not be responsible for loss of any property belonging to you or your guests or invitees due to theft, fire, or any other cause. Resident shall be responsible for providing insurance protection on personal items.
- 5.2 You agree to abide by the rules and regulations of Carolina Meadows as may be established or revised from time to time.
- 5.3 Except for changes required by law, Carolina Meadows will notify you of any proposed change in the scope of services provided at least 30 days before such change is effective.
- 5.4 Carolina Meadows shall have the right at all reasonable times to enter your Residence for the purpose of inspecting or repairing it.

- 5.5 Carolina Meadows reserves the right to ask you to leave for non-payment of fees. You are entitled to a 30-day notice.
- 5.6 Carolina Meadows recognizes you have the right of self-determination. We will attempt to involve you or your representative in all decisions related to moves and changes in level of care. However, Carolina Meadows reserves sole authority in determining whether you should be moved to The Green, the Pines Health Center or another more appropriate care facility if your care needs exceed our capabilities for which we are licensed to provide.
- 5.7 You may be charged a trash removal fee up to \$500 for removal of excessive trash and items abandoned upon vacating a unit.

IN WITNESS WHEREOF, the parties hereto have executed EXHIBIT A as part of your Residency and Care Agreement.

CAROLINA MEADOWS, INC.

RESIDENT/RESPONSIBLE PARTY

By: _____

Name: _____

Title: _____

Name: _____

Date: _____

Date: _____

Revision Date: May 29, 2020



Exhibit B: The Green Memory Care at the Fairways Agreement

The rights and responsibilities contained within the Residency and Care Agreement, to which this Exhibit is a part, shall remain in full force and effect and are not changed by this Exhibit.

“You”, “Your”, or “Resident(s)” shall refer to _____.
Your new Residence is room number _____. The current daily per diem for your new Residence is _____ and will take effect on _____. An additional daily level of care fee may apply based on your individual plan of care as determined within thirty days of admission, quarterly or following a significant change of condition. The daily per diem and daily level of care fee may be adjusted periodically by management as approved by the Board of Directors. Carolina Meadows is required to give you thirty (30) days written notice prior to a change in the daily per diem. You may enjoy your Residence until terminated by either you or us in accordance with Section 7 of your Residency and Care Agreement.

Carolina Meadows is committed to a person-centered care approach in The Green tailored to the abilities and changing needs of each resident. To that end, we focus our care in meeting your physical, mental, and emotional needs by providing an environment in which you may maintain identity and independence, value relationships, make choices, use abilities in meaningful activities and feel safe and secure.

You desire to become a resident of The Green at Carolina Meadows and to use and enjoy facilities, programs and services provided by The Green subject to the terms and conditions of this Agreement. To that end, you shall have the exclusive right to occupy, use, and enjoy a specific unit within The Green, and you want to obtain related contractual services as described later in this Agreement.

You and Carolina Meadows agree as follows:

Section 1: Your Residence

You shall have the exclusive right to occupy, use, and enjoy The Green unit number _____ that hereinafter will be referred to as your “Residence”. We agree to equip your Residence with wall-to-wall flooring, individually controlled heating and air conditioning and blinds. Your Residence is to be used for personal living purposes only and shall not be used for any business or profession or in a manner that violates zoning restrictions or other applicable law. Nothing in this Agreement shall be construed to create any interest in the real property of Carolina Meadows or to create a leasehold or the relationship of landlord and tenant between Carolina Meadows and you.

Section 2: Daily Service Fee

On the Date of Occupancy you will begin paying a base Daily Service Fee, billed on a monthly basis, currently set at \$____ per day. You are responsible for paying the Daily Service Fee and all ancillary fees by the 10th day of each month, in advance, even when you are away, regardless of the reason. We may raise Daily Service Fees and/or Level of Care Fees annually to reflect changes in operating expenses and services.

Section 3: Services We Provide and Other Duties We Acknowledge

- 3.1 In addition to the services and facilities described in Section 3.1 of your Residency and Care Agreement that you received while living in your independent living residence, we will provide these additional services and facilities while you are residing in your Residence at The Green in the manner we deem appropriate for all the residents of Carolina Meadows on a non-exclusive basis:
- A. Activities programming
 - B. Three meals daily, seven days a week
 - C. Bed and bath linens
 - D. Assistance with activities of daily living
 - E. Medication administration
 - F. Twenty-four (24) hour nursing staff in Assisted Living
 - G. Access to campus wide health monitoring and promotion programs
 - H. Concierge services including shopping, personal errand running (unaccompanied) and information technology support services
- 3.2 We will pay the property taxes on your Residence and the taxes on common areas. You are responsible for paying taxes on your personal or intangible property.
- 3.3 We will provide a central dining venue. You are welcome to entertain guests in the dining room as space permits. The charges for guests will be placed on your monthly bill.

Section 4: Additional Available Services

- 4.1 You may purchase the following additional services or items for a fee, separate from the Daily Service Fee. These additional services are not included in the services covered by the Daily Service Fee. The specific charge for each of these

additional services may be changed by us from time to time as deemed appropriate in our discretion:

- A. Medical care in the Pines Health Center (private or semi-private accommodations)
- B. Medical treatment in the Community Health Clinic
- C. Home Care services
- D. Rehabilitation services
- E. Use of guest room accommodations
- F. Housekeeping beyond routine scheduled services
- G. Handyman services for personal requests or damaged items
- H. Home meal delivery as medically required.
- I. Guest meals for your visitors
- J. Temporary assistance by a nurse or aide through a licensed home care or home health agency as medically required
- K. Nutrition and diet counseling

Section 5: Additional Requirements

5.1 Prior to or contemporaneously with your move to The Green, you will be assessed by our staff. From this assessment, your plan of care will be created to provide care-giving information to staff who will be caring for you. The assessment is designed to provide understanding about your:

- Cognitive Health
- Physical Health
- Physical Functioning
- Behavioral Status
- Sensory Capabilities
- Decision-Making Capacity
- Communication Abilities
- Personal Background
- Cultural Preferences
- Spiritual Needs and Preferences

5.2 The assessment tool and periodic staff observations are designed to anticipate changes in behaviors and abilities across different staff shifts. Such changes can

be seen as a form of communication and an expression of preferences to which our staff will respond to accordingly.

- 5.3 Family members and/or responsible parties are encouraged to participate in any medical consultations. Family involvement is key to success in The Green and participation is encouraged in support groups. However, Carolina Meadows reserves the sole right in making the best decisions for individuals when considering safety and security concerns for all residents and staff in The Green.
- 5.4 The Green is a secured environment which utilizes a magnetic safety system. The exterior doors of the Green are secured by an electronic magnet. You may be required to wear a device which receives transmissions from transponders located throughout The Green. The device is used to prevent unattended egress from The Green. Carolina Meadows provides ample space and amenities as part of The Green to enjoy outside activities while preserving your safety and security.
- 5.5 Carolina Meadows shall not be responsible for loss of any property belonging to you or your guests or invitees due to theft, fire, or any other cause. Carolina Meadows will not be responsible for loss of personal clothing. Resident shall be responsible for providing insurance protection on personal items.
- 5.6 You agree to abide by the rules and regulations of Carolina Meadows as may be established or revised from time to time.
- 5.7 Except for changes required by law, Carolina Meadows will notify you of any proposed change in the scope of services provided at least 30 days before such change is effective.
- 5.8 Carolina Meadows shall have the right at all reasonable times to enter your Residence for the purpose of inspecting or repairing it.
- 5.9 Carolina Meadows reserves the right to ask you to leave for non-payment of fees.
- 5.10 Carolina Meadows recognizes you have the right of self-determination. We will attempt to involve you or your representative in all decisions related to moves and changes in level of care. However, Carolina Meadows reserves sole authority in determining whether you should be moved to the Pines Health Center or another facility if your care needs change beyond our ability to successfully address them.

IN WITNESS WHEREOF, the parties hereto have executed EXHIBIT B as part of your Residency and Care Agreement.

CAROLINA MEADOWS, INC.

RESIDENT/RESPONSIBLE PARTY

By: _____

Name: _____

Title: _____

Name: _____

Date: _____

Date: _____

Revision Date: May 29, 2020

Exhibit C: Pines Health Center Agreement

The rights and responsibilities contained within the Residency and Care Agreement, to which this Exhibit is a part, shall remain in full force and effect and are not changed by this Exhibit.

“You”, “Your”, or “Resident(s)” shall refer to _____.
The current daily per diem for your home is _____. The daily per diem may be adjusted periodically by management as approved by the Board of Directors. Carolina Meadows is required to give you thirty (30) days written notice prior to a change in the daily per diem.

Carolina Meadows is committed to a person-centered care approach in our Pines Health Center tailored to the abilities and changing needs of each resident. To that end, we focus our care in meeting your physical, mental, and emotional needs by providing an environment in which you may maintain identity and independence, value relationships, make choices, use abilities in meaningful activities and feel safe and secure.

You have received copies of the following material and the information has been explained to you:

- | | |
|---|---|
| <input type="checkbox"/> Policies and Procedures | <input type="checkbox"/> CPR policy |
| <input type="checkbox"/> Medical Care Decisions, Advance Directives | <input type="checkbox"/> Fee Schedule |
| <input type="checkbox"/> Residents’ Rights in long term care facilities | <input type="checkbox"/> Restraint Free Environment |

Personal Laundry: You wish to have the Pines Health Center do your personal laundry. You have been advised of the fees for this service and understand that this service is optional and may be cancelled at any time.

Yes No

1. The Pines Health Center provides general nursing care, room and board and other health services for your comfort and well-being. You authorize us to provide these services. Depending on room availability and changing needs of the health center, you may be asked to move to a different room during your stay.
2. The Pines Health Center is not a hospital but is licensed as a nursing facility. We do not provide diagnostic or acute care for an unstable condition.
3. Physicians do not visit daily but communicate with the nursing staff by phone to prescribe medications and treatments. We are not liable for any acts or omissions of your physician in accurately following his/her instructions.

4. You have received a copy of the fee schedule and agree to pay all charges. Please note: upon permanent discharge from the Pines Health Center, you are responsible for daily fees as long as your belongings remain in the room. In the case of a resident's death, there will be no room charge for the first five days (day one being the date of death); bedhold charges will begin on the sixth day should belongings still remain in the room. After 10 days, Carolina Meadows reserves the right to remove said belongings and to store them at your expense. You may be charged a fee up to \$500 for removal of excessive trash or items abandoned upon vacating the room.
5. Should it be deemed necessary, you may be required to wear a device to prevent wandering outside The Pines unless attended by staff.
6. The Pines Health Center may require you to have an escort for away-appointments. On some occasions a family member or resident volunteer may be both available and suitable. On others, a paid agency escort may be needed, the cost for which you are responsible. The Pines Health Center will consult with you prior to scheduling.
7. You understand that we contract for certain services (lab, x-ray, pharmacy, rehabilitative therapies). They are provided upon order of your physician. To the extent possible, these providers' bill third party payers for these services, however, you are responsible for payment.
8. You authorize us to release medical records to: any insurance company to process payment, to Medical Claims Rx to assist in claim processing, to a hospital or other medical facility if you are discharged, and to licensing inspectors.
9. If the Carolina Meadows Care Coordination Team determines that one-on-one companion or additional care is deemed necessary, such care will be your financial responsibility. We are not liable for any harm for failure to provide such services nor are we liable for any acts performed or omitted by such staff.
10. Smoking and vaping are prohibited in all areas of the Pines Health Center.
11. We are not responsible for loss, theft or destruction of personal property. This includes personal items such as dentures, glasses or hearing aids that are occasionally lost. Reasonable efforts are made to minimize the risk of loss, theft or destruction of personal property but it cannot be guaranteed. Items that are irreplaceable due to cost or sentiment should not be brought into the Pines Health Center.

IN WITNESS WHEREOF, the parties hereto have executed EXHIBIT C as part of your Residency and Care Agreement.

CAROLINA MEADOWS, INC.

RESIDENT/RESPONSIBLE PARTY

By: _____

Name: _____

Title: _____

Name: _____

Date: _____

Date: _____

Revision Date: May 29, 2020

Attachment 6(c): Early Advantage Agreement



Early Advantage Agreement

This Early Advantage Agreement (the "Agreement") takes effect on the ____ day of _____. The Agreement is between **Carolina Meadows, Inc.** and you. In this paragraph and throughout the rest of the Agreement, the words "we", "us", "our" or "Carolina Meadows" refer to Carolina Meadows, Inc., and the words "you", "your", and Member refer to _____. All Members that are parties to this Agreement shall be jointly and severally liable for payment of all fees and charges under this Agreement.

Carolina Meadows is a North Carolina non-profit corporation. We are a Life Plan Community licensed as a continuing care retirement community organized to provide housing, recreation, health care and other services to people after they reach retirement age or older. Carolina Meadows is located in Chatham County, at 100 Carolina Meadows, Chapel Hill, North Carolina, 27517.

You desire to become a member of Carolina Meadows Early Advantage program and to use and enjoy the common facilities, programs and services provided by Carolina Meadows subject to the terms and conditions of this Agreement. You have access to related contractual services as described later in this Agreement. Your specific rights and responsibilities are detailed in this Agreement.

During the time that you are a Carolina Meadows Early Advantage member, but not yet residing on campus, Carolina Meadows will offer an annual in home visit by a Carolina Meadows staff member. If more frequent in-home visits are needed, or if any needs are identified that may require subsequent in-home services, Carolina Meadows staff will refer you to our partner providers.

As a member of Carolina Meadows Early Advantage program, you will remain on our Ready List. Your priority number will remain _____, which was provided at the original date of application.

At the time you choose to reserve an apartment or villa on our campus, having already been accepted as a member of Carolina Meadows Early Advantage program, you will not have to repeat an admission process. Based on the passage of time from the date of your original acceptance, we reserve the right to seek updated medical and financial information in order to determine your ability to live independently and to have maintained sufficient assets for any additional entry fee and higher monthly service fees required for residency in the particular reserved unit. Your acceptance as a member of Carolina Meadows Early Advantage program, however, will continue to remain in effect.

You and Carolina Meadows agree as follows:

1. YOUR MEMBERSHIP.

- 1.1 The Early Advantage Entry Fee is _____.
Less previous deposits of _____.
Remaining balance due _____.
If previous deposits exceed the remaining balance due, the excess of _____ will be applied to future Entry Fees upon moving on campus.
The Entry Fee amortizes over 25 months after which no refund will be made. However, if you later move into Carolina Meadows, your full entry fee will be applied toward the then current entry fee for your desired home.
- 1.2 You will begin paying your Monthly Membership Fee as described in Section 2 on _____.
- 1.3 Upon moving to campus, your Early Advantage Entry Fee will be credited towards your Independent Living Entry Fee. If you move directly to a higher level of care on campus without paying an Independent Living Entry Fee first, your Early Advantage Fee will continue to amortize in accordance with this agreement.

- 2. MONTHLY MEMBERSHIP FEE.** When you sign this agreement you agree to begin paying the Monthly Membership Fee. The Monthly Membership Fee is currently _____, but we may raise it from time to time to reflect changes in operating expenses and benefits. You are responsible for paying the Monthly Membership Fee by the 10th day of each month, in advance, even when you are away, regardless of the reason.

3. MEMBERSHIP SERVICES AND BENEFITS WE PROVIDE.

- 3.1 We will provide these benefits in the manner we deem appropriate for all the members of the Early Advantage program of Carolina Meadows on a non-exclusive basis:
- A. Priority access to Assisted Living or Health Center should a change in health status require a move onto campus
 - B. Five (5) free days of room and board a year (up to ten (10) lifetime total available) for the Pines Health Center prior to moving into Carolina Meadows
 - C. Access to our on-site primary care medical practice
 - D. Care Coordination provided by a member of our Care Coordination Team, including an in home annual visit by a Carolina Meadows staff member. Social services, counseling and support programs are coordinated by the Care Coordination team

- E. Access to the Resident website portal
- F. Participation in all social, educational, recreational and cultural activities
- G. Regularly scheduled transportation from campus, including shopping and events
- H. Two scheduled medical transportation trips per month
- I. Access to our numerous dining venues, as well as Gourmet-to-Go pick-up from campus
- J. Use of campus amenities including wellness center, indoor pool and Jacuzzi, library, craft and art studio, woodworking shop and resident business center
- K. Use of the Carolina Meadows golf course and other outdoor sport venues including tennis courts, bocce courts, dog park and walking trails. You may be required to pay a greens fee to play the Carolina Meadows golf course
- L. Wireless internet availability in designated areas throughout the campus
- M. Concierge services on campus, including notary, basic Information Technology services and postage and shipping assistance from campus
- N. Access to on-site gift shop and beauty salon

4. ADDITIONAL AVAILABLE BENEFITS.

4.1 You may purchase the following on campus additional services on an *a la carte basis*, separate from the Monthly Membership Fee. These additional services are not included in the benefits covered by the Monthly Membership Fee. The specific charge for each of these additional benefits may be changed by us from time to time as deemed appropriate in our discretion:

- A. Pines Health Center short-term stay (private or semi-private accommodations)
- B. Medical treatment in the on-site primary care medical practice. Medical specialty services (podiatry, dermatology, audiology and mental health services) provided by independent licensed practitioners
- C. Rehabilitation services
- D. Personal fitness training
- E. Guest meals for your visitors
- F. Fee-for-Service Concierge services
- G. Temporary assistance by a nurse or aide through a licensed home care or home health agency as medically required
- H. Nutrition and diet counseling
- I. Access to integrative health therapies, including massage and acupuncture
- J. Access to partner providers, including home care agencies

5. CARE COORDINATION AND TRANSFER TO ASSISTED LIVING OR THE HEALTH CENTER.

- 5.1 Carolina Meadows shall furnish Care Coordination services to you by qualified staff who will partner with you (i) assess your needs; (ii) develop a transition plan; (iii) help identify reputable local providers to meet your needs; and (iv) follow up to ensure that your needs are appropriately met.
- 5.2 You hereby acknowledge and agree that Carolina Meadows is not responsible for providing medical or other personal care services in your home. All decisions regarding your Care Coordination plan, including the prospect of your need for support services in your home, temporary or permanent transfer to Assisted Living or Health Center, or outside facilities will be made after consultation with you and, when appropriate, with your family or designee. Any support services in your home would be your financial responsibility.
- 5.3 If it is determined by Carolina Meadows' Care Coordination team that your needs require temporary or permanent transfer to Carolina Meadows' Assisted Living or Health Center facilities, and if you choose not to move to those facilities, then you agree to accept sufficient services to provide appropriate care and safety in your home. You will be financially responsible for these additional services. If, in our sole judgment, the services you elect to receive are insufficient for appropriate care and safety in your home, you must move to an appropriate level of care at Carolina Meadows, or we will have the right to terminate this Agreement. Carolina Meadows' decision will be binding.
- 5.4 Carolina Meadows does not provide services or care for the following conditions but may direct you to providers who do:
- Drug or alcohol abuse or addiction
 - Dangerous Communicable Diseases
 - Severe psychiatric or mental health disorders

6. YOUR RIGHT TO RESCIND THIS AGREEMENT WITHIN 30 DAYS.

You have a thirty (30) day Rescission Period in which to cancel this Agreement by giving us written notice of your decision to rescind. The Rescission Period begins when you sign this Agreement. If you rescind during the Rescission Period, we will refund, without interest, the money you paid under Sections 1.1 minus a service charge not to exceed \$1,000 or 2% of the Entry Fee. We will issue your refund within 30 days after we receive written notice of your desire to void this Agreement.

7. TERMINATION AND REFUNDS.

- 7.1 Termination by you: You may terminate this Agreement for any reason after the thirty (30) day Rescission Period by giving Carolina Meadows sixty (60) days advance written notice of intent to terminate. You may be entitled to a prorated refund of the Entry Fee.
- 7.2 Termination by Carolina Meadows: Carolina Meadows may terminate this Agreement if (i) you die; (ii) you misrepresent or omit material, financial, medical or other information requested during the application process; (iii) you fail to pay the Monthly Membership Fee for three consecutive months; (iv) your financial status changes such that you no longer meet the financial requirements for membership; or (v) you no longer qualify for independent living and fail to follow recommendations of the Carolina Meadows Care Coordination Team including moving to a higher level of care or obtaining sufficient support in the home.
- 7.3 In the event of your death at any time after the Date of Early Advantage this Agreement will terminate upon the date of death. Your estate may be entitled to a prorated refund of the Entry Fee.
- 7.4 Your refund, without interest, of the Entry Fee you have paid will be calculated on a pro-rated basis. The twenty-five (25) month period begins with signing of this document. If termination of this Agreement occurs during the first twenty-five (25) months of this Agreement, you or your estate will be entitled to a partial refund of the Entry Fee. You will receive a refund in the amount equal to: (i) the Entry Fee; less (ii) four percent (4%) for each month that this Agreement has been in effect for up to twenty-five (25) months; less (iii) any amounts due to Carolina Meadows. After twenty-five (25) months there is no refund of the Entry Fee. Refund payment, if any, shall be made within thirty (30) Days of written notice of termination.
- 7.5 Should you not move on campus, any excess deposits above the Early Advantage Fee will be refunded to you or your estate.

8. YOUR OBLIGATIONS AS A CAROLINA MEADOWS EARLY ADVANTAGE RESIDENT.

- 8.1 You agree to abide by all Carolina Meadows' existing and future rules, operating procedures, regulations and policies.
- 8.2 You agree to provide Carolina Meadows with the following information prior to occupancy:

- Emergency contact information for persons to notify in an emergency
 - Name of your local physician
 - Copy of current Durable Power of Attorney
 - Copy of current Health Care Power of Attorney
 - Copy of any Advance Directives
 - Copies of relevant portions of trusts indicating where any refunds should be sent if not to the estate or surviving spouse.
 - Name of the executor of your Estate
- 8.3 You agree, upon membership and approximately annually thereafter, to participate in an in-home visit for the purpose of identifying any goals or needs for which we may be of assistance as well as providing some basic but vital information for our use in the event of an emergency. You have the right to access your health information.
- 8.4 You accept the community's ideals of neighborliness, cooperation and good will, and agree to abide by rules designed to promote the safety, comfort and security of all residents.
- 8.5 You acknowledge that your funeral and burial expenses are entirely your own responsibility.
- 8.6 You agree to maintain a Medicare A and B policy, as well as a supplement to that coverage. If you are not eligible for Medicare, you agree to maintain health care coverage that we deem to be comparable. You agree to provide periodic, and as reasonably requested, proof that your coverage remains in effect after you execute this Agreement.
- 8.7 While Carolina Meadows encourages you to utilize long-term care insurance as an important financial planning tool and benefit, it is not required as a condition of entry. However, if you elected to purchase long-term care insurance from an agent of your choosing, whether previously or in order to meet our financial screening requirements, as determined solely by us, and, if we have approved your financial application based on the financial resources provided by the long-term care insurance, we require you to maintain the coverage. You agree to provide periodic, and as reasonably requested, proof that your coverage remains in effect after you execute this Agreement. If you later choose to move on-campus into any level of care and if you do not maintain or provide proof that you maintain your long-term care insurance as agreed, we reserve the right to not approve any financial assistance in the event your finances become depleted or insufficient to cover the Monthly Fees and other costs associated with living at Carolina Meadows.

- 8.8 If you carry long-term care insurance at the time you execute this Agreement and Section 8.7 does not apply because your financial application was not based on the financial resources provided by the long-term care insurance, you agree to provide us a copy of the statement of policy benefits from your long-term care insurance policy prior to or contemporaneously with the execution of this Agreement. You also agree to notify us, in writing, thirty days (30) prior to allowing your coverage to lapse in the event you wish no longer to maintain your long-term care policy.
- 8.9 You agree that any decisions we make regarding arrangements, admission, cancellation, termination, accommodation, or finances for another resident are within the sole province of Carolina Meadows and will remain private between Carolina Meadows and that resident.
- 8.10 You agree to pay, in full and on time, all fees due to Carolina Meadows. You will be charged a late fee of eighteen percent (18%) per year of the unpaid balance on any fees not paid on time, as specified in this Agreement.
_____initial
- 8.11 You represent and warrant that all of the information you have provided about yourself is accurate, and agree that serious omissions or untruths are grounds for terminating this Agreement, at the sole discretion of Carolina Meadows.
- 8.12 You agree to indemnify and hold Carolina Meadows harmless from and against all claims, losses and expenses resulting from your own negligence, acts or omissions.
- 8.13 You agree to provide updated financial information every two years, or as reasonably requested.
- 8.14 Upon permanently moving on campus to any Carolina Meadows' level of care, you must execute a Residency and Care Agreement following Early Advantage and become subject to the terms of that Agreement. This Early Advantage Agreement shall terminate upon execution of a Residency and Care Agreement following Early Advantage.
- 9. AMENDMENTS AND PARTIAL INVALIDATION.** Generally, this Agreement can be changed only by mutual written consent. However, we can make changes without your consent to keep this Agreement in compliance with applicable laws and regulations – provided that the changes we make do not substantially reduce your benefits under this Agreement. We will notify you of any such change. If any provision in this Agreement is invalidated, all other provisions will remain in force.

10. **NO ASSIGNMENT.** The rights and privileges granted to you under this agreement are specific to you and may not be assigned to anyone else.

11. **MISCELLANEOUS PROVISIONS.**

11.1 If you fail to honor some provision in this Agreement and we do nothing about it – or if we fail to do something and you overlook it – nothing in this Agreement changes. In other words, nothing old is waived; nothing new is authorized. The Agreement will remain fully enforceable.

11.2 By signing this Agreement, you authorize the release to Carolina Meadows any information we might reasonably need or request. _____initial

11.3 Carolina Meadows will stand behind all of the statements, promises and representations in this Agreement, but no others. If you feel something has been promised to you, but it is not specifically mentioned in this Agreement, now is the time to discuss it – before you sign. _____initial

12. **ENTIRE AGREEMENT.** All exhibits, schedules and addenda attached to this Agreement are incorporated herein and made a part hereof by reference. This Agreement, including any exhibits, schedules and addenda attached hereto, constitutes the entire agreement between Carolina Meadows and you and supersedes all prior written or prior contemporaneous oral understandings or agreements between Carolina Meadows and you. Carolina Meadows shall not be liable or bound in any manner by any statements, representations, or promises made by any person representing or assuming to represent Carolina Meadows, unless such statements, representations, or promises are set forth in this Agreement or its exhibits, schedules and addenda. This Agreement shall not be altered, amended or modified except in writing and duly executed by you and Carolina Meadows. This Agreement is governed by the laws of the State of North Carolina.

You have carefully read or had your legal or financial counsel review this agreement before signing. _____initial

(Signature Page Follows on Next Page)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

CAROLINA MEADOWS, INC.

RESIDENT

By: _____

Name: _____

Title: _____

Name: _____

Date: _____

Date: _____