



PENICK VILLAGE

Disclosure Statement Dated as of February 27, 2020

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

- **This Disclosure Statement may be delivered, if not earlier revised, up to July 27, 2021;**
- **This Disclosure Statement must be delivered to a contracting party before execution of a contract for continuing care with Penick Village;**

Please Note: This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.



PENICK VILLAGE

Mission:

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

Vision:

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

Core Values:

Protect:

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

Exceed Expectations:

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

Nurture:

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

Integrity:

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

Communications:

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

Kindness:

Demonstrate love in all situations.

Penick Village Receipt of Disclosure Statement

I, _____ and _____, have
received Penick Village's _____ Disclosure Statement on _____.

Signature: _____

Signature: _____

Witness: _____

DISCLOSURE STATEMENT
Dated as of February 27, 2020

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

Telephone: (910) 692-0300

Facsimile: (910) 692-5509

Website: www.penickvillage.org

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

Penick Village, Inc.

By: 

Jeffrey I. Hutchins
Chief Executive Officer

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I. ORGANIZATION INTRODUCTION AND INFORMATION

Narrative Description of the Organization and Its Operations

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

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

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

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

Not-For-Profit Status

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

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

Affiliations

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

The Corporation and its retirement community hold memberships in LeadingAge, LeadingAge North Carolina, North Carolina Health Care Facilities Association, Moore County Chamber of Commerce and Partners in Progress.

Licensure

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

Legal Description

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

Fees and Charges

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

outlined in their individual Residency Agreement.

II. COMMUNITY INTRODUCTION AND INFORMATION

Board of Directors

The business and other affairs of the Corporation are managed by a Board of Directors composed of no less than 12 and no more than 30 members and the Bishop of the Diocese of North Carolina. Directors are elected for staggered three-year terms by the current Board of Directors. Resident Board member terms are one (1) year with a maximum of four (4) consecutive terms. The Board of Directors may fill any vacancy occurring prior to the end of a Director's term. The current members of the Board of Directors, the length of their terms and their principal business affiliations are as follows:

| | |
|---|---|
| The Rt. Reverend Samuel Rodman Honorary Chair of the Board | Office of the Bishop 200 W. Morgan St., Suite 300 Raleigh, NC 27601 |
| Dr. Gary Krasicky President Class of 2022 | Retired Physician 77 Abbottsford Drive Pinehurst, NC 28374 |
| Lynne Healy First Vice President Class of 2020 | Caretaker of Family and Community Volunteer 565 East Massachusetts Avenue Southern Pines, NC 28387 |
| John R. Frizzell, III Treasurer Class of 2020 | Retired Bank Executive 3312 Bondwood Circle Johnson City, TN 37604 |
| Steve Leggett Secretary Class of 2020 | Retired Executive 65 Pinewild Drive Pinehurst, NC 28374 |
| Rick Smith Class of 2021 | Retired Community College Foundation Director 104 Pinelake Drive Whispering Pines, NC 28327 |
| Douglas Gill Class of 2020 | Retired Attorney 850 E. Massachusetts Avenue Southern Pines, NC |

Mrs. Marsha Coles
Class of 2021

4030 Cardinal at North Hills St.
Apartment #335
Raleigh, NC 27609

D. Byrd Gwinn
Class of 2021
Executive Committee

Retired Insurance Executive
P.O. Box 2338
Pinehurst, NC 28370

Mike Penick
Class 2022

Vice President/Commercial HVAC
7813 Hardwick Drive
Raleigh, NC 27615

Micah Niebauer
Class of 2022

Small Business Owner
154 Bellhaven Drive
Carthage, NC 28327

Gary Hildebrand
Class of 2020

Resident
Retired Businessman
Penick Village #5204
514 East New Jersey Ave.
Southern Pines, NC 28387

Kay Rhoades
Class of 2020

Resident
Retired Nurse Practitioner
Penick Village, #5006
514 East New Jersey Ave.
Southern Pines, NC 28387

Darlene Vaughn
Class of 2020

Accountant
180 Woodland Drive
Pinehurst, NC 28374

W. Lance Craig
Class of 2022

Accountant
20 Woods Road
Pinehurst, NC 28374

Sherry Price
Class of 2022

Retired School Administrator
15 Stoneykirk Drive
Pinehurst, NC 28374

Mary Reca Todd
Class of 2022

Retired Public Housing Official
3316 Lake Boone Trail
Raleigh, NC 27607

The Chief Executive Officer of Penick Village, Jeffrey I. Hutchins, is employed by the Board of Directors and has served in that role since September 2001. Mr. Hutchins holds a Bachelor of Social Work from North Carolina State University and a Master of Arts in Gerontology with a concentration in administration from the University of Northern Colorado. Mr. Hutchins is a licensed North Carolina Nursing Home Administrator. Prior to becoming Chief Executive Officer, he held several different positions in long-term care in his career including, Nursing Assistant, Central Supply Clerk, Activity Director, Social Worker and Director of an Assisted Living Facility. He came to Penick Village in August 2000 as the Assistant to the Executive Director. Mr. Hutchins is actively involved in community organizations, including the Leading Age North Carolina, the Kiwanis Club of the Sandhills, Sunrise Theatre, Christ Community Church, 100 Moore Men and Habitat for Humanity.

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

The Chief Financial Officer, Terry Kees, joined Penick Village in August 2014. Mr. Kees has over 40 years of experience in public accounting, industry and independent consulting, primarily in the manufacturing and distribution sectors. Mr. Kees has a bachelor of business administration degree from the University of Portland, Portland, OR. Mr. Kees involvement in the community includes The United Way.

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

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

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

Criminal Violations Statements

To the best of the knowledge of the Corporation and its Village, no one connected with the Corporation or Penick Village, either as an Officer, Director, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, or in any other capacity, nor any other person or entity, having any ownership or equity or beneficial interest in the Corporation or Penick Village has been convicted of a felony or pleaded nolo contendere to a felony charge, or been held liable or enjoined in a civil action by final judgment that involved action involving fraud, embezzlement, fraudulent conversion, or misappropriation of property; or is subject to a currently effective injunctive or restrictive court order, or within the past five years, has had any State or federal license or permit suspended or revoked as a result of an action by brought by a governmental agency or department, if the order or action arose out of or related to business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for aged, or facility subject to G.S. 58-64-20(a)(3)c or similar laws in any other state.

Location and Description of Physical Property

Penick Village is located on 38 acres in the town of Southern Pines in Moore County, North Carolina at 50 East Rhode Island Avenue. The campus is presently composed of one multi-level of care building (North), three independent living apartment buildings (Woodlands, Wharton, and Parkview), 47 Cottage type residences, one assisted living 10-bed small-house, and a community center (the Village House).

The South Building was vacated in 2019 and will be removed as Penick Village develops its replacement plan for this original building.

The North Building was completed in 1986 and contains 1 independent living apartment, a 32 bed Residential Assisted Living area in 31 apartment style residences, and the 50 bed Skilled Nursing Center. Residents of the North Building independent living apartment provide their own furniture and personal belongings. Currently the Skilled Nursing Center has 50 beds licensed for nursing services and certified by the North Carolina Department of Health & Human Services for participation in the Medicare program; 24 beds are also certified for participation in the Medicaid program. Beds certified for Medicare or Medicaid are available to those residents who themselves have been certified by such program or programs. Out of the 50 skilled beds, 17 are closed for use of residents covered under the Penick Village continuing care residency agreement. All 50 beds are in private rooms. The Residential Assisted Living area opened in January of 2013 and is now licensed for 32 of Penick Village's assisted living beds, 13 beds are closed for use of residents covered under the Penick Village continuing care residency agreement.

The 47 Cottage residences are of varying size and are designed for independent living and contain two bedrooms, kitchen, living room, and one and a half or two bathrooms. They consist of the following:

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

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

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

The Woodlands apartments, an independent living building, housing 73 residences and 2 guest rooms opened in July of 2011. There are one and two bedroom floor plans ranging from 600 to 1,800 square feet.

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

The Wharton apartments, a 19-residence independent living building with one (1) guest room is scheduled to open in June 2020. There are one and two bedroom floor plans ranging from 600 to 1,600 square feet.

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

Long Range Plan

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

- Develop the construction plan of a 50 apartment independent living building and a Wellness Center.
- Continue to emphasize its marketing program, including the major renovation of existing cottages.
- Expand Penick Village's Home Care program to give choice to residents and

- off campus clients choice to maintain residency in their preferred location.
- Renovate the Healthcare (North) Building to provide a household model of care and implement additional education and training for enhanced care and services.
 - In order to support the approximate \$1,600,000 of charity care provided annually, the Penick Village Foundation will strive to raise \$800,000 for its annual fund and grow its permanent funds from \$10,000,000 to \$20,000,000 over the next 10 years.
 - Develop a five-year strategic plan in 2020 that addresses:
 - Optimizing operational strategies
 - Creation and implementation of a master site plan
 - Fundraising to support the strategic plan
 - Off campus services
 - Recruitment and Retention

Estimated Number of Residents

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

Non-Resident Services

Penick Village historically has been involved in developing non-resident services to help meet the needs of the greater community of Southern Pines. One such service currently includes Meals-on- Wheels. Since 1974, Penick Village has provided an average of 95 meals per day for five days a week to the community based Meals on Wheels of the Sandhills program for the housebound. Volunteers from the community deliver the meals, for which Penick Village is reimbursed at the rate of \$3.50 per meal. Typically, several times a year, Penick Village hosts blood drives on campus, sponsored by the American Red Cross. On a routine basis, Penick Village donates furniture, fixtures and equipment to Habitat for Humanity, Helping Hands, and Goodwill. Penick Village also tries to make annual donations to the Southern Pines Fire Department and Police Department, Friend to Friend, and annually funds a nursing scholarship at Sandhills Community College. Several members of the leadership team serve on not-for-profit boards and advisory committees.

Health and Safety Requirements

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

Residency Agreement termination.

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

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

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

III. POLICIES

Admission

The following are the admission requirements to Penick Village.

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

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

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

1. Be admitted on the recommendation of the resident's attending physician.
2. Submit physical examination form before admission. Also submit a complete transcript of medical records for review by Penick Village's Health Services staff.

3. Meet the financial requirements as hereinafter stated to include Medicare coverage if the Resident meets the coverage criteria.

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

Financial and Insurance Criteria

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

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

Benevolent Assistance/Charity Care

Mainly through general contributions, fundraising events, grants from foundations, and interest income from the Permanent Funds, Penick Village provides financial assistance to residents who are unable to meet the full cost of the applicable Entrance Fee or ongoing monthly or daily fees. Such assistance, in the form of advances, extended credit or reduction of some or all of the aforesaid costs, is rendered from time to time on a case by case basis depending on an individual's financial needs and, except to the extent it may be expressly and unambiguously embodied in a Residency Agreement or other written agreement, Penick Village cannot promise or guarantee in advance to that resident the continuing availability or extent of such assistance or reduced rates. The absent day credit for off-campus hospitalization or other absences from Penick Village outlined later in this document is not available to any resident who is benefiting from such assistance. Historically, approximately 11% of the residents have received some level of financial assistance from Penick Village, and approximately 13% of the current residents receive some level of financial assistance. Non-reimbursed health services have been approximately \$980,000 and financial assistance for Independent and Assisted Living housing and services have averaged approximately \$635,000 annually.

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

assistance rendered him or her by Penick Village.

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

Entrance Fees

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

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

Fifty Percent (50%) Refundable Entrance Fee: Once the Resident(s) has (have) chosen and paid the required Entrance Fee and has (have) - taken occupancy of a Residence at Penick Village under a life plan care contract, the amount of the Fifty Percent Refundable Entrance Fee will reduce five percent the first day of the first month occupied, four percent monthly for any portion of each month the Residence is occupied for the next 11 months, and one percent on the first day of the 13th month the Residence is occupied. At this time, 50 percent of the entrance fee is fully exhausted. Except as provided in the last paragraph of this section, the refund, if applicable, will be 50 percent of the original Entrance Fee. This amount will be refunded within 30 days after receipt of proceeds from the next re-sale of the Residence listed in the resident's Residency Agreement. "Occupancy" is defined as the time the unit is occupied by the resident or any of the resident's belongings.

percent of the Entrance Fee is fully exhausted. Except as provided in the last paragraph of this section, the refund, if applicable, will be 90 percent of the original Entrance Fee. This amount will be refunded within **Ninety Percent (90%) Refundable Entrance Fee:** Once the Resident(s) has (have) chosen and paid the required Entrance Fee and has (have) taken occupancy of a Residence at Penick Village under a life plan care contract, the amount of the Ninety Percent Refundable Entrance Fee will reduce five

percent on the first day of the first month the Residence is occupied and then one percent monthly for any portion of each month the Residence is occupied for the next five months. At this time 10 30 days after receipt of proceeds from the next resale of the Residence - listed in the resident's Residency Agreement. "Occupancy" is defined as the time the unit is occupied by the resident or any of the resident's belongings.

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

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

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

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

Pets

Penick Village accepts the following pets in independent living: cats, small caged bird, fish and dogs in all residences as agreed upon by Penick Village. Penick Village reserves the right to refuse pet residency and limit the number of pets.

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

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

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

NOTICE OF RIGHT FOR A RESIDENT TO RESCIND THE RESIDENCY AGREEMENT

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

Termination Prior to Occupancy

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

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

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

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

Termination of Residency After Occupancy

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

By the resident at any time upon thirty (30) days prior written notice to Penick

Village. Also, Penick Village may terminate the Residency Agreement after the occupancy date for the following non-medical reasons:

1. A material misrepresentation or omission by the resident in the Confidential Data Profile, Confidential Medical Profile, or related materials, which, if such information had been accurately provided, would have been material to the decision whether or not to accept the resident for residency;
2. If the resident fails to comply with the policies and procedures of Penick Village or creates a situation detrimental to the health, safety or quiet enjoyment of the community for other residents, staff or neighboring property users;
3. If the resident fails to pay the Monthly Service Fee or other amounts when due, unless other mutually satisfactory arrangement have been made. However it is the policy of Penick Village that the Residency Agreement shall not be terminated solely because of financial inability to pay the fees to the extent that (1) the resident's inability to pay is not the result of the resident's willful action and (2) in Penick Village's judgment, the ability of Penick Village to operate on a sound financial basis will not be impaired.
4. Material breach by the resident of the terms and conditions of the Residency Agreement; or,
5. If the Residence is no longer fit for occupancy and Penick Village elects not to restore the Residence to habitable condition. To the extent another Residence is available; Penick Village will relocate the resident.

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

1. The resident has developed a dangerous or contagious disease or mental illness;
2. The resident is in need of drug or alcoholic rehabilitation or any other condition for which Penick Village is not licensed or for which care cannot be provided by Penick Village without a significant and unique expenditure; or,

3. The resident becomes mentally or emotionally disturbed to a degree that their continued presence in Penick Village is determined to be detrimental to the health safety and welfare of himself/herself, other residents, or staff.

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

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

Effect of Double Occupancy

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

Refund of Entrance Fee

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

Moves

If for reasons not occasioned by changing health requirements, a resident may elect to move to another Independent Living Residence. This is subject to availability and may be limited due to refund obligations due. For moves from one Independent Living Residence to another Independent Living Residence, he or she
Penick Village Disclosure Statement February 2020 18

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

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

Marriage/New Second Occupant

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

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

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

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

IV. SERVICES

General Services and Facilities

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

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

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

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

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

Food Service. Breakfast, lunch and dinner are served on a daily basis. The Resident(s) is entitled to receive a \$300.00 monthly allowance allocated to food in Penick Village dining venues per person covered in this Residency Agreement. A maximum \$100.00 unused food allowance in any one month is allowed to be carried over to the following month. Meal allowances are to be used for standard

dining service prepared meals and meal portions only. If a resident exceeds his or her monthly allowance, it will be billed directly to his or her account to be paid with his or her monthly statement. If a Resident(s) is absent from Penick Village for thirty (30) or more consecutive days, he or she will receive a credit in conformance with our absent day credit policy which will be applied against the meal credit. Food prices are subject to change per market costs and no 60-day notice is required to be given by Penick Village for these changes. Allowances may not be used for raw, frozen or seared meat, store to door items, bulk orders of food or guest holiday and guest special occasion meals (Thanksgiving, Christmas, Valentine's Day, or others as determined by Penick Village Dining). When a Resident(s) permanently leave Penick Village or reside(s) in a different level of care, the monthly food allowance is discontinued and will be prorated in proportion to the number of days the Resident(s) occupied his or her Independent Living Residence.

Housekeeping. Residential Housekeeping includes vacuuming, dusting, bathroom cleaning, mopping, sweeping, etc. occurs on a weekly scheduled basis.

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

Security and Emergency Alert System. Residences are equipped with smoke/heat detection and emergency alert systems. The Health Care Building, Parkview, Wharton and Woodlands Residences are also equipped with a fire sprinkler system. Along with 24 hours security, all areas on campus have access control. The staff of Penick Village monitors the emergency alert systems around the clock and coordinates emergency response as appropriate.

Maintenance. Penick Village maintains all community space and grounds as well as repairing, maintaining and replacing Penick Village provided equipment and furnishings. If repairs are required as a result of a resident's negligence, the resident will be financially responsible for all repairs. The resident is responsible for maintenance of their personal property.

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

Transportation. Penick Village will provide scheduled group transportation to designated shopping, social and cultural events, medical facilities, and other local destinations. For larger group events requiring transportation or destinations

outside of Southern Pines, a transportation charge will apply. Please reference the Resident Handbook of hours of operations and the Optional Services Fee schedule for a list of fees.

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

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

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

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

Medical Director. Penick Village retains the services of a qualified physician for certain regulatory requirements.

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

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

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

Home Care. Penick Village's Home Care can provide services to residents and the greater community such as Nursing Services, Companion, Sitter, and Respite Services. The care provided is fee for service and includes services that are listed in Attachment 10.

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

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

Charges for these Optional Services and others that may be offered are made in accordance with the Resident Handbook then in effect and will be billed to the Resident(s) monthly. Prices for Optional Services are listed in Attachment 10 .

V. FEES AND CREDITS

Future Residency Program Deposit

It is the policy of Penick Village to charge a non-refundable \$250 Application Administrative Fee and a refundable Future Residency Program Deposit of \$1,000, which, to the extent not previously refunded, is applied as a credit to the Residency Agreement Entrance Fee if the applicant actually takes up residence in Penick Village. If an applicant decides to not take residency at Penick Village the Future Residency Program Deposit will be refunded within thirty (30) days of refund request.

Reservation Deposit

It is the policy of Penick Village to charge a refundable Reservation Deposit of \$5,000, which, to the extent not previously refunded, is applied as a credit to the Residency Agreement Entrance Fee if the applicant actually takes up residence in Penick Village.

Residency Agreement

It is the policy of Penick Village to give the opportunity to applicants to show that they are ready to move in as soon as a residence is available. This is done by entering into a Residency Agreement with a Ten Percent (10%) deposit less any Reservation or Future Residency Program deposit, which is applied as a credit to the Residency Agreement Entrance Fee when the applicant actually takes up residence in Penick Village. The applicant may terminate the agreement prior to entering into a Residency Agreement or taking occupancy for any reason by giving written notice to Penick Village. Penick Village shall refund the amount of the Ten (10) percent deposit paid less a \$1,000 administrative and processing fee within 30 days of such notice.

Entrance Fee

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

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

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

Monthly Service and Daily Service Fees

A listing of current Entrance Fees, Independent Living Monthly Service Fees, Assisted Living, Garden Cottage and Nursing Care daily fees may be found on Attachment 1.

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

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

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

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

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

If a resident is away from Penick Village for thirty (30) or more consecutive days, he/she shall be entitled to an absent day credit according to the policy in effect. However, this absent day credit is not available to a resident who is benefiting from financial assistance in the form of advances, extended credit or in reduction of Entrance Fee or monthly or daily fees.

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

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

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

Additional Service Fees

A listing of additional services where a fee may be applied is listed in Attachment 10.

Changes in Fees for the Previous Five Years

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

Absent Day Credit Policy: If a resident or residents is/are absent from Penick Village for thirty (30) or more consecutive days and has informed the Resident Services Desk of his or her absence, an absent day credit of \$10.00 per day will apply and will be credited against the meal allowance and will retro back to the first day of the absence. Any resident absences under thirty (30) days will receive no credit.

Penick Village
Acturial Calculations for Refundable Entrance Fees as of February 2020

| 50% REFUNDABLE ENTRANCE FEES | | | | 90% REFUNDABLE ENTRANCE FEES | | | |
|------------------------------|-------------------|---------------------|------------|------------------------------|-------------------|---------------------|------------|
| AGE | LIFE EXP YEARS | PERCENT INCREASE | MULTIPLIER | AGE | LIFE EXP YEARS | PERCENT INCREASE | MULTIPLIER |
| 60-62 | 24 | 12.3 | 1.123 | 62 | 24 | 24.5 | 1.245 |
| 63 | 23 | 13.0 | 1.130 | 63 | 23 | 26.2 | 1.262 |
| 64 | 22 | 13.9 | 1.139 | 64 | 22 | 28.0 | 1.280 |
| 65 | 21 | 14.8 | 1.148 | 65 | 21 | 30.0 | 1.300 |
| 66 | 20 | 15.7 | 1.157 | 66 | 20 | 32.2 | 1.322 |
| 67 | 19 | 16.6 | 1.166 | 67 | 19 | 34.4 | 1.344 |
| 68 | 19 | 17.7 | 1.177 | 68 | 19 | 37.0 | 1.370 |
| 69 | 18 | 18.8 | 1.188 | 69 | 18 | 39.6 | 1.396 |
| 70 | 17 | 20.0 | 1.200 | 70 | 17 | 42.7 | 1.427 |
| 71 | 16 | 21.1 | 1.211 | 71 | 16 | 45.5 | 1.455 |
| 72 | 16 | 22.7 | 1.227 | 72 | 16 | 49.2 | 1.492 |
| 73 | 15 | 23.7 | 1.237 | 73 | 15 | 52.5 | 1.525 |
| 74 | 14 | 25.2 | 1.252 | 74 | 14 | 56.6 | 1.566 |
| 75 | 13 | 26.7 | 1.267 | 75 | 13 | 60.6 | 1.606 |
| 76 | 13 | 28.2 | 1.282 | 76 | 13 | 65.6 | 1.656 |
| 77 | 12 | 29.7 | 1.297 | 77 | 12 | 70.0 | 1.700 |
| 78 | 11 | 31.4 | 1.314 | 78 | 11 | 75.4 | 1.754 |
| 79 | 11 | 33.0 | 1.330 | 79 | 11 | 80.6 | 1.806 |
| 80 | 10 | 34.9 | 1.349 | 80 | 10 | 87.2 | 1.872 |
| 81 | 10 | 36.7 | 1.367 | 81 | 10 | 92.8 | 1.928 |
| 82 | 9 | 38.4 | 1.384 | 82 | 9 | 96.8 | 1.968 |
| 83 | 9 | 40.3 | 1.403 | 83 | 9 | 106.7 | 2.067 |
| 84 | 8 | 42.1 | 1.421 | 84 | 8 | 114.2 | 2.142 |

VI. FINANCIAL INFORMATION

Financial Overview Statement

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

Current Certified Financial Statements

In Attachment 3 of this Disclosure Statement is the current audit report of Penick Village's independent auditors, the certified public accounting firm of CliftonLarsonAllen, LLP for the latest fiscal year ending September 30, 2019.

Current Interim Financial Statements

Included as Attachment 12 is an unaudited financial report for the first three months of Fiscal Year 2020 (December 2019).

Five Year Forecasted Statement

In Attachment 4 of this Disclosure Statement is the Compilation of a Financial Projection for each of the five years ending September 30, 2024 compiled by CliftonLarsonAllen, LLP.

Actuarial Summary Report

In Attachment 13 of this Disclosure Statement is the Actuarial Summary for the fiscal year ending September 30, 2019 compiled by A.V. Powell & Associates.

Reserves, Escrow and Trusts

Reserves

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

Capital Indebtedness. U.S. Bank maintains and manages a debt service reserve fund for the Penick Village 2019 Bonds issues by Public Finance Authority on November 6, 2019. This fund can be used, if necessary, to make the required payments, both principal and interest, as they accrue on Penick Village's outstanding capital indebtedness. The fund balance as of December 31, 2019 was \$2,008,925.00

Operating Reserve. Section 58-64-33 of the North Carolina General Statutes requires continuing care retirement facilities that maintain an occupancy level in excess of 90 percent to establish an operating reserve equal to 25 percent of its projected operating expenses; otherwise a 50 percent reserve is required. Penick Village is in compliance with this General Statute. The operating cash reserve for Fiscal Year 2020 is calculated as follows:

| | |
|---------------------------------------|--------------|
| Projected 2020- Operating Expenses | \$18,801,000 |
| Less Depreciation | (2,177,000) |
| Less Amortization of issuance costs | (35,000) |
| Less Amount Set-Aside in Debt Service | (1,146,000) |
| Plus Routine Principal Payments | 150,000 |
| | \$15,593,000 |
| 25% Requirement | \$3,898,000 |

As of December 31, 2019, the operating reserve fund's cash estimated value is \$4,763,630 and is deposited in the name of Penick Village at 1919 Investments in Birmingham, Alabama.

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

VII. OTHER MATERIAL INFORMATION, AS APPLICABLE

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

VIII. ATTACHMENTS

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

ATTACHMENTS

The following attachments comply with applicable statutory and regulatory requirements:

- Attachment 1: Penick Village Fees.
- Attachment 2: Change in Monthly Fees for Previous Five Years.
- Attachment 3: Current audit report for latest fiscal year ending September 30, 2019.
- Attachment 4: Current Projection for each of the five years ending September 30, 2024.
- Attachment 5: Actual Results Compared to Five Year Forecast for fiscal year ending September 30, 2019.
- Attachment 6: Independent Living Residency Agreement.
- Attachment 7: Reservation Agreement.
- Attachment 8: Future Residency Program Agreement.
- Attachment 9: Assisted Living Residency Agreement
- Attachment 10: Optional Service Fees, Home Care Fees, Store2Door Fees
- Attachment 11: Mediation and Arbitration Program
- Attachment 12: First Three Months of Fiscal Year 2020 Financial Statements (December 31, 2019).
- Attachment 13: Actuarial Study Summary compiled by A.V. Powell & Associates

Attachment #1

PENICK VILLAGE FEES

Effective January 1, 2020

Includes 3% increase for all levels

| <u>Type of Unit</u> | <u>48 month Declining</u> | <u>MONTHLY SERVICE FEE</u> |
|------------------------------|---------------------------|----------------------------|
| Park Cottage | \$ 194,485 | 3,116 |
| Weymouth Cottage-starting at | \$ 234,000 | 3,540 |
| Woodland Home- Dogwood | \$ 337,000 | 4,414 |
| Woodland Home-Magnolia | \$ 370,500 | 4,414 |
| Woodland Home-Longleaf | \$ 370,500 | 4,414 |
| Woodland Apt-Crape Myrtle | \$ 102,500 | 2,263 |
| Woodland Apt-Linden | \$ 139,000 | 2,480 |
| Woodland Apt-Periwinkle | \$ 159,500 | 2,906 |
| Woodland Apt-Redbud | \$ 159,500 | 2,906 |
| Woodland Apt-Birch | \$ 193,000 | 3,114 |
| Woodland Apt-Pin Oak | \$ 223,500 | 3,540 |
| Woodland Apt-Poplar | \$ 260,500 | 3,820 |
| Woodland Apt-Chestnut | \$ 288,000 | 4,034 |
| Parkview Apt.-Topanga | \$ 101,500 | 2,113 |
| Parkview Apt.-Acadia | \$ 108,000 | 2,113 |
| Parkview Apt.-Lincoln | \$ 182,000 | 2,892 |
| Parkview Apt.-Griffith | \$ 225,000 | 3,113 |
| Parkview Apt.-Franklin | \$ 280,000 | 3,447 |
| Parkview Apt.-Aurora | \$ 280,000 | 3,447 |
| Parkview Apt.-Hyde | \$ 311,000 | 3,781 |
| Wharton Apt. - Topanga | \$ 101,500 | 2,113 |
| Wharton Apt. - Acadia | \$ 108,000 | 2,113 |
| Wharton Apt. - Boyd | \$ 152,000 | 2,440 |
| Wharton Apt. - Lincoln | \$ 182,000 | 2,892 |
| Wharton Apt. - Sierra | \$ 187,500 | 2,912 |
| Wharton Apt. - Umstead | \$ 193,000 | 2,949 |
| Wharton Apt. - Griffith | \$ 225,000 | 3,113 |
| Wharton Apt. - Franklin | \$ 280,000 | 3,447 |
| Wharton Apt. - Aurora | \$ 280,000 | 3,447 |
| Wharton Apt. - Hyde | \$ 311,000 | 3,781 |
| Second Person Fee | | 975 |

PENICK VILLAGE FEES

Effective January 1, 2020
Includes 3% increase for all levels

MONTHLY

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

Prices subject to change and may be higher due to upgrades

Second Person Entrance Fee = \$ 10,000

| <u>Residential Assisted Living</u> | <u>Entrance Fee</u> | <u>Internal Daily Rate</u> | <u>External Daily Rate</u> |
|---|---------------------|--------------------------------|--------------------------------|
| Studio | \$2,000 | \$165 | \$170 |
| Large Studio | \$3,500 | \$199 | \$206 |
| Extended Studio | \$4,000 | \$206 | \$221 |
| 1 Bedroom | \$5,000 | \$237 | \$258 |
| 2 Bedroom | \$10,000 | \$274 | \$299 |
| 2nd Person Fee = \$149.00 per day | | | |
| <u>Garden Cottage - Assisted Living</u> | | | |
| Individual Residents | \$10,000 | \$227 | \$237 |
| Skilled Nursing Health Center | | \$318 | \$318 |

Attachment #2

CHANGES IN MONTHLY FEES FOR PERVIOUS FIVE YEARS

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|--------------------------------------|---------------|---------------|---------------|-------------|-------------|
| Single Room - South, B&E Wing | \$ 1,694 | \$ 1,753 | \$ 1,806 | \$ 1,837 | \$ 1,893 |
| Large Room - South, C&D Wing | \$ 1,743 | \$ 1,804 | \$ 1,858 | \$ 1,891 | \$ 1,947 |
| Large Room - North | \$ 1,743 | \$ 1,804 | \$ 1,858 | \$ 1,891 | \$ - |
| 2 Room Suite - South, B&E Wing | \$ 1,913 | \$ 1,980 | \$ 2,039 | \$ 2,075 | \$ 2,137 |
| 2 Room Suite - South, C&D Wing | \$ 2,021 | \$ 2,092 | \$ 2,154 | \$ 2,192 | \$ 2,258 |
| Large 2 Room Suite - South | \$ 2,071 | \$ 2,143 | \$ 2,208 | \$ 2,246 | \$ 2,314 |
| 2 Room Suite - North | | | | | |
| 3 Room Suite - South (Hydrangea A) | \$ 2,186 | \$ 2,263 | \$ 2,330 | \$ 2,371 | \$ 2,442 |
| 3 Room Suite - North | | | | | |
| 4 Room Suite - South (Hibiscus) | \$ 2,292 | \$ 2,372 | \$ 2,443 | \$ 2,486 | \$ 2,561 |
| Duplex - 1 Bedroom | \$ 2,553 | \$ 2,642 | \$ 2,722 | \$ 2,769 | \$ 2,852 |
| Duplex - 2 Bedrooms | \$ 2,706 | \$ 2,814 | \$ 2,899 | \$ 2,949 | \$ 3,038 |
| Park Cottage | \$ 2,706 | \$ 2,801 | \$ 2,885 | \$ 2,935 | \$ 3,023 |
| Weymouth | \$ 3,075 | \$ 3,183 | \$ 3,278 | \$ 3,335 | \$ 3,436 |
| Homes at Penick - Dogwood | \$ 3,834 | \$ 3,968 | \$ 4,087 | \$ 4,159 | \$ 4,285 |
| Homes at Penick - Magnolia, Longleaf | \$ 3,834 | \$ 3,968 | \$ 4,087 | \$ 4,159 | \$ 4,285 |
| Woodlands - Crape Myrtle | \$ 1,966 | \$ 2,035 | \$ 2,096 | \$ 2,133 | \$ 2,197 |
| Woodlands - Linden | \$ 2,154 | \$ 2,229 | \$ 2,296 | \$ 2,336 | \$ 2,408 |
| Woodlands - Redbud, Periwinkle | \$ 2,525 | \$ 2,613 | \$ 2,692 | \$ 2,739 | \$ 2,821 |
| Woodlands - Birch | \$ 2,706 | \$ 2,801 | \$ 2,885 | \$ 2,935 | \$ 3,023 |
| Woodlands - Pin Oak | \$ 3,075 | \$ 3,183 | \$ 3,278 | \$ 3,335 | \$ 3,436 |
| Woodlands - Poplar | \$ 3,319 | \$ 3,435 | \$ 3,538 | \$ 3,600 | \$ 3,708 |
| Woodlands - Chestnut | \$ 3,505 | \$ 3,628 | \$ 3,737 | \$ 3,802 | \$ 3,916 |
| Parkview - Topanga Ground Floor | | \$ 1,900 | \$ 1,957 | \$ 1,991 | \$ 2,051 |
| Parkview - Acadia - First Floor | | \$ 1,900 | \$ 1,957 | \$ 1,991 | \$ 2,051 |
| Parkview - Acadia - Second Floor | | \$ 1,900 | \$ 1,957 | \$ 1,991 | \$ 2,051 |
| Parkview - Lincoln - First Floor | | \$ 2,600 | \$ 2,678 | \$ 2,725 | \$ 2,807 |
| Parkview - Lincoln - Second Floor | | \$ 2,600 | \$ 2,678 | \$ 2,725 | \$ 2,807 |
| Parkview - Griffith - First Floor | | \$ 2,800 | \$ 2,884 | \$ 2,934 | \$ 3,022 |
| Parkview - Franklin - Second Floor | | \$ 3,100 | \$ 3,193 | \$ 3,249 | \$ 3,346 |
| Parkview - Aurora - First Floor | | \$ 3,100 | \$ 3,193 | \$ 3,249 | \$ 3,346 |
| Parkview - Aurora - Second Floor | | \$ 3,100 | \$ 3,193 | \$ 3,249 | \$ 3,346 |
| Parkview - Hyde - First Floor | | \$ 3,400 | \$ 3,502 | \$ 3,563 | \$ 3,670 |
| Parkview - Hyde - Second Floor | | \$ 3,400 | \$ 3,502 | \$ 3,563 | \$ 3,670 |
| Second Person Fee | \$ 915 | \$ 925 | \$ 935 | \$ 950 | \$ 950 |
| Assisted Living per day | \$142 - \$245 | \$147 - \$245 | \$152 - \$245 | \$155-\$232 | \$160-\$290 |
| Garden Cottage per day | \$ 196 | \$ 203 | \$ 210 | \$ 214 | \$220-\$230 |
| Nursing Care per day | \$ 275 | \$ 285 | \$ 295 | \$ 300 | \$ 309 |
| <i>Annual Rate Increase</i> | | | | | |
| January 1st Annually | 3.5% | 3.50% | 3% | 1.75% | 3% |
| Average IL Monthly Rate Increase | \$ 79 | \$ 90 | \$ 80 | \$ 48 | \$ 114 |

PENICK VILLAGE, INC. AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED SEPTEMBER 30, 2019 AND 2018



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**PENICK VILLAGE, INC. AND AFFILIATES
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Penick Village, Inc. and Affiliates (the Organization), which comprise the consolidated balance sheets as of September 30, 2019 and 2018, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to consolidated the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Board of Directors
Penick Village, Inc. and Affiliates

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 28 to 31 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
January 24, 2020

**PENICK VILLAGE, INC. AND AFFILIATES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2019 AND 2018**

| ASSETS | <u>2019</u> | <u>2018</u> |
|---|--------------------------|--------------------------|
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 3,531,782 | \$ 2,240,542 |
| Assets Limited as to Use | 77,304 | 104,464 |
| Investments | 7,055,198 | 7,100,113 |
| Receivables: | | |
| Accounts and Notes, Net of Allowance | 565,393 | 608,168 |
| Unconditional Promises to Give | 6,883 | - |
| Other | 114,688 | 96,841 |
| Prepaid Assets | 128,580 | 148,201 |
| Total Current Assets | <u>11,479,828</u> | <u>10,298,329</u> |
| ASSETS LIMITED AS TO USE | | |
| Investments – Operating Reserve Requirement | 4,128,954 | 4,223,046 |
| PROPERTY AND EQUIPMENT, NET | | |
| | 43,461,913 | 41,693,868 |
| OTHER ASSETS | | |
| Deposits | 915 | 915 |
| Interest Rate Cap Agreement | 757 | 5,420 |
| Beneficial Interest in Annuities | 184,786 | 187,920 |
| Intangible Asset | 131,446 | 85,455 |
| Total Other Assets | <u>317,904</u> | <u>279,710</u> |
| Total Assets | <u>\$ 59,388,599</u> | <u>\$ 56,494,953</u> |

See accompanying Notes to Consolidated Financial Statements.

**PENICK VILLAGE, INC. AND AFFILIATES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
SEPTEMBER 30, 2019 AND 2018**

| | 2019 | 2018 |
|--|---------------|---------------|
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Current Maturities of Long-Term Debt | \$ 5,243,462 | \$ 738,662 |
| Current Maturity of Lease Liability | 10,076 | 9,531 |
| Payable from Assets Limited as to Use | 56,196 | 81,706 |
| Accounts Payable | 1,421,804 | 478,814 |
| Accrued Liabilities | 706,786 | 697,315 |
| Application and Prepaid Admission Deposits | 2,159,696 | 883,079 |
| Refund Liability, Current Portion | 1,260,348 | 1,205,475 |
| Total Current Liabilities | 10,858,368 | 4,094,582 |
| REFUND LIABILITY, LESS CURRENT PORTION | 4,872,569 | 5,951,636 |
| DEFERRED REVENUE | 15,525,910 | 15,136,594 |
| LONG-TERM DEBT, LESS CURRENT MATURITIES | 18,247,858 | 22,082,489 |
| LEASE LIABILITY, LESS CURRENT MATURITY | 25,806 | 35,882 |
| Total Liabilities | 49,530,511 | 47,301,183 |
| NET ASSETS | | |
| Without Donor Restrictions | 8,917,004 | 8,270,346 |
| With Donor Restrictions: | | |
| Purpose Restricted | 611,677 | 594,017 |
| Perpetually Restricted | 329,407 | 329,407 |
| Total Net Assets | 9,858,088 | 9,193,770 |
| Total Liabilities and Net Assets | \$ 59,388,599 | \$ 56,494,953 |

See accompanying Notes to Consolidated Financial Statements.

**PENICK VILLAGE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

| | 2019 | 2018 |
|---|-------------------|-------------------|
| REVENUES, GAINS, AND OTHER SUPPORT | | |
| Independent Living | \$ 6,172,242 | \$ 6,150,708 |
| Healthcare Revenue | 8,055,777 | 8,433,141 |
| Less: Contractual Adjustments | (1,001,192) | (1,043,802) |
| Net Resident Service Revenue | 13,226,827 | 13,540,047 |
| Earned Entrance Fees | 3,049,673 | 2,626,775 |
| Other Operating Revenue | 1,091,197 | 815,084 |
| Contributions | 918,243 | 897,936 |
| Net Assets Released from Restriction | 2,000 | 34,010 |
| Total Revenues, Gains, and Other Support | 18,287,940 | 17,913,852 |
| OPERATING EXPENSES | | |
| Program Services: | | |
| Dining Services | 2,944,643 | 2,746,396 |
| Housekeeping | 687,472 | 657,154 |
| Nursing | 3,442,831 | 3,425,114 |
| Residential Assisted Living | 623,563 | 686,924 |
| Resident Services | 225,856 | 228,709 |
| Facility Services | 1,942,001 | 1,803,516 |
| Life Enrichment | 326,231 | 301,068 |
| Home Care | 641,676 | 384,032 |
| Garden Cottage | 439,102 | 460,256 |
| Total Program Services | 11,273,375 | 10,693,169 |
| Support Services: | | |
| General and Administrative | 2,393,312 | 2,214,216 |
| Human Resources | 375,563 | 349,374 |
| Information Technology | 462,734 | 500,268 |
| Marketing and Development | 446,690 | 480,579 |
| Depreciation and Amortization | 2,055,975 | 2,170,436 |
| Interest | 1,007,932 | 1,015,481 |
| Total Supporting Services | 6,742,206 | 6,730,354 |
| Total Operating Expenses | 18,015,581 | 17,423,523 |
| OPERATING INCOME | 272,359 | 490,329 |

See accompanying Notes to Consolidated Financial Statements.

**PENICK VILLAGE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

| | 2019 | 2018 |
|---|--------------|--------------|
| NONOPERATING INCOME (LOSS) | | |
| Interest and Dividends | \$ 323,076 | \$ 301,208 |
| Realized Gains (Losses) on Sale of Investments, Net of Expenses | (78,242) | 346,630 |
| Unrealized Loss on Fair Value of Interest Rate Cap Agreement | (4,663) | (6,540) |
| Total Nonoperating Income | 240,171 | 641,298 |
| EXCESS OF REVENUES, GAINS, AND OTHER SUPPORT OVER EXPENSES | 512,530 | 1,131,627 |
| Net Assets Released from Restriction for Capital Improvements | 18,972 | 127,157 |
| Transfers of Net Assets without Donor Restrictions to Net Assets with Donor Restrictions | - | (110,905) |
| Net Unrealized Gains on Investments | 115,156 | 101,819 |
| INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS | 646,658 | 1,249,698 |
| PURPOSE RESTRICTED NET ASSETS | | |
| Change in Fair Value of Split-Interest Agreement | (3,134) | 75,948 |
| Contributions | 25,034 | 7,846 |
| Interest and Dividends | 15,684 | 10,945 |
| Realized Gains (Losses) on Sale of Investments, Net of Expenses | (4,132) | 1,315 |
| Net Unrealized Gains on Investments | 5,180 | 17,543 |
| Transfers of Net Assets without Donor Restrictions to Net Assets with Donor Restrictions | - | 110,905 |
| Net Assets Released from Restriction | (20,972) | (161,167) |
| Increase in Purpose Restricted Net Assets | 17,660 | 63,335 |
| INCREASE IN NET ASSETS | 664,318 | 1,313,033 |
| Net Assets - Beginning of Year | 9,193,770 | 7,880,737 |
| NET ASSETS - END OF YEAR | \$ 9,858,088 | \$ 9,193,770 |

See accompanying Notes to Consolidated Financial Statements.

PENICK VILLAGE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

| | 2019 | 2018 |
|--|-------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase in Net Assets | \$ 664,318 | \$ 1,313,033 |
| Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation and Amortization | 2,055,975 | 2,170,436 |
| Bad Debt Expense | 79,436 | 58,000 |
| Amortization of Debt Issuance Costs | 31,019 | 30,258 |
| Amortization of Entrance Fees | (3,049,673) | (2,626,775) |
| Nonrefundable Entrance Fees Received | 4,325,184 | 2,426,490 |
| Gain on Disposal of Property and Equipment | (1,700) | - |
| Interest and Dividends | (338,760) | (312,153) |
| Realized (Gains) Losses on Sale of Investments, Net of Expenses | 82,374 | (347,945) |
| Unrealized Gains on Investments | (120,336) | (119,362) |
| Unrealized (Gains) Losses on Beneficial Interest in Annuities | 3,134 | (75,948) |
| Unrealized Loss on Fair Value of Interest Rate Cap Agreement | 4,663 | 6,540 |
| Net Changes in Operating Assets and Liabilities: | | |
| Accounts and Notes Receivable | (36,661) | (148,219) |
| Unconditional Promises to Give | (6,883) | 30,555 |
| Other Receivables | (17,847) | 5,360 |
| Prepays | 19,621 | (11,521) |
| Deposits | - | 189,633 |
| Accounts Payable | 942,990 | 63,375 |
| Accrued Liabilities | 9,471 | 162,847 |
| Payables from Assets Limited as to Use | (25,510) | (44,763) |
| Application and Prepaid Admission Deposits | 1,344,546 | 540,668 |
| Unamortized Intangible Assets | (45,991) | (85,455) |
| Net Cash Provided by Operating Activities | 5,919,370 | 3,225,054 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Net Change in Assets Limited as to Use | 121,252 | (237,599) |
| Purchase of Property and Equipment | (3,824,020) | (1,331,428) |
| Proceeds from Sale of Property and Equipment | 1,700 | - |
| Proceeds from Sale of Investments | 691,637 | 216,385 |
| Purchase or Other Acquisition of Investments | (270,000) | (192,605) |
| Net Cash Used by Investing Activities | (3,279,431) | (1,545,247) |

See accompanying Notes to Consolidated Financial Statements.

PENICK VILLAGE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from Long-Term Debt | \$ 2,269,669 | \$ 267,000 |
| Cash Paid for Financing Costs | - | (45,730) |
| Principal Payments on Long-Term Debt | (1,630,520) | (1,182,548) |
| Principal Payments on Lease Liability | (9,530) | (6,066) |
| Refundable and First Generation Entrance Fees Received | 390,422 | 639,548 |
| Refunds of Entrance Fees | (2,368,740) | (1,668,625) |
| Net Cash Used by Financing Activities | <u>(1,348,699)</u> | <u>(1,996,421)</u> |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,291,240 | (316,614) |
| Cash and Cash Equivalents - Beginning of Year | <u>2,240,542</u> | <u>2,557,156</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 3,531,782</u> | <u>\$ 2,240,542</u> |
| SUPPLEMENTAL CASH FLOW INFORMATION | | |
| Cash Paid During the Year for Interest | <u>\$ 976,913</u> | <u>\$ 946,239</u> |
| SUPPLEMENTAL NONCASH ACTIVITY | | |
| Purchase of Equipment through Lease Agreements | <u>\$ -</u> | <u>\$ 51,479</u> |

See accompanying Notes to Consolidated Financial Statements.

**PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

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

Basis of Consolidation

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

Cash and Cash Equivalents

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

Assets Limited as to Use

Assets limited as to use include reserves required by state statute, limitations placed on assets by the board of directors, and funds held for the residents and other purposes. In accordance with North Carolina General Statute 58-64-33, if a facility maintains an as-defined occupancy level in excess of 90% as of its fiscal year-end date, a provider is required to maintain an operating reserve equal to 25% of the total operating costs, including debt service not accounted for in a separate reserve, forecasted for the following year, otherwise an operating reserve equal to 50% is required. Occupancy levels were in excess of 90% at September 30, 2019 and 2018. Management has designated unrestricted investments to meet the 25% operating reserve requirement. Total required reserve at September 30, 2019 and 2018 was approximately \$4,129,000 and \$4,223,000, respectively.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in accordance with accounting requirements for certain investments held by nonprofit organizations, in the consolidated balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments, short and long-term capital gains, interest, and dividends) is reported as an increase (decrease) in net assets without donor restrictions unless the income or loss is restricted by donor or law.

PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

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

Fair Value Measurements

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

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

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

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

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

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

**PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

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

Accounts and Notes Receivable

Accounts receivable are uncollateralized resident obligations due under normal trade terms generally requiring payment within 30 days from the invoiced date. Notes receivable represent written promissory notes from residents to fulfill past due accounts based on agreed upon payment schedules. The carrying amount of accounts and notes receivable is reduced by an allowance that reflects management's estimate of the amounts that will not be collected. Management reviews each accounts receivable balance that exceeds 120 days from the invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. Additionally, management applies an estimated write-off percentage to total outstanding accounts and notes receivable, not previously reviewed, to estimate an allowance covering those amounts. At September 30, 2019 and 2018, the allowance was approximately \$100,000 and \$111,000, respectively.

Property, Equipment, and Depreciation

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

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

Application and Admission Deposits

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

Deferred Entrance Fees and Refund Liability

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

PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

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

Obligations to Provide Future Services

The Village enters into various life plan contracts with residents. A life plan contract is an agreement between a resident and the Village specifying the services and facilities to be provided over the resident's remaining life. Under the contracts, the Village has the ability to increase fees as deemed necessary. For the years ended September 30, 2019 and 2018, the Village engaged a specialist to calculate the present value of the estimated net cost of future services to be provided, including the cost of facilities to current residents, and compared that calculated amount with deferred revenue from entrance fees. Under GAAP, if the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, an additional liability is shown in the consolidated balance sheets. No such liability was recorded as of September 30, 2019 and 2018 as the present value of the estimated net costs of future services and use of facilities is less than deferred revenues from entrance fees.

Resident Service Revenue

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

Revenue that is reimbursable by Medicare and Medicaid is subject to audit and retroactive adjustment. Revenues from Medicare and Medicaid approximated 45.2% and 45.6% of gross healthcare revenue at September 30, 2019 and 2018, respectively. Estimated settlements are recorded in the period the related services are provided. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

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

Benevolent Assistance

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

**PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

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

Contributions

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

Income Taxes

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

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

The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of September 30, 2019 and 2018.

Net Assets

The Organization reports net assets using the following two classes; without donor restrictions and with donor restrictions depending on the presence and type of donor-imposed restrictions limiting the Organization's ability to use or dispose of specific contributed assets or the economic benefits embodied in those assets. Net assets without donor restrictions include those whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Net assets with donor restrictions are those net assets whose use has been limited by donors (a) to later periods of time or after specified dates, (b) to specified purposes, or (c) are not expendable.

Use of Estimates

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

**PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

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

New Accounting Pronouncement – ASU 2016-14

During the year ended September 30, 2019, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. This new accounting standard results in a reduction of three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) to two (net assets with donor restrictions and net assets without donor restrictions). The new accounting standard also changes the presentation of various classifications and disclosures within the financial statements. The adoption of this accounting standard did not have an impact on the Organization's financial position or changes in net assets and has been applied retrospectively to all periods presented.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 24, 2020, the date the consolidated financial statements were available to be issued.

NOTE 2 ASSETS LIMITED AS TO USE

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

| | <u>2019</u> | <u>2018</u> |
|-------------------------------|---------------------|---------------------|
| Current: | | |
| Residents' Checking and Trust | \$ 28,614 | \$ 39,644 |
| Held for Scholarships | 21,108 | 22,758 |
| Gift Shop and Thiede Fund | 27,582 | 42,062 |
| Total Current | <u>77,304</u> | <u>104,464</u> |
| Noncurrent: | | |
| Operating Reserve Requirement | 4,128,954 | 4,223,046 |
| Total | <u>\$ 4,206,258</u> | <u>\$ 4,327,510</u> |

PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 3 INVESTMENTS

Investments are composed of the following at September 30:

| | 2019 | 2018 |
|--|---------------------|---------------------|
| Common Stock and Exchange-Traded Funds | \$ 5,099,527 | \$ 4,601,820 |
| Fixed Income Securities | 1,041,762 | 1,360,689 |
| Mutual Funds | 5,042,863 | 5,360,650 |
| Subtotal | <u>11,184,152</u> | <u>11,323,159</u> |
| Less: Investment Operating Reserve Requirement | <u>(4,128,954)</u> | <u>(4,223,046)</u> |
| Total Investments | <u>\$ 7,055,198</u> | <u>\$ 7,100,113</u> |

Net investment income without restrictions is composed of the following for the years ended September 30:

| | 2019 | 2018 |
|--|-------------------|-------------------|
| Interest and Dividends | \$ 323,076 | \$ 301,208 |
| Realized Gains (Losses) on Sale of Investments | (40,492) | 370,675 |
| Investment Expenses | (37,750) | (24,045) |
| Unrealized Gains on Investments | 115,156 | 101,819 |
| Total | <u>\$ 359,990</u> | <u>\$ 749,657</u> |

NOTE 4 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are presented at fair value as of the date of the gift. All unconditional promises to give are considered to be currently due and as such, are not discounted to the anticipated net present value of the future cash flows. Unconditional promises to give at September 30, 2019 and 2018 are \$6,883 and \$-0-, respectively.

NOTE 5 PROPERTY AND EQUIPMENT

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

| | 2019 | 2018 |
|--------------------------------|----------------------|----------------------|
| Land and Improvements | \$ 764,193 | \$ 764,193 |
| Buildings | 55,575,143 | 54,526,803 |
| Equipment and Furnishings | 2,068,827 | 1,973,469 |
| Paving | 102,711 | 102,711 |
| Motor Vehicles | 250,587 | 235,587 |
| Construction in Progress | 3,334,940 | 669,609 |
| Total Property and Equipment | <u>62,096,401</u> | <u>58,272,372</u> |
| Less: Accumulated Depreciation | <u>18,634,488</u> | <u>16,578,504</u> |
| Property and Equipment, Net | <u>\$ 43,461,913</u> | <u>\$ 41,693,868</u> |

PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 5 PROPERTY AND EQUIPMENT (CONTINUED)

During the year ended September 30, 2019, \$3,050 of interest was capitalized. During the year ended September 30, 2018, no interest was capitalized. At September 30, 2019 and 2018, construction in progress consisted primarily of construction of the Wharton apartments and renovations of the North Health Care building.

NOTE 6 LIQUIDITY AND AVAILABILITY

The Organization invests cash in excess of short-term requirements in short-term investments. In addition, the Organization has mutual funds, common stock, and exchange-traded funds which are liquid within one week. The Organization also has \$750,000 available on an open line of credit. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

| | <u>2019</u> | <u>2018</u> |
|--|----------------------|----------------------|
| Cash and Cash Equivalents | \$ 3,531,782 | \$ 2,240,542 |
| Investments and Assets Limited as to Use | | |
| Common Stock and Exchange-Traded Funds | 5,099,527 | 4,601,820 |
| Fixed Income Securities | 1,041,762 | 1,360,689 |
| Mutual Funds | 5,042,863 | 5,360,650 |
| Receivables: | | |
| Accounts and Notes, Net of Allowance | 565,393 | 608,168 |
| Other | 114,688 | 96,841 |
| Less: Restricted Cash and Investments | <u>(728,307)</u> | <u>(712,746)</u> |
| Total Financial Assets Available for Use | <u>\$ 14,667,708</u> | <u>\$ 13,555,964</u> |

PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 7 LONG-TERM DEBT

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

| <u>Description</u> | <u>2019</u> | <u>2018</u> |
|--|----------------------|----------------------|
| 2010B Series tax-exempt bonds payable to bank; issued January 2010; amended March 2015; maximum amount up to \$19,425,000; amended December 2018; interest at 4.1%; principal and interest due monthly; matures February 2025. | \$ 14,383,691 | \$ 14,983,691 |
| 2012A loan payable to bank; issued August 2012; amended March 2015; interest at 4.50%; principal and interest due monthly; matures March 2025. | 842,170 | 870,531 |
| Construction loan payable to bank; issued March 2015; amended December 2017; maximum amount up to \$4,700,000; interest at 4.00%; principal and interest due monthly; matures March 2022. | 3,290,240 | 3,409,387 |
| Business loan payable to bank, issued December 2016; maximum amount up to \$3,750,000; interest at 4.00%; interest only through November 2019; all principal and remaining interest due at maturity in December 2019. | 3,750,000 | 3,750,000 |
| Bank loan entered into December 2018. Monthly payment of principal is due beginning June 2020. All unpaid principal and interest is due December 2023. Interest is payable monthly at a fixed rate of 5.85%. | 637,657 | - |
| Line of Credit entered into February 2019. Interest is payable monthly at a variable interest rate of Wall Street Journal Prime plus 0.50%. All unpaid principal and interest is due at February 28, 2020. | 749,000 | - |
| Total Long-Term Debt | 23,652,758 | 23,013,609 |
| Less: Current Maturities | 5,243,462 | 738,662 |
| Less: Unamortized Deferred Financing Costs | 161,438 | 192,458 |
| Long-Term Debt, Net | <u>\$ 18,247,858</u> | <u>\$ 22,082,489</u> |

PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 7 LONG-TERM DEBT (CONTINUED)

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

In December 2014, the Village received and agreed to a commitment from a bank to modify its commercial real estate loan with a financial institution. Under the terms of the commitment, the loan bears interest at a fixed rate of 4.50% per annum. Interest and principal are paid monthly with a ten-year balloon under a 23-year amortization. This loan is collateralized by a deed of trust on the property and includes the assignment of all rents and is guaranteed by the Village.

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

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

In December 2018, the Village entered into a loan agreement with a financial institution to fund the construction of the Wharton apartments for \$7,300,000. The loan bears interest at 5.85% per annum. Interest is paid monthly and principal payments begin June 2020. All unpaid interest and principal are due in December 2023. This loan is collateralized by a deed of trust on the property and includes the assignment of all rents and is guaranteed by the Village.

**PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 7 LONG-TERM DEBT (CONTINUED)

The Village incurred deferred financing costs in the amount of \$344,619 and \$298,889 for the years ended September 30, 2019 and 2018, respectively, in association with the issuance of bonds/loan agreements. The deferred financing costs have been capitalized and are being amortized using the straight-line method over the "call" period of the underlying loans. Amortization expense of \$31,020 and \$30,258 was recognized during 2019 and 2018, respectively, and is included with interest expense on the consolidated statements of operations and changes in net assets. Accumulated amortization was \$137,451 and \$106,431 for the years ended September 30, 2019 and 2018, respectively. The remaining unamortized amount is presented as a reduction of long-term debt liability on the consolidated balance sheets.

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

The Village recognizes interest cost when incurred rather than when paid. Interest costs for the years ended September 30, 2019 and 2018 totaled \$974,015 and \$985,223, respectively.

The annual requirements to retire debt as of September 30, 2019 are as follows:

| <u>Year Ending September 30,</u> | <u>Amount</u> |
|----------------------------------|----------------------|
| 2020 | \$ 5,243,462 |
| 2021 | 1,413,162 |
| 2022 | 3,750,537 |
| 2023 | 704,716 |
| 2024 | 756,311 |
| Thereafter | 11,784,570 |
| Total | <u>\$ 23,652,758</u> |

Under the terms of the bond/loan agreements with the North Carolina Medical Care Commission and the bank, the Village is required to follow certain financial and nonfinancial covenants. Management believes these loan agreement provisions have been complied with as of September 30, 2019.

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

**PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 7 LONG-TERM DEBT (CONTINUED)

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

| | |
|-------------------------------------|----------------|
| Notional Amount | \$ 10,000,000 |
| Trade Date | 07/20/2013 |
| Termination Date | 07/20/2025 |
| Fixed Rate | 5.44% |
| Floating Rate (Percentage of LIBOR) | 68% |
| | |
| Fair Value at September 30, 2017 | \$ 11,960 |
| Unrealized Losses | <u>(6,540)</u> |
| | |
| Fair Value at September 30, 2018 | 5,420 |
| Unrealized Losses | <u>(4,663)</u> |
| | |
| Fair Value at September 30, 2019 | <u>\$ 757</u> |

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

The Village has a \$750,000 secured line of credit with interest at the greater of prime rate or 3.75%. The line of credit was renewed in March 2019 with principal due March 2020. Interest accrues and is payable monthly. The outstanding balance on the line of credit at September 30, 2019 was \$749,000. There was no outstanding balance on the line of credit at September 30, 2018.

Subsequent to year-end, in November 2019, the Village entered into a debt agreement with the Public Finance Authority for the issuance of \$32,440,000 of Retirement Facilities Revenue Bonds (Series 2019 Bonds). Proceeds from the 2019 Bonds will be used to finance the costs of construction of the Wharton apartments and master planning of future construction, to refund certain outstanding debt obligations, to fund a reserve fund and capitalized interest, and to pay certain expenses in connection with the issuance of the 2019 Bonds. Under this agreement, the outstanding obligations related to the Series 2010B Bonds and other taxable loans were redeemed in whole. Interest on the 2019 Bonds will be payable on each March 1 and September 1, beginning on March 1, 2020, at rates ranging from 3.5% to 4.125% through the maturity date of September 1, 2054. The 2019 Bonds are secured by the property of the Village, including rights under its residency agreements.

PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 8 LEASE LIABILITY

During the year ended September 30, 2018, the Village entered into a capital lease for vehicles. This lease requires 60 monthly payments of \$985 and expires in January 2023. Capitalized costs, net of accumulated depreciation were approximately \$35,000 and \$44,000 at September 30, 2019 and 2018, respectively.

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

| <u>Year Ending September 30,</u> | <u>Amount</u> |
|-------------------------------------|------------------|
| 2020 | \$ 11,820 |
| 2021 | 11,820 |
| 2022 | 11,820 |
| 2023 | 3,940 |
| Total | <u>39,400</u> |
| Less: Amounts Representing Interest | (3,518) |
| Less: Current Maturity | <u>(10,076)</u> |
| Total | <u>\$ 25,806</u> |

NOTE 9 NET ASSETS

The Organization's board of directors has chosen to place the following limitations on net assets without donor restrictions:

| | <u>2019</u> | <u>2018</u> |
|---------------------------------------|---------------------|---------------------|
| Designated for Endowment Purposes | \$ 1,680,634 | \$ 1,602,650 |
| Undesignated | 7,236,370 | 6,667,696 |
| Net Assets Without Donor Restrictions | <u>\$ 8,917,004</u> | <u>\$ 8,270,346</u> |

Net assets with donor restrictions consist of the following at September 30:

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| Contributions Receivable – Beneficial Interests in Annuities | \$ 184,786 | \$ 187,920 |
| Unconditional Promises to Give | 6,883 | - |
| North Health Care Renovations | 227,336 | 228,507 |
| Interest Earned on Permanent Endowments | 157,440 | 140,708 |
| Other | 35,232 | 36,882 |
| Donor Restricted Net Assets | <u>\$ 611,677</u> | <u>\$ 594,017</u> |

PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 9 NET ASSETS (CONTINUED)

During the years ended September 30, 2019 and 2018, net assets were released from donor restrictions by purchasing property and equipment or incurring expenses satisfying the restricted purposes totaling \$20,972 and \$161,167, respectively.

Certain Village investments are included in perpetually restricted net assets, as the use of the funds was restricted by the donor in perpetuity. The income from the investment of a portion of these funds is to be used for benevolent assistance. Net assets with perpetual donor restrictions at September 30, 2019 and 2018 are \$329,407.

NOTE 10 SPLIT-INTEREST AGREEMENTS

The Village has entered into and/or been named the beneficiary of certain charitable remainder unitrusts and trusts. Under terms of the split-interest agreements, the donors or their designee receive income for their lifetime from an established trust. Upon their death, the Village will receive their proportion of the remaining value of the trust for its use based on the terms of the gift. The portion of the trust attributable to the present value of the future benefits to be received by the Village is recorded in the consolidated statements of operations and changes in net assets as a purpose restricted contribution, and in the consolidated balance sheets as beneficial interest in annuities. On an annual basis, the Village revalues the asset based on applicable mortality tables and discount rates which vary from 2.0% to 4.50%. The present value of the benefits as of September 30, 2019 and 2018 was \$184,786 and \$187,920, respectively.

NOTE 11 RETIREMENT PLANS

Effective April 1, 2002, the Village instituted a 403(b) retirement plan that covers all employees who are at least 21-years old. For all eligible employees, the Village matches dollar-for-dollar participant contributions up to 2%. Employer contributions to the plan were \$95,523 and \$81,897 for the years ended September 30, 2019 and 2018, respectively.

The Village contributes to the Church Pension Group for the chaplain's pension. The annual assessment by the Church Pension Group is 18% of the chaplain's total compensation. The Village contributed \$8,573 and \$10,793 in 2019 and 2018, respectively.

PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 12 BENEVOLENT ASSISTANCE AND CHARITY CARE

The Village maintains records to identify and monitor the level of benevolent assistance it provides by measuring the amount of revenue and charges foregone for services and supplies furnished under its benevolent assistance policy. Costs incurred related to benevolent assistance provided was approximately \$735,000 and \$661,800 for the years ended September 30, 2019 and 2018, respectively. The estimated costs of providing benevolent assistance are based on management's calculation assuming a standard profit margin of the foregone resident service fees.

In addition to benevolent assistance provided, the estimated cost related to unreimbursed Medicaid services provided was approximately \$610,000 and \$622,000 for the years ended September 30, 2019 and 2018, respectively.

NOTE 13 CONTINGENCIES AND COMMITMENTS

Refundable Entrance Fees

The aggregate amount of entrance fees that are expected to be refunded is based on the Organization's 50% and 90% contracts, which total \$6,132,917 and \$7,157,111 at September 30, 2019 and 2018, respectively, as shown on the consolidated balance sheets as refundable liability – current and noncurrent portion. The total amount of contractual refund obligations under existing contracts (that is, in the event of move out, death or termination of all residents) at September 30, 2019 and 2018 are estimated not to exceed \$12,050,184 and \$11,209,465, respectively.

Commitments

The Village has entered into various construction contracts related to construction projects and the remodeling of existing residential units. As of September 30, 2019 and 2018, \$209,325 and \$294,681 had been incurred on these contracts, respectively. There were no remaining commitments as of September 30, 2019 and 2018.

NOTE 14 CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits in excess of federally insured limits, investments, accounts receivable, and entrance fees receivable. The Village maintains cash balances in bank accounts, the balances of which may at times exceed federally insured limits. Investments are held in high quality institutions and are composed of common stock, fixed income securities, and mutual funds backed by the credit ratings of various companies and governments. Accounts receivable consist of amounts due from residents and third-party payors, including various insurance companies and the U.S. Government under the Medicare and Medicaid programs. At September 30, 2019 and 2018, approximately 32% and 34%, respectively, were outstanding under the Medicare and Medicaid programs. Accounts receivable are carried at estimated net realizable value.

PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 15 FAIR VALUE MEASUREMENTS

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

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

| | 2019 | | | Total |
|--|----------------------|---------------|-------------------|----------------------|
| | Level 1 | Level 2 | Level 3 | |
| Assets: | | | | |
| Common Stock and Exchange-Traded Funds | \$ 5,099,527 | \$ - | \$ - | \$ 5,099,527 |
| Mutual Funds | 1,041,762 | - | - | 1,041,762 |
| Fixed Income Securities | 5,042,863 | - | - | 5,042,863 |
| Split Interest Agreements | - | - | 184,786 | 184,786 |
| Interest Rate Cap Agreement | - | 757 | - | 757 |
| Total Assets at Fair Value | <u>\$ 11,184,152</u> | <u>\$ 757</u> | <u>\$ 184,786</u> | <u>\$ 11,369,695</u> |

| | 2018 | | | Total |
|--|----------------------|-----------------|-------------------|----------------------|
| | Level 1 | Level 2 | Level 3 | |
| Assets: | | | | |
| Common Stock and Exchange-Traded Funds | \$ 4,601,820 | \$ - | \$ - | \$ 4,601,820 |
| Mutual Funds | 1,360,689 | - | - | 1,360,689 |
| Fixed Income Securities | 5,360,650 | - | - | 5,360,650 |
| Split Interest Agreements | - | - | 187,920 | 187,920 |
| Interest Rate Cap Agreement | - | 5,420 | - | 5,420 |
| Total Assets at Fair Value | <u>\$ 11,323,159</u> | <u>\$ 5,420</u> | <u>\$ 187,920</u> | <u>\$ 11,516,499</u> |

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Village and Affiliate’s Level 3 assets for the years ended September 30, 2019 and 2018:

| | |
|-------------------------------|-------------------|
| Balance at September 30, 2017 | \$ 111,972 |
| Unrealized Gain | 75,948 |
| Balance at September 30, 2018 | 187,920 |
| Unrealized Gain (Loss) | (3,134) |
| Balance at September 30, 2019 | <u>\$ 184,786</u> |

**PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 16 ENDOWMENT FUNDS

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

Management has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with perpetual donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with perpetual donor restrictions is classified as net assets with purpose donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

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

PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 16 ENDOWMENT FUNDS (CONTINUED)

Spending Policy. The Organization can withdraw any amount of investment earnings generated by the donor-restricted endowment fund, as benevolent assistance typically exceeds the investment income and growth on an annual basis. As such, the Organization uses net assets without donor restrictions to absorb the excess cost of benevolent assistance. Therefore, investment income and gains and losses associated with the donor-restricted endowment fund, excluding investment income and gains and losses that the donor has restricted for a specific purpose, have been reflected on the below change in endowment net asset table as unrestricted activity. The current spending policy of the board-designated endowment fund authorizes the Organization to withdraw up to 4% of the trailing three calendar year end market balance. Should the amount represented by the 4% calculation not be necessary to meet current demand or current economic conditions render such action imprudent, there is no obligation to withdraw that amount. As these funds are perpetual endowments, they may be invested to provide for principal stability while growing the underlying corpus at a rate above the spending ratio and a suitable measure of inflation. Use of fixed income instruments as well as equities is in keeping with the long-term objectives of this fund.

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

| | 2019 | | | |
|----------------------------------|-------------------------------|-----------------------|---------------------------|---------------------|
| | Without Donor Restrictions | Purpose Restricted | Perpetually Restricted | Total |
| Donor-Restricted Endowment Funds | \$ 26,791 | \$ 157,440 | \$ 329,407 | \$ 513,638 |
| Board-Designated Endowment Funds | 1,680,634 | - | - | 1,680,634 |
| Total Funds | <u>\$ 1,707,425</u> | <u>\$ 157,440</u> | <u>\$ 329,407</u> | <u>\$ 2,194,272</u> |
| | 2018 | | | |
| | Without Donor Restrictions | Purpose Restricted | Perpetually Restricted | Total |
| Donor-Restricted Endowment Funds | \$ 23,946 | \$ 140,708 | \$ 329,407 | \$ 494,061 |
| Board-Designated Endowment Funds | 1,602,650 | - | - | 1,602,650 |
| Total Funds | <u>\$ 1,626,596</u> | <u>\$ 140,708</u> | <u>\$ 329,407</u> | <u>\$ 2,096,711</u> |

PENICK VILLAGE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 16 ENDOWMENT FUNDS (CONTINUED)

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

| | 2019 | | | Total |
|---|-------------------------------|-----------------------|---------------------------|---------------------|
| | Without Donor Restrictions | Purpose Restricted | Perpetually Restricted | |
| Endowment Net Assets – Beginning of Year | \$ 1,626,596 | \$ 140,708 | \$ 329,407 | \$ 2,096,711 |
| Net Deposits | 29,000 | - | - | 29,000 |
| Net Investment Income | 42,719 | 11,552 | - | 54,271 |
| Net Appreciation | 9,110 | 5,180 | - | 14,290 |
| Endowment Net Assets – End of Year | \$ 1,707,425 | \$ 157,440 | \$ 329,407 | \$ 2,194,272 |

| | 2018 | | | Total |
|---|-------------------------------|-----------------------|---------------------------|---------------------|
| | Without Donor Restrictions | Purpose Restricted | Perpetually Restricted | |
| Endowment Net Assets – Beginning of Year | \$ 1,541,894 | \$ - | \$ 329,407 | \$ 1,871,301 |
| Net Deposits | 71,257 | - | - | 71,257 |
| Net Withdrawals | 65,632 | 12,260 | - | 77,892 |
| Net Investment Income | 58,718 | 17,543 | - | 76,261 |
| Net Appreciation | (110,905) | 110,905 | - | - |
| Endowment Net Assets – End of Year | \$ 1,626,596 | \$ 140,708 | \$ 329,407 | \$ 2,096,711 |

NOTE 17 FUNCTIONAL EXPENSES

Program, management, and fundraising expenses for the year ended September 30, 2019 are summarized below. The September 30, 2018 expenses are presented in summary for comparative purposes. The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated on a square footage basis include depreciation and interest expense.

| | Program Services | Management and General | Fundraising | 2019 Total |
|-------------------------------|----------------------|---------------------------|-------------------|----------------------|
| Salaries and Payroll Expenses | \$ 7,291,578 | \$ 1,727,410 | \$ 338,690 | \$ 9,357,678 |
| Service and Contract Fees | 633,496 | 666,006 | 8,037 | 1,307,539 |
| Advertising | 7,382 | 63,706 | 75,324 | 146,412 |
| Office Expense | 578,209 | 267,465 | 3,941 | 849,615 |
| Occupancy | 799,174 | 79,403 | - | 878,577 |
| Travel | 30,067 | 31,669 | 5,771 | 67,507 |
| Conferences | - | 6,640 | 401 | 7,041 |
| Interest | 730,641 | 277,291 | - | 1,007,932 |
| Depreciation | 308,396 | 1,747,579 | - | 2,055,975 |
| Insurance | 4,338 | 17,751 | - | 22,089 |
| Other | 1,929,131 | 371,559 | 14,526 | 2,315,216 |
| | \$ 12,312,412 | \$ 5,256,479 | \$ 446,690 | \$ 18,015,581 |
| 2018 Total | \$ 10,709,101 | \$ 6,233,850 | \$ 480,572 | \$ 17,423,523 |

PENICK VILLAGE, INC. AND AFFILIATES
CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

| ASSETS | <u>Penick Village, Inc.</u> | <u>Penick Village Foundation, Inc.</u> | <u>JA Greer Group</u> | <u>Eliminating Entries</u> | <u>Total</u> |
|---|---------------------------------|--|-----------------------|--------------------------------|----------------------|
| CURRENT ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 3,327,465 | \$ 177,891 | \$ 26,426 | \$ - | \$ 3,531,782 |
| Assets Limited as to Use | 56,196 | 21,108 | - | - | 77,304 |
| Investments | 5,428,365 | 1,626,833 | - | - | 7,055,198 |
| Receivables: | | | | | |
| Accounts and Notes, Net of Allowance | 565,393 | - | - | - | 565,393 |
| Due from Affiliate | 504,420 | - | - | (504,420) | - |
| Unconditional Promises to Give | - | 6,883 | - | - | 6,883 |
| Other | 77,203 | 3,875 | 33,610 | - | 114,688 |
| Prepaid Assets | 125,473 | - | 3,107 | - | 128,580 |
| Total Current Assets | <u>10,084,515</u> | <u>1,836,590</u> | <u>63,143</u> | <u>(504,420)</u> | <u>11,479,828</u> |
| ASSETS LIMITED AS TO USE | | | | | |
| Investments – Operating Reserve Requirement | 4,128,954 | - | - | - | 4,128,954 |
| PROPERTY AND EQUIPMENT, NET | | | | | |
| | 39,823,497 | - | 3,638,416 | - | 43,461,913 |
| OTHER ASSETS | | | | | |
| Deposits | 915 | - | - | - | 915 |
| Interest Rate Cap Agreement | 757 | - | - | - | 757 |
| Investment in Affiliate | 1,000 | - | - | (1,000) | - |
| Beneficial Interest in Annuities | 184,786 | - | - | - | 184,786 |
| Intangible Asset | 131,446 | - | - | - | 131,446 |
| Total Other Assets | <u>318,904</u> | <u>-</u> | <u>-</u> | <u>(1,000)</u> | <u>317,904</u> |
| Total Assets | <u>\$ 54,355,870</u> | <u>\$ 1,836,590</u> | <u>\$ 3,701,559</u> | <u>\$ (505,420)</u> | <u>\$ 59,388,599</u> |

PENICK VILLAGE, INC. AND AFFILIATES
CONSOLIDATING BALANCE SHEET (CONTINUED)
SEPTEMBER 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

| LIABILITIES AND NET ASSETS | Penick Village, Inc. | Penick Village Foundation, Inc. | JA Greer Group | Eliminating Entries | Total |
|--|---------------------------------|--|-----------------------|--------------------------------|----------------------|
| CURRENT LIABILITIES | | | | | |
| Current Maturities of Long-Term Debt | \$ 1,493,462 | \$ - | \$ 3,750,000 | \$ - | \$ 5,243,462 |
| Current Maturity of Lease Liability | 10,076 | - | - | - | 10,076 |
| Payable from Assets Limited as to Use | 56,196 | - | - | - | 56,196 |
| Accounts Payable | 1,421,517 | 287 | - | - | 1,421,804 |
| Accrued Liabilities | 688,713 | - | 18,073 | - | 706,786 |
| Due to Affiliate | - | 309,420 | 195,000 | (504,420) | - |
| Application and Prepaid Admission Deposits | 2,126,086 | - | 33,610 | - | 2,159,696 |
| Refund Liability, Current Portion | 1,260,348 | - | - | - | 1,260,348 |
| Total Current Liabilities | <u>7,056,398</u> | <u>309,707</u> | <u>3,996,683</u> | <u>(504,420)</u> | <u>10,858,368</u> |
| REFUND LIABILITY, LESS CURRENT PORTION | 4,872,569 | - | - | - | 4,872,569 |
| DEFERRED REVENUE | 15,525,910 | - | - | - | 15,525,910 |
| LONG-TERM DEBT, LESS CURRENT MATURITIES | 18,247,858 | - | - | - | 18,247,858 |
| LEASE LIABILITY, LESS CURRENT MATURITY | 25,806 | - | - | - | 25,806 |
| Total Liabilities | 45,728,541 | 309,707 | 3,996,683 | (504,420) | 49,530,511 |
| NET ASSETS (DEFICIT) | | | | | |
| Without Donor Restrictions | 7,740,920 | 1,472,208 | (296,124) | - | 8,917,004 |
| Paid in Capital | - | - | 1,000 | (1,000) | - |
| With Donor Restrictions | | | | | |
| Purpose Restricted | 557,002 | 54,675 | - | - | 611,677 |
| Perpetually Restricted | 329,407 | - | - | - | 329,407 |
| Total Net Assets (Deficit) | <u>8,627,329</u> | <u>1,526,883</u> | <u>(296,124)</u> | <u>(1,000)</u> | <u>9,858,088</u> |
| Total Liabilities and Net Assets (Deficit) | <u>\$ 54,355,870</u> | <u>\$ 1,836,590</u> | <u>\$ 3,701,559</u> | <u>\$ (505,420)</u> | <u>\$ 59,388,599</u> |

PENICK VILLAGE, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

| | Penick Village, Inc. | Penick Village Foundation, Inc. | JA Greer Group | Eliminating Entries | Total |
|---|-------------------------|------------------------------------|----------------|------------------------|--------------|
| REVENUES, GAINS, AND OTHER SUPPORT | | | | | |
| Independent Living | \$ 6,172,242 | \$ - | \$ - | \$ - | \$ 6,172,242 |
| Healthcare Revenue | 8,055,777 | - | - | - | 8,055,777 |
| Less: Contractual Adjustments | (1,001,192) | - | - | - | (1,001,192) |
| Net Resident Service Revenue | 13,226,827 | - | - | - | 13,226,827 |
| Earned Entrance Fees | 3,049,673 | - | - | - | 3,049,673 |
| Other Operating Revenue | 722,942 | - | 368,255 | - | 1,091,197 |
| Contributions | 213,444 | 704,799 | - | - | 918,243 |
| Net Assets Released from Restriction for Operations | - | 2,000 | - | - | 2,000 |
| Total Revenues, Gains, and Other Support | 17,212,886 | 706,799 | 368,255 | - | 18,287,940 |
| OPERATING EXPENSES | | | | | |
| Program Services: | | | | | |
| Dining Services | 2,944,643 | - | - | - | 2,944,643 |
| Housekeeping | 687,472 | - | - | - | 687,472 |
| Nursing | 3,442,831 | - | - | - | 3,442,831 |
| Residential Assisted Living | 623,563 | - | - | - | 623,563 |
| Resident Services | 225,856 | - | - | - | 225,856 |
| Facility Services | 1,942,001 | - | - | - | 1,942,001 |
| Life Enrichment | 326,231 | - | - | - | 326,231 |
| Home Care | 641,676 | - | - | - | 641,676 |
| Garden Cottage | 439,102 | - | - | - | 439,102 |
| Total Program Services | 11,273,375 | - | - | - | 11,273,375 |
| Support Services: | | | | | |
| General and Administrative | 2,215,571 | 11,397 | 166,344 | - | 2,393,312 |
| Human Resources | 375,563 | - | - | - | 375,563 |
| Information Technology | 462,734 | - | - | - | 462,734 |
| Marketing and Development | 446,690 | - | - | - | 446,690 |
| Depreciation | 1,945,972 | - | 110,003 | - | 2,055,975 |
| Interest | 855,848 | - | 152,084 | - | 1,007,932 |
| Total Support Services | 6,302,378 | 11,397 | 428,431 | - | 6,742,206 |
| Total Operating Expenses | 17,575,753 | 11,397 | 428,431 | - | 18,015,581 |
| OPERATING INCOME (LOSS) | (362,867) | 695,402 | (60,176) | - | 272,359 |

PENICK VILLAGE, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

| | Penick Village, Inc. | Penick Village Foundation, Inc. | JA Greer Group | Eliminating Entries | Total |
|---|-------------------------|------------------------------------|---------------------|------------------------|---------------------|
| NONOPERATING INCOME (LOSS) | | | | | |
| Interest and Dividends | \$ 280,002 | \$ 43,074 | \$ - | \$ - | \$ 323,076 |
| Realized Loss on Sale of Investments, Net of Expenses | (46,465) | (31,777) | - | - | (78,242) |
| Unrealized Loss on Fair Value of Interest Rate Cap Agreement | (4,663) | - | - | - | (4,663) |
| Total Nonoperating Income | <u>228,874</u> | <u>11,297</u> | <u>-</u> | <u>-</u> | <u>240,171</u> |
| EXCESS OF REVENUES, GAINS, AND OTHER SUPPORT OVER (UNDER) EXPENSES | (133,993) | 706,699 | (60,176) | - | 512,530 |
| Net Assets Released from Restriction for Capital Improvements | 18,972 | - | - | - | 18,972 |
| Transfers of Net Assets from Foundation to Penick Village | 650,674 | (650,674) | - | - | - |
| Net Unrealized Gains on Investments | 79,049 | 36,107 | - | - | 115,156 |
| INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS | 614,702 | 92,132 | (60,176) | - | 646,658 |
| PURPOSE RESTRICTED NET ASSETS | | | | | |
| Change in Fair Value of Split-Interest Agreement | (3,134) | - | - | - | (3,134) |
| Contributions | - | 25,034 | - | - | 25,034 |
| Interest and Dividends | 15,684 | - | - | - | 15,684 |
| Realized Loss on Sales of Investments, Net of Expenses | (4,132) | - | - | - | (4,132) |
| Net Unrealized Gain on Investments | 5,180 | - | - | - | 5,180 |
| Transfers of Net Assets from Foundation to Penick Village | 10,701 | (10,701) | - | - | - |
| Net Assets Released from Restrictions | (18,972) | (2,000) | - | - | (20,972) |
| Decrease in Purpose Restricted Net Assets | <u>5,327</u> | <u>12,333</u> | <u>-</u> | <u>-</u> | <u>17,660</u> |
| INCREASE (DECREASE) IN NET ASSETS | 620,029 | 104,465 | (60,176) | - | 664,318 |
| Net Assets (Deficit) - Beginning of Year | <u>8,007,300</u> | <u>1,422,418</u> | <u>(234,948)</u> | <u>(1,000)</u> | <u>9,193,770</u> |
| NET ASSETS (DEFICIT) - END OF YEAR | <u>\$ 8,627,329</u> | <u>\$ 1,526,883</u> | <u>\$ (295,124)</u> | <u>\$ (1,000)</u> | <u>\$ 9,858,088</u> |

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



PENICK VILLAGE, INC.
PROJECTED FINANCIAL STATEMENTS
AND INDEPENDENT ACCOUNTANTS' COMPILATION REPORT
FOR THE YEARS ENDING SEPTEMBER 30, 2020 THROUGH
SEPTEMBER 30, 2024



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**PENICK VILLAGE, INC.
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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

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

Management is responsible for the accompanying projection of Penick Village, Inc. ("Penick" or "the Organization") which comprises the projected balance sheets as of September 30, 2020 through 2024, and the projected statements of operations and changes in net assets, and cash flows for the years then ending, including the related summary of significant projection assumptions and accounting policies in accordance with guidelines for the presentation of a projection established by the American Institute of Certified Public Accountants (AICPA) assuming the hypothetical assumptions (defined hereinafter). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the projection nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this projection.

Furthermore, even if Penick is able to:

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

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

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
February 26, 2020



PENICK VILLAGE, INC.
PROJECTED BALANCE SHEETS
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 5
SEPTEMBER 30, 2020 THROUGH 2024
(IN THOUSANDS OF \$)

| ASSETS | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|------------------|------------------|------------------|------------------|------------------|
| CURRENT ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 4,969 | \$ 5,300 | \$ 3,995 | \$ 3,888 | \$ 3,495 |
| Assets Limited as to Use | 56 | 56 | 56 | 56 | 56 |
| Investments | 5,788 | 5,834 | 5,966 | 6,103 | 6,241 |
| Receivables | | | | | |
| Accounts and Notes, Net of Allowance | 633 | 490 | 614 | 518 | 653 |
| Other | 419 | 374 | 374 | 374 | 374 |
| Prepays | 150 | 125 | 125 | 125 | 125 |
| Total Current Assets | <u>12,015</u> | <u>12,179</u> | <u>11,130</u> | <u>11,064</u> | <u>10,944</u> |
| ASSETS LIMITED AS TO USE | | | | | |
| Investments - Operating Reserve Requirement | 3,898 | 4,092 | 4,207 | 4,323 | 4,444 |
| Capitalized Interest Fund | 395 | - | - | - | - |
| Construction Fund | 1,615 | 615 | - | - | - |
| Debt Service Reserve Fund | 2,007 | 2,007 | 2,007 | 2,007 | 2,007 |
| | <u>7,915</u> | <u>6,714</u> | <u>6,214</u> | <u>6,330</u> | <u>6,451</u> |
| PROPERTY AND EQUIPMENT, NET | 47,499 | 47,836 | 47,637 | 46,182 | 44,593 |
| OTHER ASSETS | | | | | |
| Deposits | 1 | 1 | 1 | 1 | 1 |
| Investment in Joint Venture, at Cost | 1 | 1 | 1 | 1 | 1 |
| Interest Rate Cap Agreement | 1 | 1 | 1 | 1 | 1 |
| Beneficial Interest in Annuities | 185 | 185 | 185 | 185 | 185 |
| Intangible Asset - Home Care License | 80 | 77 | 74 | 71 | 68 |
| Due From JA Greer Group, LLC | 933 | 921 | 909 | 897 | 885 |
| Long-term Notes Receivable | 64 | 52 | 40 | 34 | 28 |
| Total Other Assets | <u>1,265</u> | <u>1,238</u> | <u>1,211</u> | <u>1,190</u> | <u>1,169</u> |
| Total Assets | \$ 68,694 | \$ 67,967 | \$ 66,192 | \$ 64,766 | \$ 63,157 |
| LIABILITIES AND NET ASSETS | | | | | |
| CURRENT LIABILITIES | | | | | |
| Current Maturities of Long-Term Debt | \$ 250 | \$ 260 | \$ 450 | \$ 465 | \$ 490 |
| Payable from Assets Limited as to Use | 56 | 56 | 56 | 56 | 56 |
| Accounts Payable | 602 | 1,250 | 900 | 1,102 | 1,102 |
| Accrued Liabilities | 697 | 716 | 735 | 755 | 775 |
| Lease Payable - Current | 10 | 10 | 10 | - | - |
| Application and Prepaid Admission Deposits | 121 | 121 | 121 | 121 | 121 |
| Total Current Liabilities | <u>1,736</u> | <u>2,413</u> | <u>2,272</u> | <u>2,499</u> | <u>2,544</u> |
| REFUND LIABILITY | 5,879 | 6,155 | 6,430 | 6,705 | 6,980 |
| DEFERRED REVENUE | 19,700 | 18,415 | 17,130 | 15,845 | 14,560 |
| LEASE PAYABLE - LONG-TERM | 20 | 10 | - | - | - |
| LONG-TERM DEBT, LESS UNAMORTIZED | | | | | |
| FINANCING COSTS AND PREMIUM, LESS CURRENT MATURITIES | 33,451 | 33,154 | 32,668 | 32,165 | 31,638 |
| Total Liabilities | <u>60,786</u> | <u>60,147</u> | <u>58,500</u> | <u>57,214</u> | <u>55,722</u> |
| NET ASSETS | | | | | |
| Net Assets Without Donor Restriction | 7,027 | 6,939 | 6,811 | 6,671 | 6,554 |
| Net Assets With Donor Restriction | 881 | 881 | 881 | 881 | 881 |
| Total Net Assets | <u>7,908</u> | <u>7,820</u> | <u>7,692</u> | <u>7,552</u> | <u>7,435</u> |
| Total Liabilities and Net Assets | \$ 68,694 | \$ 67,967 | \$ 66,192 | \$ 64,766 | \$ 63,157 |

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

PENICK VILLAGE, INC.
PROJECTED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 5
YEARS ENDING SEPTEMBER 30, 2020 THROUGH 2024
(IN THOUSANDS OF \$)

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|--------------|-------------|--------------|--------------|--------------|
| REVENUES, GAINS AND OTHER SUPPORT | | | | | |
| Independent Living | \$ 7,173 | \$ 7,840 | \$ 8,089 | \$ 8,340 | \$ 8,600 |
| Healthcare Revenue | 7,973 | 8,212 | 8,459 | 8,713 | 8,974 |
| Less: Contractual Adjustments | (907) | (960) | (988) | (1,017) | (1,046) |
| Net Resident Service Revenue | 14,239 | 15,092 | 15,560 | 16,036 | 16,528 |
| Earned Entrance Fees | 2,460 | 3,576 | 3,576 | 3,576 | 3,576 |
| Other Operating Revenue | 446 | 459 | 473 | 487 | 502 |
| Contributions | 800 | 880 | 968 | 1,065 | 1,171 |
| Total Revenues, Gains and Other Support | 17,945 | 20,007 | 20,577 | 21,164 | 21,777 |
| OTHER EXPENSES | | | | | |
| Healthcare | | | | | |
| Nursing | 3,679 | 3,895 | 4,009 | 4,124 | 4,242 |
| Residential Assisted Living | 584 | 619 | 637 | 655 | 674 |
| Garden Cottage | 427 | 452 | 465 | 479 | 492 |
| Home Care | 683 | 724 | 768 | 815 | 865 |
| Total Healthcare | 5,373 | 5,690 | 5,879 | 6,073 | 6,273 |
| PROGRAM SERVICES | | | | | |
| Dining Services | 3,075 | 3,256 | 3,351 | 3,447 | 3,546 |
| Housekeeping | 820 | 869 | 894 | 920 | 946 |
| Resident Services | 207 | 219 | 226 | 232 | 239 |
| Facility Services | 1,954 | 2,043 | 2,096 | 2,150 | 2,206 |
| Life Enrichment | 373 | 395 | 407 | 418 | 430 |
| Total Program Services | 6,429 | 6,782 | 6,974 | 7,167 | 7,367 |
| SUPPORTING SERVICES | | | | | |
| General and Administrative | 2,315 | 2,390 | 2,438 | 2,488 | 2,539 |
| Human Resources | 431 | 439 | 448 | 457 | 466 |
| Information Technology | 568 | 579 | 591 | 602 | 614 |
| Marketing and Development | 477 | 486 | 496 | 506 | 516 |
| Depreciation and Amortization | 2,187 | 2,502 | 2,652 | 2,794 | 2,927 |
| Interest | 1,026 | 1,538 | 1,528 | 1,518 | 1,500 |
| Total Supporting Services | 7,004 | 7,934 | 8,153 | 8,365 | 8,562 |
| Total Operating Expenses | 18,806 | 20,406 | 21,006 | 21,605 | 22,202 |
| Operating Loss | (861) | (399) | (429) | (441) | (425) |
| NON-OPERATING INCOME | | | | | |
| Loss on Refunding of Long-Term Debt | (210) | - | - | - | - |
| Investment Earnings, Net | 352 | 311 | 301 | 301 | 308 |
| DEFICIT OF REVENUES UNDER EXPENSES AND CHANGES IN NET ASSETS | (719) | (88) | (128) | (140) | (117) |
| Net Assets, Beginning of Year | 8,627 | 7,908 | 7,820 | 7,692 | 7,552 |
| Net Assets, End of Year | \$ 7,908 | \$ 7,820 | \$ 7,692 | \$ 7,552 | \$ 7,435 |

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

PENICK VILLAGE, INC.
PROJECTED STATEMENTS OF CASH FLOWS
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 5
YEARS ENDING SEPTEMBER 30, 2020 THROUGH 2024
(IN THOUSANDS OF \$)

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Changes in Net Assets | \$ (719) | \$ (88) | \$ (128) | \$ (140) | \$ (117) |
| Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities: | | | | | |
| Depreciation | 2,184 | 2,499 | 2,649 | 2,791 | 2,924 |
| Amortization of Intangible Asset | 3 | 3 | 3 | 3 | 3 |
| Amortization of Debt Issuance Costs | 30 | 32 | 32 | 32 | 32 |
| Amortization of Premium | (64) | (69) | (69) | (69) | (69) |
| Loss on Refunding of Long-Term Debt | 210 | - | - | - | - |
| Amortization of Entrance Fees | (2,460) | (3,576) | (3,576) | (3,576) | (3,576) |
| Nonrefundable Entrance Fees Received | 3,154 | 3,592 | 3,592 | 3,592 | 3,592 |
| Net Change in Operating Assets and Liabilities | | | | | |
| Current Assets | (200) | 213 | (124) | 96 | (135) |
| Other, Noncurrent Assets | (726) | 24 | 24 | 18 | 18 |
| Current Liabilities | (810) | 666 | (331) | 219 | 19 |
| Net Cash Provided by Operating Activities | 602 | 3,296 | 2,072 | 2,966 | 2,691 |
| CASH FLOWS FROM CAPITAL AND INVESTING ACTIVITIES | | | | | |
| Purchase of Property and Equipment | (9,861) | (2,835) | (2,450) | (1,335) | (1,335) |
| Change in Investments | (360) | (46) | (132) | (137) | (138) |
| Change in Assets Limited as to Use | (3,786) | 1,201 | 500 | (116) | (121) |
| Net Cash Used by Capital and Investing Activities | (14,007) | (1,680) | (2,082) | (1,588) | (1,594) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Net Borrowings (Repayments) Line of Credit | (749) | - | - | - | - |
| Principal Payments on Long-Term Debt | (19,154) | (250) | (260) | (450) | (465) |
| Change in Application and Prepaid Admission Deposits | (2,005) | - | - | - | - |
| First Generation Entrance Fees Received | 4,254 | - | - | - | - |
| Refundable and First Generation Entrance Fees Received | 312 | 355 | 355 | 355 | 355 |
| Borrowings on Long-Term Debt | 34,865 | - | - | - | - |
| Principal Payments on Lease Payable | (6) | (10) | (10) | (10) | - |
| Payment of Bond Issuance Costs | (1,130) | - | - | - | - |
| Refunds of Entrance Fees | (1,340) | (1,380) | (1,380) | (1,380) | (1,380) |
| Net Cash Provided (Used) by Financing Activities | 15,047 | (1,285) | (1,295) | (1,485) | (1,490) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 1,642 | 331 | (1,305) | (107) | (393) |
| Cash and Cash Equivalents - Beginning of Year | 3,327 | 4,969 | 5,300 | 3,995 | 3,888 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 4,969 | \$ 5,300 | \$ 3,995 | \$ 3,888 | \$ 3,495 |

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

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

NOTE 1 NATURE OF ACTIVITIES

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

NOTE 2 BASIS OF PRESENTATION

The financial projection presents, to the best of management's ("Management") knowledge and belief excluding its two affiliates Penick Village Foundation, Inc. (the "Foundation") and JA Greer Group, LLC (the "Group"), as of and for each of the five years ending September 30, 2020 through 2024 (the "Projection Period").

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

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

Management's financial projection has been prepared for the specific purpose of presenting the projected statements of operations and changes in net assets, and cash flows for Penick Village, Inc. This presentation is not intended to include the consolidated projected financial statements of Penick Village, Inc. which would include the Foundation and the Group. Accordingly, the projection is not intended to be a presentation in conformity with U.S. generally accepted accounting principles since it excludes the Foundation and the Group.

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

Management assumes the Organization would (the "Hypothetical Assumptions"):

- Fill and operate the Project (as defined hereinafter) at the costs and timeline presented hereafter; and
- achieve its operating expenses as projected.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

NOTE 2 BASIS OF PRESENTATION (CONTINUED)

Accordingly, the financial projection reflects Management's assumptions as of February 26, 2020, the date of this projection, of the expected conditions and its expected course of action assuming the Hypothetical Assumptions. The assumptions disclosed herein, while not all-inclusive, are the assumptions which Management believes are significant to the financial projection. Furthermore, even if the Hypothetical Assumptions were to occur, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

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

Accordingly, this report should not be used for any other purpose. The assumptions disclosed herein are those that Management believes are significant to the projection based on Management's assumptions at the time of the projection. Management recognizes that there will usually be differences between the prospective and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

The Project

The Organization is projecting the completion of an independent living project during the Projection Period as noted below.

The Wharton

The Wharton project (the "Project") is anticipated to include 19 residential and 1 guest hybrid apartments with an estimated cost of approximately \$9.1 million. Construction of The Wharton is projected to be completed in May 2020 and begin unit-fill in June of 2020.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

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

Assets Limited as to Use

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

Investments

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

Fair Value Measurements

Generally accepted accounting principles ("GAAP") defines fair value as an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization utilizes market data or assumptions that market participants would use in pricing the asset or liability. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions. As of September 30, 2019, all of the Organization's investments were in Level 1 and management anticipates this to remain the same throughout the projection period.

Accounts and Notes Receivable

Accounts receivable are uncollateralized resident obligations due under normal trade terms generally requiring payment within 30 days from the invoiced date. Notes receivable represent written promissory notes from residents to fulfill past due accounts based on agreed payment schedules. The carrying amount of accounts and notes receivable is reduced by an allowance that reflects management's estimate of the amounts that will not be collected. Management reviews each account receivable balance that exceeds 120 days from the invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. Additionally, management applies an estimated write-off percentage to total outstanding accounts and notes receivable, not previously reviewed, to estimate a general allowance covering those amounts. As of September 30, 2019, the allowance was \$100,000 and Management has projected this to increase to approximately \$117,000 by September 30, 2024 as described in Note 6.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Equipment and Depreciation

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

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

Financing Costs

Costs incurred in acquiring bond financing are capitalized and amortized over the repayment periods associated with the underlying debt obligation. As noted in Note 7, Liability Assumptions, during 2020, the Organization issued new debt in the form of the Series 2019 Bonds. As part of the Series 2019 Bonds, the Organization paid \$1,130,000 of deferred financing costs. Management has projected unamortized financing costs of approximately \$1.100 million, \$1.068 million, \$1.035 million, \$1.003 million and \$974,000 for the years ending September 30, 2020, 2021, 2022, 2023 and 2024, respectively, and have been reflected as a reduction in long-term debt. Amortization of financing costs are included as a component of interest expense on the projected statements of operations and changes in net assets. In 2020, the Organization wrote-off approximately \$210,000 of unamortized financing costs and projected as the loss on refunding of long-term debt in the projected statements of operations and changes in net assets.

Application and Admission Deposits

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

Deferred Entrance Fees and Refund Liability

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

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Obligations to Provide Future Services

The Organization enters into various continuing care contracts with residents. A life planning contract is an agreement between a resident and the Organization specifying the services and facilities to be provided over the resident's remaining life. Under the contracts, the Organization has the ability to increase fees as deemed necessary. For the year ended September 30, 2019, the Organization engaged a specialist to calculate the present value of the estimated net cost of future services to be provided, including the cost of facilities to current residents, and compared that calculated amount with deferred revenue from entrance fees. Under GAAP, if the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, an additional liability is shown in the projected balance sheets. No such liability was recorded as of September 30, 2019 as the present value of the estimated net costs of future services and use of facilities is less than deferred revenues from entrance fees. Management has assumed that there will be no such liability throughout the projection period.

Resident Care Revenue

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

Revenue that is reimbursable by Medicare and Medicaid is subject to audit and retroactive adjustment. Revenues from Medicare and Medicaid approximated 45.2% of gross resident service revenue for the year ended September 30, 2019. Estimated settlements are recorded in the period the related services are provided. Differences between the estimate amounts accrued and interim and final settlements are reported in operations in the year of settlement.

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

Benevolent Assistance

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

Restricted and Unrestricted Revenue

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

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is exempt from federal and state income taxes under Code Section 501(c)(3) of the Internal Revenue code; accordingly, the projected financial statements do not reflect a provision or liability for federal and state income taxes. The Organization has determined that it does not have any material unrecognized tax benefit or obligations as of September 30, 2019.

Net Assets

The Organization reports net assets as net assets without donor restriction and net assets with donor restriction depending on the presence and type of donor-imposed restrictions limiting the Organization's ability to use or dispose of specific contributed assets or the economic benefits embodied in those assets. Net assets without donor restriction include those whose use is not restricted by donors even though their use may be limited in other respects, such as by board designation. Net assets with donor restriction are those net assets whose use has been limited by donors (a) to later periods of time or after specified dates or (b) to specified purposes or (c) to be maintained in perpetuity. Management has not projected any changes in net assets with donor restriction during the Projection Period.

Use of Estimates

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

Concentrations of Credit Risk

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

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

NOTE 4 SUPPORT AND REVENUE ASSUMPTIONS

The following summarizes significant assumptions for projected revenues.

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

| | In Thousands of Dollars | | | | |
|---|-------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 |
| Gross Entrance Fees Received | | | | | |
| Existing Community | \$ 3,466 | \$ 3,947 | \$ 3,947 | \$ 3,947 | \$ 3,947 |
| The Wharton Project | 4,254 | - | - | - | - |
| Total Gross Entrance Fees Received | \$ 7,720 | \$ 3,947 | \$ 3,947 | \$ 3,947 | \$ 3,947 |
| Entrance Fees Refunded | \$ (1,340) | \$ (1,380) | \$ (1,380) | \$ (1,380) | \$ (1,380) |
| Net Entrance Fees Received | \$ 6,380 | \$ 2,567 | \$ 2,567 | \$ 2,567 | \$ 2,567 |

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

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Existing Community | | | | | |
| Independent Living | 94.7% | 94.7% | 94.7% | 94.7% | 94.7% |
| Assisted Living | 91.9% | 91.9% | 91.9% | 91.9% | 91.9% |
| Skilled Nursing | 88.0% | 88.0% | 88.0% | 88.0% | 88.0% |
| Project | | | | | |
| The Wharton | 22.9% | 90.0% | 90.0% | 90.0% | 90.0% |
| Weighted Average Occupancy | 92.0% | 92.5% | 92.5% | 92.5% | 92.5% |

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

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|------------------------------|----------|----------|----------|----------|----------|
| Existing Community | | | | | |
| Independent Living (monthly) | \$ 3,279 | \$ 3,370 | \$ 3,471 | \$ 3,576 | \$ 3,683 |
| Assisted Living (monthly) | \$ 6,386 | \$ 6,578 | \$ 6,775 | \$ 6,979 | \$ 7,188 |
| Skilled Nursing (daily) | \$ 317 | \$ 326 | \$ 336 | \$ 346 | \$ 356 |
| Project | | | | | |
| The Wharton (monthly) | \$ 2,859 | \$ 2,945 | \$ 3,034 | \$ 3,125 | \$ 3,218 |

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

NOTE 4 SUPPORT AND REVENUE ASSUMPTIONS (CONTINUED)

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

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|--------------------|------|------|------|------|------|
| Existing Community | | | | | |
| Independent Living | (1) | 3.0% | 3.0% | 3.0% | 3.0% |
| Assisted Living | (1) | 3.0% | 3.0% | 3.0% | 3.0% |
| Skilled Nursing | (1) | 3.0% | 3.0% | 3.0% | 3.0% |
| Project | | | | | |
| The Wharton | (2) | 3.0% | 3.0% | 3.0% | 3.0% |

Notes:

- (1) Based on Management's 2020 budget.
(2) First year of Project occupancy.
5. Contractual adjustments are based on Management's budget for the year ending September 30, 2020 and approximated 5.8% of gross resident care revenue each year thereafter based on historical experience. These items are deducted from resident care income in arriving at net resident service revenue for financial reporting purposes as required.
6. Net investment earnings are based on Management's budget for the year ending September 30, 2020. Management has projected an assumed rate of return of 3% on all investments and 1% on all funds held by Trustee under debt agreements during the Projection Period.
7. Contributions are based on Management's budget for the year ending September 30, 2020 and are projected to increase by 10 percent per year thereafter through 2024.
8. Other operating revenue is based on Management's budget for the year ending September 30, 2020, increased by 3% thereafter through 2024.

NOTE 5 EXPENSE ASSUMPTIONS

The following summarizes significant assumptions for projected expenses.

1. Depreciation expense is based on Management's budget for the year ending September 30, 2020. Depreciation expense thereafter is assumed to increase based on the level of capital expenditures (as discussed in Note 6), utilizing a mid-year convention under the straight-line depreciation method, with a standard useful life of 10 years for all assets, except for new construction, which uses a 30-year life.
2. Interest expense is based on Management's budget for the year ending September 30, 2020. Interest expense thereafter is projected based on the annual requirements associated with the long-term debt. Interest expense also includes (i) amortization expense related to the financing costs which Management has amortized using straight line method over the period of the underlying bonds and (ii) amortization of the bond premium which is amortized over the period of the underlying Series 2019 Bonds.
3. Operating expenses are based on Management's budget for the year ending September 30, 2020. In each year ending September 30, 2021 – 2024: (i) expenses classified as Program Services were

See accompanying Independent Accountants' Compilation Report

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

NOTE 5 EXPENSE ASSUMPTIONS (CONTINUED)

projected to remain the same percent of net resident service revenues (minus Home Care net revenues) as in the Organization’s budget for the year ending September 30, 2020 and (ii) Home Care Program Service expenses were projected to remain at the same percent of Home Care net revenues as in the Organization’s budget for the year ended September 30, 2020. In each year ended September 30, 2021 – 2024 thereafter, expenses classified as Support Service expenses other than depreciation, amortization and interest expenses were projected to increase by 2% each year.

NOTE 6 ASSET ASSUMPTIONS

The following summarizes significant assumptions for projected assets.

1. Projected cash results from the application of all other assumptions.
2. Assets limited as to use – current is expected to remain constant in comparison to the year ended September 30, 2019.
3. Accounts and notes receivable are projected to approximate 15 days net resident service revenue. The allowance for doubtful accounts for the years ending September 30, 2020 through 2024 is estimated to increase from \$100,000 at September 30, 2020 to approximately \$117,000 at September 30, 2024.
4. Management has projected assets limited as to use to consist of the following:
 - a. Operating Reserve Requirement (see further description contained hereinafter)
 - b. Capitalized Interest Fund – Represents 18 months of funded interest related to the portion of the Series 2019 Bonds allocable to the Wharton Project.
 - c. Construction Fund – Represents Series 2019 Bond proceeds that are deposited into a construction account for the construction of Wharton Project, construction of a wellness center, and planning work associated with New South as defined hereinafter.
 - d. Debt Service Reserve Fund – Represents the debt service reserve fund related to the Series 2019 Bonds.
5. Management has projected the following Existing Community and Project capital expenditures for the years ending September 30:

| | In Thousands of Dollars | | | | |
|---|-------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 |
| Routine Capital Expenditures | \$ 1,259 | \$ 1,335 | \$ 1,335 | \$ 1,335 | \$ 1,335 |
| Healthcare Renovation | 622 | 500 | 500 | - | - |
| Planning and Development Activities - New South Project | 1,000 | 1,000 | 615 | - | - |
| The Wharton Capitalized Interest - Wharton Project | 6,601 | - | - | - | - |
| Capitalized Interest - Wharton Project | 379 | - | - | - | - |
| Total Routine and Project Capital Expenditures | \$ 9,861 | \$ 2,835 | \$ 2,450 | \$ 1,335 | \$ 1,335 |

- a. Management has projected it would incur \$1,622,000 associated with healthcare renovation costs for the Organization.
- b. Management has projected that it would incur approximately \$2,615,000 related to planning for future independent living expansion (“New South”). Management is currently in the planning phases for the New South expansion, but has not conducted sufficient planning work to determine whether or not it will proceed with the New South expansion. The planning costs are being reflected as construction in process during the Projection Period.

See accompanying Independent Accountants' Compilation Report

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

NOTE 6 ASSET ASSUMPTIONS (CONTINUED)

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

| | In Thousands of Dollars | | | | |
|-------------------------------------|-------------------------|------------------|------------------|------------------|------------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 |
| Land | \$ 589 | \$ 589 | \$ 589 | \$ 589 | \$ 589 |
| Landscaping | 86 | 86 | 86 | 86 | 86 |
| Buildings | 63,287 | 64,455 | 65,622 | 66,290 | 66,957 |
| Equipment and Furnishings | 2,698 | 3,365 | 4,033 | 4,700 | 5,368 |
| Paving | 103 | 103 | 103 | 103 | 103 |
| Motor Vehicles | 251 | 251 | 251 | 251 | 251 |
| Construction in Process - New South | 1,003 | 2,003 | 2,618 | 2,618 | 2,618 |
| Property and Equipment, Gross | 68,017 | 70,852 | 73,302 | 74,637 | 75,972 |
| Accumulated Depreciation | (20,518) | (23,016) | (25,665) | (28,455) | (31,379) |
| Property and Equipment, Net | <u>\$ 47,499</u> | <u>\$ 47,836</u> | <u>\$ 47,637</u> | <u>\$ 46,182</u> | <u>\$ 44,593</u> |

7. Other receivables are expected to approximate \$419,000 at September 30, 2020 and decrease to approximately \$347,000 each year thereafter.
8. Other assets consist primarily of amounts due from the Group and the Foundation (related parties), annuities and intangible assets. Management believes the amounts are fully collectible and not presently subject to impairment revaluation.
9. Management has projected the operating reserve as required by Section 58-64-33(a) of the General Statutes of North Carolina for the fiscal years ending September 30, as follows:

| | In Thousands of Dollars | | | | |
|--|-------------------------|------------------|------------------|------------------|------------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 |
| Total Operating Expenses | \$ 18,806 | \$ 20,406 | \$ 21,006 | \$ 21,605 | \$ 22,202 |
| Less: | | | | | |
| Depreciation and Amortization | (2,187) | (2,502) | (2,652) | (2,794) | (2,927) |
| Amortization of Issuance Costs Included as a component of Interest Expense | (30) | (32) | (32) | (32) | (32) |
| Plus: | | | | | |
| Routine Principal Payments | 150 | 250 | 260 | 450 | 465 |
| Less: | | | | | |
| Amounts Set-Aside in Debt Service Reserve Fund | (1,146) | (1,756) | (1,756) | (1,936) | (1,933) |
| | <u>\$ 15,593</u> | <u>\$ 16,366</u> | <u>\$ 16,826</u> | <u>\$ 17,293</u> | <u>\$ 17,775</u> |
| Required Reserve Multiplier ⁽¹⁾ | 25% | 25% | 25% | 25% | 25% |
| Required Operating Reserve (In Thousands) | <u>\$ 3,898</u> | <u>\$ 4,092</u> | <u>\$ 4,207</u> | <u>\$ 4,323</u> | <u>\$ 4,444</u> |

Notes:

- (1) Due to the Organization having an assumed combined occupancy as of September 30th of each year in the Projection Period in excess of 90%, the required reserve multiplier is 25%.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

NOTE 7 LIABILITY ASSUMPTIONS

The following summarizes significant assumptions for projected liabilities.

1. Accounts payable is projected to range between 40 and 51 days of operating expenses and non-financed capital expenditures days outstanding during the Projection Period.
2. Accrued liabilities for the year ending September 30, 2020 are expected to be \$697,000 and increase at the operating expenses rate of inflation during the years ended September 30, 2021 - 2024.
3. At September 30, 2019, the Organization's outstanding long-term debt totaled \$19,153,758 which was comprised of the following:
 - \$14,383,691 of bank placed tax-exempt bonds (the "Series 2010B Bonds") which matures in February 2025. The Series 2010B Bonds bear interest at 4.1% and principal and interest are due monthly. The Series 2010B Bonds has been paid off from proceeds of the Series 2019 Bonds.
 - \$842,170 of bank debt (the "2012A Debt") which matures in March 2025. The 2012A Debt bears interest at 4.5% and principal and interest are due monthly. The 2012A Debt has been paid off from proceeds of the Series 2019 Bonds.
 - \$3,290,240 related to a construction loan (the "Parkview Loan") which matures in March 2022. The Parkview Loan bears interest at a 4.0% and principal and interest payments are due monthly. The Parkview Loan has been paid off from proceeds of the Series 2019 Bonds.
 - \$637,657 related to a construction loan (the "Wharton Construction Loan"). Monthly payment of principal is due beginning June 2020. All unpaid principal and interest is due December 2023. Interest is payable monthly at the fixed rate of 5.85%. The Wharton Construction Loan has been paid off from proceeds of the Series 2019 Bonds.

The Organization also has a \$750,000 secured line of credit which expires in March of 2020. At September 30, 2019, the outstanding balance was \$749,000. The Organization anticipates renewing this secured line of credit with similar terms. The line of credit currently bears interest at the rate of Wall Street Journal Prime plus 0.50%. Management has projected the payment of the line of credit in 2020 and has assumed no balances in 2021 - 2024.

In November 2019, the Village entered into a debt agreement with the Public Finance Authority for the issuance of \$32,440,000 of Retirement Facilities Revenue Bonds (Series 2019 Bonds) along with proceeds of \$2,425,000 associated with a premium on the Series 2019 Bonds. Proceeds from the Series 2019 Bonds will be used to finance the costs of construction of the Wharton apartments and master planning of future construction, to refund certain outstanding debt obligations, to fund a reserve fund and capitalized interest, and to pay certain expenses in connection with the issuance of the Series 2019 Bonds. Under this agreement, the outstanding obligations related to the Series 2010B Bonds and other taxable loans were redeemed in whole. Interest on the Series 2019 Bonds will be payable on each March 1 and September 1, beginning on March 1, 2020, at rates ranging from 3.5% to 4.125% through the maturity date of September 1, 2054. The Series 2019 Bonds are secured by the property of the Village, including rights under its residency agreements.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

NOTE 7 LIABILITY ASSUMPTIONS (CONTINUED)

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

| Years Ending September 30, | In Thousands of Dollars | | | | | | Total |
|---|-------------------------|---------------|------------------|---------------------------------|------------------|----------------------|-------|
| | Series 2010 | | Parkview Loan | Wharton Construction Loan | | Series 2019 Bonds | |
| | B Bonds | 2012A Debt | | | | | |
| Routine Principal Payments | \$ 113 | \$ 7 | \$ 25 | \$ 5 | \$ - | \$ 150 | |
| Other Principal Payments ⁽¹⁾ | 14,271 | 835 | 3,265 | 633 | - | 19,004 | |
| 2020 | 14,384 | 842 | 3,290 | 638 | - | 19,154 | |
| 2021 | - | - | - | - | 250 | 250 | |
| 2022 | - | - | - | - | 260 | 260 | |
| 2023 | - | - | - | - | 450 | 450 | |
| 2024 | - | - | - | - | 465 | 465 | |
| Thereafter | - | - | - | - | 31,015 | 31,015 | |
| Total | \$ 14,384 | \$ 842 | \$ 3,290 | \$ 638 | \$ 32,440 | \$ 51,594 | |

Notes:

(1) The Series 2010B Bonds, 2012A Debt, Parkview Loan and Wharton Construction Loan were paid in full with proceeds from the Series 2019 Bonds.

- In projecting the Refund Liability and Deferred Revenue, the Organization assumed that 90% of new "2nd Generation" independent living residents would select the traditional amortizing plan and 10% of new independent living residents would select the 90% refundable plan. In addition, Management has projected that all entrance fees received for existing units would be constant throughout the projected period. Based on existing pre-sales, Management assumed 90% of new Wharton residents would elect the traditional amortizing plan and 10% would select the 90% refundable plan. Entrance fees received for new Wharton units are based on 19 anticipated move-ins during the year ending September 30, 2020. In addition, Management assumed entrance fee amortization would increase in 2021 related to the opening and fill of the Wharton Project and then would be constant for 2021 through 2024.

Attachment #5

PENICK VILLAGE, INC.

Fiscal Year Ended September 30, 2019

Fiscal 2019 Actual Vs. Fiscal 2019 In F2019 – F2023 5-Year Forecast

NOTES:

- 1. Throughout this Attachment, explanations are limited to variances +/- a minimum of (i.) \$100,000 and (ii.) 10% vs. Forecast:**
- 2. Individual variance amounts/percentages are not herein detailed. Please refer to the appropriate Attachment 5B financial statement and line(s) for that detail.**
- 3. Variance Key:**
 - a. Balance Sheet: Fiscal year-end balance increased (decreased) vs. Forecast.**
 - b. Income Statement: Fiscal year-end balance was favorable (unfavorable) vs. Forecast.**
 - c. Statement of Cash-Flow: Fiscal year-end balance was favorable (unfavorable) vs. Forecast.**

Balance Sheet:

NOTE: Certain reclassifications were made to the “F2019 Audit Results” amounts to conform with how the same related amounts were classified in the F2019 Forecast.

Current Assets:

- “Cash and Cash Equivalents”:
 - Please see the following “Statement of Cash-Flow” comments for related details. **(1)**

- “Investments” and “Assets Limited to Use – Investments – Operating Reserve Requirement”:
 - Together, these two lines reported a \$2.025 million net increase vs. Forecast (i.e., a \$3.234 million increase less a \$1.209 million decrease).
 - The Organization elects not to Forecast realized/unrealized investment portfolio gains/losses (or, for that matter, any market-driven asset) due to the vagaries of the market.
 - The Statement of Cash-Flow’s “Summaries – Net Investment Activity” details the Organization’s \$388,000 F2019 realized/unrealized gain/losses on investments.
 - As additionally reported in the Statement of Cash-Flow, the Organization realized \$339,000 of investments-related interest, dividends and capital gains income during F2019, the majority of which was reinvested, not withdrawn.
 - The remaining \$1.298 million difference (i.e., \$2.025 million - \$388,000 - \$339,000) primarily represented F2019 Forecasted Capital Expenditure-related withdrawals that, ultimately, were not required. **(2)**

ATTACHMENT #5
PENICK VILLAGE, INC.
NARRATIVE: ACTUAL RESULTS COMPARED TO FIVE-YEAR FORECAST
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
PAGE 2

➤ “Receivables”:

- In the aggregate, the three lines composing Receivables decreased \$153,000, 18.2%. This variance was primarily due to the non-Forecast collection of various non-trade A/R. (3)

Other, Noncurrent Assets – Due To (From) JA Greer, Group, LLC:

- This variance was due to that the F2019 consolidated audit results, in accordance with U.S. Generally Accepted Accounting Principles, eliminate like receivables/payables between the Organization and its affiliates. The F2019 Forecast was not prepared on a consolidated basis and therefore this receivable was therein included. In actuality, the like receivable/payable that was eliminated in consolidation at 09/30/19 was \$195,000 (4)

Current Liabilities:

➤ “Line of Credit”:

- This is primarily a timing variance. 2nd-generation entrance fee refunds are due and payable within specific contractually-defined time periods. Should those time periods occur prior to receipt of a new, 2nd-generation moving-in resident’s entrance fee, the Organization may borrow on its line of credit to fund the required refund. Due to the timing of several new, 2nd-generation move-ins occurring late in the fiscal year, the Organization’s elected to fund certain required 2nd-generation entrance fee refunds from its line of credit. (5)

➤ “Accounts Payable”:

- This variance was primarily due to Accounts Payable associated with below-Forecast F2019 Capital Expenditures on the Organization’s Wharton hybrid apartment building. In turn, that largely resulted from weather/permitting delays. (6)

➤ “Refund Liability – Current Portion”:

- This variance is dependent on resident movement (i.e., either moving off-campus or passing-away).
- Therefore, this variance directly relates to a greater-than-Forecast number of resident movements who are now owed refunds within thirty (30) days of their residence’s reoccupation. (7)

Noncurrent Liabilities:

- “Refund Liability – Noncurrent Portion”:
 - This variance is primarily a partial offset to the above note (7) “Refund Liability – Current Portion” **(8)**

Net Assets – Without Donor Restrictions:

- As the Summary Income Statement indicates, this variance primarily consists of:
 - The Organization’s favorable-to-Forecast F2019 Income Statement performance and
 - The F2019 Forecast understating the beginning balance. **(9)**

Income Statement:

NOTE: Certain reclassifications were made to the “F2019 Audit Results” to conform with how the related amounts were classified in the F2019 Forecast.

Unrestricted Revenues Gains and Other Support:

- “Earned Entrance Fees”:
 - The “actual” amount is actuarially-calculated at fiscal year-end based on the fiscal year’s campus-wide, resident turnover. Accordingly, in years with an above-average turnover (as was F2019), this amount tends to be higher than Forecast as the Forecast is based on the Organization’s average turnover. **(10)**

- “Other Operating Income”:
 - The F2019 Audit Results amount includes affiliate JA Greer, LLC’s \$368,000 F2019 net revenues whereas the Forecast includes \$0 such revenues. The remaining \$269,000 variance (i.e., \$637,000 - \$368,000) was primarily due to favorable-to-Forecast increases in (i.) resident-requested “upgrade” income charges and (ii.) one-time miscellaneous income. **(11)**

- “Contributions”:
 - Primarily due to several non-Forecast larger contributions. **(12)**

Operating Expenses – Program Services:

- “Healthcare – Home Care”:
 - This variance was almost 100% sales volume-related as Home Care’s F2019 revenues similarly increased approximately 85% vs. Forecast. **(13)**

ATTACHMENT #5
PENICK VILLAGE, INC.
NARRATIVE: ACTUAL RESULTS COMPARED TO FIVE-YEAR FORECAST
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
PAGE 4

➤ “Housekeeping”:

- This variance primarily consists of below-Forecast spending on personnel costs -- salaries/wages, employer payroll taxes and employee benefits – as improved operational efficiencies allowed Housekeeping to defer Forecast hiring. (14)

Operating Expenses – Supporting Services:

➤ “Interest Expense”:

- The F2019 Audit Result amount includes \$152,000 regarding the Organization’s JA Greer Group, LLC affiliate whereas the F2019 Forecast amount includes \$0 such expenses. The remaining \$91,000 variance (i.e., \$243,000 total variance less the \$152,000 JA Greer component) primarily resulted from (i.) non-Forecast line of credit interest expense and (ii.) modestly higher than Forecast interest expense on the organization’s Parkview hybrid apartment building. (15)

Non-Operating Income (Expense):

➤ “Interest and Dividends”:

- The largest component to this line item is the interest and dividend income derived from the investment portfolio. In compiling the annual Budget/Forecast, the organization is purposefully conservative in forecasting this revenue stream. Accordingly, any positive/negative market-driven influence correspondingly affects this line item. (16)

➤ “Net Unrealized Gains on Investments”:

- As stated in comment (2) above, the Organization elects not to Forecast market-driven realized/unrealized gains (losses) on investments. Accordingly, all such amounts are 100% variances vs. Forecast. (17)

Statement of Cash-Flow

NOTE: Certain reclassifications were made to the “F2019 Audit Results” to conform with how the related amounts were classified in the F2019 Forecast.

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

Cash-Flows from Operating Activities:

- “Increase (Decrease) in Net Assets”:
 - This variance directly relates to the corresponding “Net Assets, End of Year” variance reported on Attachment 5B’s Statement of Operations and related comments above. **(18)**

- Applicable Accounting standards require that net entrance fees (i.e., gross entrance fees less entrance fee refunds) be Statement of Cash-Flow-reported on various individual lines, in two Statement sections. Therefore, to facilitate an overall net entrance fee review, please see Attachment 5B’s “Summary – Net Entrance Fees.”
 - As that Summary details:
 - The combined gross 1st-generation (typically, a new building or project’s initial residents) and 2nd-generation (all subsequent residents) entrance fees were \$1.265 million cash-flow favorable to Forecast.
 - However, entrance fee refunds were \$622,000 cash-flow unfavorable vs. Forecast
 - Resulting in the detailed net cash-flow favorable F2019 entrance fees. **(19)**

- Similar to the above (net) entrance fee discussion, Accounting standards require that investment portfolio results be reported on various individual Statement of Cash-Flow lines and sections. Accordingly, to facilitate an overall review, please see Attachment 5B’s “Summary – Net Investment Activity.”
 - **NOTE:** On the Statement of Cash-Flow, realized/unrealized gains on investments are stated as negative amounts denoting a “use” of cash because either (a.) the underlying cash-flow has not yet occurred (i.e., unrealized gains) or (b.) the underlying cash-flow was reinvested, thereby it did not result in incremental operating cash-flow (i.e., realized gains).
 - As Attachment 5B’s “Summary – Net Investment Activity” details:
 - As above notes (2) and (17) detail, the organization purposefully excludes market-driven investment gains/losses from its annual Budget/Forecast process. Accordingly, all net realized/unrealized gains/losses on investments are 100% variances to Forecast.
 - Similarly, the organization intentionally does not Forecast investment sales or purchases. As the Summary details, inclusive of F2019’s modest “earnings stream,” proceeds from investment sales exceeded investment

purchases/earnings stream resulting in the detailed variance as a purposeful investment strategy to increase “cash” holdings as a “hedge” against a possible future inflation-related market downturn. (20)

- “Net Changes in Operating Assets and Liabilities”:
 - In the aggregate, these assets and liabilities report a \$2.183 million increase in the “F2019 Audit Results” column compared to a \$3.667 million increase in the “F2019 Forecast” column. Therefore, the net variance is \$1.484 million (i.e., \$2.183 million less \$3.667 million). The largest component of that \$1.484 million variance is, as mentioned in note (6) above, the Forecast including substantially more Wharton construction-related accounts payable than actually occurred. (21)

Cash-Flows from Investing Activities:

- “Increase of Assets Limited as to Use”:
 - These assets are not directly controlled by the Organization but rather the Organization is the custodian of these funds. Accordingly, their actual vs. Forecast increase /decrease is subject to the net activity of the controlling parties with the Forecast being an estimate based on prior periods. (22)
- “Purchase of Property and Equipment”:
 - As mentioned in above notes (6) and (21), owing primarily to weather and permitting delays, F2019 spending on the Organization’s Wharton construction project was materially less than Forecast, which is the primary reason for this variance. (23)

Cash-Flows from Financing Activities:

- “Net Borrowings (Repayments) Line of Credit” + “Proceeds from Long-Term Debt” + “Principal Payments on Long-Term Debt”:
 - The aggregate “F2019 Audit Results” and “F2019 Forecast” amounts for these three lines are \$639,000 and \$4.298 million, respectively. of these three amounts. As mentioned in above notes (6), (21) and (23), owing primarily to weather and permitting delays, F2019 spending on the Organization’s Wharton construction project was materially less than Forecast, which is the primary reason for this variance. (24)

Attachment 5

Penick Village, Inc. - Consolidated Summary Balance Sheet - Actual Vs. Forecast (\$000s Omitted)

September 30, 2019

| | Notes | F2019 Audit | F2019 | Actual Increase (Decrease) Vs. Forecast | |
|---|-------|------------------|------------------|---|---------------|
| | | Results | Forecast | \$ | % |
| ASSETS: | | | | | |
| <u>Current Assets:</u> | | | | | |
| Cash and cash equivalents | (1) | \$ 3,532 | \$ 4,660 | \$ (1,128) | -24.2% |
| Cash assets limited to use | | 77 | 87 | (10) | -11.1% |
| Investments | (2) | 7,055 | 3,821 | 3,234 | 84.6% |
| Receivables: | (3) | | | | |
| Accounts and notes, net of allowance | | 565 | 465 | 100 | 21.6% |
| Unconditional promises to give | | 7 | - | 7 | 100.0% |
| Other | | 115 | 375 | (260) | -69.4% |
| Prepaid assets | | 129 | 145 | (16) | -11.3% |
| <i>Total Current Assets</i> | | <u>11,480</u> | <u>9,553</u> | <u>1,927</u> | <u>20.2%</u> |
| Assets limited to use: Investments - operating reserve requirement | (2) | 4,129 | 5,338 | (1,209) | -22.6% |
| Property and equipment, net | | 43,462 | 42,596 | 866 | 2.0% |
| <u>Other Assets:</u> | | | | | |
| Deposits | | 1 | 1 | (0) | -8.5% |
| Investment in joint venture | | - | 1 | (1) | -100.0% |
| Interest rate cap agreement | | 1 | 5 | (4) | -84.9% |
| Beneficial interests in annuities | | 185 | 188 | (3) | -1.7% |
| Intangible asset | | 131 | 77 | 54 | 100.0% |
| Due to (from) JA Greer Group, LLC | (4) | - | 245 | (245) | -100.0% |
| Long-term note receivable | | - | 17 | (17) | -100.0% |
| <i>Total Other Assets</i> | | <u>318</u> | <u>534</u> | <u>(216)</u> | <u>-40.5%</u> |
| Total Assets | | \$ 59,389 | \$ 58,021 | \$ 1,368 | 2.4% |
| LIABILITIES AND NET ASSETS | | | | | |
| <u>Current Liabilities:</u> | | | | | |
| Current maturities of long-term debt | | \$ 4,494 | \$ 4,645 | \$ (151) | -3.2% |
| Line of credit | (5) | 749 | 250 | 499 | 199.6% |
| Current maturity of lease liability | | 10 | 10 | 0 | 100.0% |
| Payable from assets limited as to use | | 56 | 87 | (31) | -35.4% |
| Accounts payable | (6) | 1,422 | 2,634 | (1,212) | -46.0% |
| Accrued liabilities | | 707 | 676 | 31 | 4.6% |
| Application and prepaid admission deposits | | 2,160 | 2,285 | (125) | -5.5% |
| Refund liability - current portion | (7) | 1,260 | - | 1,260 | 100.0% |
| <i>Total Current Liabilities</i> | | <u>10,858</u> | <u>10,587</u> | <u>271</u> | <u>2.6%</u> |
| Refund liability - noncurrent portion | (8) | 4,873 | 5,750 | (877) | -15.3% |
| Deferred revenue | | 15,526 | 15,497 | 29 | 0.2% |
| Long-term debt less current maturities, net of deferred financing costs | | 18,248 | 18,506 | (258) | -1.4% |
| Lease liability - long-term | | 26 | 30 | (4) | 100.0% |
| <i>Total Long-Term Liabilities</i> | | <u>38,672</u> | <u>39,783</u> | <u>(1,111)</u> | <u>-2.8%</u> |
| <i>Total Liabilities</i> | | <u>49,531</u> | <u>50,370</u> | <u>(839)</u> | <u>-1.7%</u> |

Attachment 5

Penick Village, Inc. - Consolidated Summary Balance Sheet - Actual Vs. Forecast (\$000s Omitted)

September 30, 2019

| | F2019 Audit | F2019 | Actual Increase (Decrease) Vs. Forecast | |
|---|------------------|------------------|---|--------------|
| <u>Net Assets:</u> | | | | |
| Without donor restrictions | (9) 8,917 | 6,770 | 2,147 | 31.7% |
| With donor restrictions: | | | | |
| Purpose restricted | 612 | 552 | 60 | 10.8% |
| Perpetually restricted | 329 | 329 | 0 | 0.0% |
| <i>Total net assets</i> | <u>9,858</u> | <u>7,651</u> | <u>2,207</u> | <u>28.8%</u> |
| Total Liabilities and net assets | \$ 59,389 | \$ 58,021 | \$ 1,368 | 2.4% |

Attachment 5

Penick Village, Inc. - Consolidated Summary Income Statement - Actual Vs. Forecast (\$000s Omitted)

September 30, 2019

| | | F = Favorable, (U) = Unfavorable | | | |
|---|---------------------|----------------------------------|---------------------------|--------------|--|
| Notes | F2019 Audit Results | F2019 Forecast | Actual F (U) Vs. Forecast | | |
| | | | \$ | % | |
| Unrestricted revenues, gains and other support | | | | | |
| | \$ 6,172 | \$ 6,489 | \$ (317) | -4.9% | |
| | 8,056 | 8,254 | (198) | -2.4% | |
| | (1,001) | (1,022) | 21 | 2.0% | |
| | <u>13,227</u> | <u>13,721</u> | <u>(494)</u> | <u>-3.6%</u> | |
| | 3,050 | 2,700 | 350 | 13.0% | |
| | 1,091 | 454 | 637 | 140.4% | |
| | 918 | 800 | 118 | 14.8% | |
| | 2 | - | 2 | 100.0% | |
| | <u>18,288</u> | <u>17,675</u> | <u>613</u> | <u>3.5%</u> | |
| Operating expenses: | | | | | |
| <i>Program services:</i> | | | | | |
| <i>Healthcare:</i> | | | | | |
| | 3,443 | 3,800 | 357 | 9.4% | |
| | 624 | 626 | 2 | 0.4% | |
| | 439 | 446 | 7 | 1.5% | |
| | 642 | 331 | (311) | -93.9% | |
| | <u>5,147</u> | <u>5,203</u> | <u>56</u> | <u>1.1%</u> | |
| | 2,945 | 3,026 | 81 | 2.7% | |
| | 687 | 800 | 113 | 14.1% | |
| | 226 | 270 | 44 | 16.3% | |
| | 1,195 | 1,234 | 39 | 3.1% | |
| | 326 | 382 | 56 | 14.6% | |
| | <u>10,527</u> | <u>10,915</u> | <u>388</u> | <u>3.6%</u> | |
| <i>Supporting services:</i> | | | | | |
| | 3,140 | 3,088 | (52) | -1.7% | |
| | 376 | 378 | 2 | 0.6% | |
| | 463 | 457 | (6) | 0.0% | |
| | 447 | 484 | 37 | 7.7% | |
| | 2,056 | 2,116 | 60 | 2.8% | |
| | 1,008 | 765 | (243) | -31.8% | |
| | <u>7,489</u> | <u>7,288</u> | <u>(201)</u> | <u>-2.8%</u> | |
| | <u>18,016</u> | <u>18,203</u> | <u>187</u> | <u>1.0%</u> | |
| | 272 | (528) | 800 | 151.6% | |
| <i>Non-operating income (loss):</i> | | | | | |
| | 323 | 172 | 151 | 87.8% | |
| | (78) | - | (78) | 100.0% | |
| | (5) | - | (5) | -100.0% | |
| | <u>240</u> | <u>172</u> | <u>68</u> | <u>39.6%</u> | |
| | 513 | (356) | 869 | 244.0% | |
| | 19 | - | 19 | 100.0% | |
| | 115 | - | 115 | 100.0% | |
| | <u>647</u> | <u>(356)</u> | <u>1,003</u> | <u>282%</u> | |
| <i>Changes in purpose-restricted net assets:</i> | | | | | |
| | (3) | - | (3) | -100.0% | |
| | 25 | - | 25 | 100.0% | |

Attachment 5

Penick Village, Inc. - Consolidated Summary Income Statement - Actual Vs. Forecast (\$000s Omitted)

September 30, 2019

| | <u>Notes</u> | <u>F2019 Audit Results</u> | <u>F2019 Forecast</u> | <u>F = Favorable, (U) = Unfavorable</u> | |
|---|--------------|----------------------------|-----------------------|---|---------------|
| | | | | <u>Actual F (U) Vs. Forecast</u> | |
| | | | | <u>\$</u> | <u>%</u> |
| Interest and dividends | (16) | 16 | - | 16 | 100.0% |
| <i>Changes in purpose-restricted net assets:</i> | | | | | |
| Realized gains (losses) on investments, net of expenses | (17) | (4) | - | (4) | -100.0% |
| Net unrealized gains on investments | (17) | 5 | - | 5 | 100.0% |
| Net assets released from restriction | | (21) | - | (21) | -100.0% |
| <i>Increase in purpose-restricted net assets</i> | | <u>18</u> | <u>-</u> | <u>18</u> | <u>100.0%</u> |
| Increase in net assets | | 664 | (356) | 1,020 | 286.6% |
| Net assets, beginning of year | | <u>9,194</u> | <u>7,126</u> | <u>2,068</u> | <u>29.0%</u> |
| Net Assets, End of Year | | \$ 9,858 | \$ 6,770 | \$ 3,088 | 45.6% |

Attachment 5

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

September 30, 2019

(Please Also See "Summaries" Below)

| | Notes | F2019 | | F = Favorable, (U) = Unfavorable | |
|--|-------|----------------|----------------|-------------------------------------|----------------|
| | | Audit Results | Forecast | Actual F (U) Vs. Forecast | |
| | | | | \$ | % |
| Cash flows from operating activities: | | | | | |
| Increase (decrease) in net assets | (18) | \$ 664 | \$ (356) | \$ 1,020 | -286.6% |
| <i>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities</i> | | | | | |
| Depreciation | | 2,056 | 2,116 | (60) | -2.8% |
| Bad debt expense | | 79 | - | 79 | 100.0% |
| Amortization of debt issuance costs | | 31 | - | 31 | 100.0% |
| Amortization of entrance fees | | (3,050) | (2,700) | (350) | -13.0% |
| Nonrefundable entrance fees received | (19) | 4,325 | 3,060 | 1,265 | 41.3% |
| (Gain) on disposal of property and equipment | | (2) | - | (2) | -100.0% |
| Interest and dividends | | (339) | - | (339) | -100.0% |
| Realized (gains) losses on sales of investments, net of expenses | (20) | 82 | - | 82 | 100.0% |
| Unrealized (gains) losses on investments | (20) | (120) | - | (120) | -100.0% |
| Unrealized (gains) losses on beneficial interest in annuities | | 3 | - | 3 | 100.0% |
| Unrealized loss on fair value of interest rate cap agreement | | 5 | - | 5 | 100.0% |
| Net changes in operating assets and liabilities: | | | | | |
| Net change in operating assets and liabilities - current assets | | - | 328 | (328) | -100.0% |
| Net change in operating assets and liabilities - other, noncurrent assets | | - | (254) | 254 | 100.0% |
| Net change in operating assets and liabilities - current liabilities | | - | 3,593 | (3,593) | -100.0% |
| Accounts and notes receivable | | (37) | - | (37) | -100.0% |
| Unconditional promises to give | | (7) | - | (7) | -100.0% |
| Other receivables | | (18) | - | (18) | -100.0% |
| Prepays | | 20 | - | 20 | 100.0% |
| Accounts payable | | 943 | - | 943 | 100.0% |
| Accrued liabilities | | 9 | - | 9 | 100.0% |
| Payables from assets limited as to use | | (26) | - | (26) | -100.0% |
| Application and prepaid admission deposits | | 1,345 | - | 1,345 | 100.0% |
| Unamortied intangible asset | | (46) | - | (46) | -100.0% |
| <i>Net cash provided (used) by operating activities</i> | | <u>5,919</u> | <u>5,787</u> | <u>132</u> | <u>2.3%</u> |
| Cash flows from investing activities: | | | | | |
| Increase of assets limited as to use | (22) | 121 | 556 | (435) | 100.0% |
| Purchase of property and equipment | (23) | (3,824) | (6,736) | 2,912 | 43.2% |
| Proceeds from sale of property and equipment | | (2) | - | (2) | -100.0% |
| Proceeds from sale of investments | (20) | 692 | - | 692 | 100.0% |
| Purchase or other acquisition of investments | (20) | (266) | - | (266) | -100.0% |
| <i>Net cash provided (used) by investing activities</i> | | <u>(3,279)</u> | <u>(6,180)</u> | <u>2,901</u> | <u>46.9%</u> |
| Cash flows from financing activities: | | | | | |
| Net borrowings (repayments) line of credit | (24) | 749 | 250 | 499 | -100.0% |
| Proceeds from long-term debt | (24) | 1,521 | 4,795 | (3,274) | -100.0% |
| Principal payments on long-term debt | (24) | (1,631) | (747) | (884) | -118.3% |
| Principal payments on lease liability | | (10) | (5) | (5) | -100.0% |
| Refundable and first generation entrance fees received | (19) | 390 | 340 | 50 | 14.8% |
| Refunds of entrance fees | (19) | (2,369) | (1,747) | (622) | -35.6% |
| <i>Net cash provided (used) by financing activities</i> | | <u>(1,349)</u> | <u>2,886</u> | <u>(4,235)</u> | <u>-146.7%</u> |

Attachment 5

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

September 30, 2019

(Please Also See "Summaries" Below)

| Notes | F2019 Audit Results | F2019 Forecast | F = Favorable, (U) = Unfavorable | |
|--|---------------------|----------------|-------------------------------------|--------|
| | | | Actual F (U) Vs. Forecast | |
| | | | \$ | % |
| Net increase (decrease) in cash and cash equivalents | 1,292 | 2,493 | (1,201) | -48.2% |
| Cash and cash equivalents at beginning of year | 2,557 | 2,167 | 390 | 18.0% |
| Cash and cash equivalents at end of year | \$ 3,849 | \$ 4,660 | \$ (811) | -17.4% |

Summaries:

Summary: Net Entrance Fees:

(19)

Cash flows from operating activities:

Nonrefundable entrance fees received

\$ 4,325 \$ 3,060 \$ 1,265 41.3%

Cash flows from financing activities:

Refundable and first generation entrance fees received

390 340 50 14.8%

Subtotal - gross entrance fees

4,716 3,400 1,316 38.7%

Refunds of entrance fees

(2,369) (1,747) (622) -35.6%

Total - net entrance fees

\$ 2,347 \$ 1,653 \$ 694 42.0%

Summary: Net Investment Activity:

(20)

Cash flows from operating activities:

Realized (gains) losses, inclusive of investment expenses, on sale of investments

\$ 82 \$ - \$ 82 -100.0%

Unrealized (gains) on investments

(120) - (120) -100.0%

Subtotal - realized and unrealized (gains) losses

(38) - (38) -100.0%

Cash flows from investing activities:

Proceeds from sale of investments

692 - 692 100.0%

Purchase or other acquisition of investments

(266) - (266) #DIV/0!

Subtotal - net investment acquisition/disposition activity

426 - 426 #DIV/0!

Total - net investment activity

\$ 388 \$ - \$ 388 #DIV/0!



**PENICK
VILLAGE**

RESIDENCY AGREEMENT

for

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**PENICK
VILLAGE**

**PENICK VILLAGE
RESIDENCY AGREEMENT**

NOTICE OF RIGHT TO RESCIND

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

TERMS OF OCCUPANCY

This Residency Agreement ("Agreement") is entered into by _____ (individually and/or collectively "you" or "Resident(s)"), and Penick Village, Inc. doing business as Penick Village (hereinafter referred to as "Penick Village"), a North Carolina not-for-profit corporation. The term "Penick Village", "we", "our", and "the Community" are used throughout this Agreement to denote Penick Village, Inc. All Depositors that are parties to this Agreement shall all be jointly and severally responsible for payment of all fees and charges under this agreement.

Penick Village Inc. presently owns and operates a Life Plan Community (also known as a Continuing Care Retirement Community) located at 500 East Rhode Island Avenue, Southern Pines, North Carolina. Subject to the conditions contained in this Agreement, we agree to make available to you an unfurnished Independent Living Residence in Penick Village and provide you with services and amenities described in this Agreement, including assisted living and healthcare services. The Residence is identified as follows:

RESIDENCE STYLE: _____

RESIDENCE ADDRESS: _____

SECTION 1: GENERAL SERVICES AND FACILITIES

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



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

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

1.2 Residence Furnishings. The Residence is furnished at our expense with standard floor and window coverings, self-defrosting refrigerator/freezer with ice maker, range and oven, dishwasher, microwave oven, garbage disposal, washer/dryer, emergency call system, telephone jack(s) and internet/cable TV connections. Certain structures may not include certain furnishings described above, and availability of these furnishings depends on the Residence selected.

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

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

- Chapel
- Living rooms
- Dining rooms
- Library
- Barber/beauty salon
- Card/life enrichment room
- Multi-purpose/media room
- Mail center
- Fitness center

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

a. Food Service. Breakfast, lunch and dinner are served on a daily basis. You are entitled to receive a \$300.00 monthly allowance allocated to food in Penick Village dining venues per person covered in this Residency Agreement. A maximum \$100 unused food allowance in any one month is allowed to be carried over to the following month. Meal allowances are to be used for standard dining service prepared meals and meal portions only. If you exceed your monthly allowance, it will be billed directly to your account to be paid with your monthly statement. If you are absent from Penick Village for thirty (30) or more consecutive days, and have informed the



Resident Services Desk of your absence, an absent day credit of \$10.00 per day, from the first absent day, will apply and be credited against the meal allowance. Resident absences less than thirty (30) days will receive no credit. Food prices are subject to change per market costs and no 60-day notice is required to be given by Penick Village for such changes. Allowances may not be used for raw, frozen or seared foods, store to door items, bulk purchases or guest holiday and special occasion meals (Thanksgiving, Christmas, Valentine's Day, etc...). When you permanently leave Penick Village or reside(s) in a different level of care, the monthly food allowance, if applicable, will be prorated in proportion to the number of days you occupied or occupy your Independent Living Residence.

b. Housekeeping. Residential Housekeeping, including vacuuming, routine cleaning, mopping, sweeping, etc. occurs on a weekly scheduled basis.

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

d. Security and Emergency Alert System. Residences are equipped with smoke and/or heat detectors and emergency alert systems. The Healthcare Building, Parkview, Wharton, and Woodlands Residences are also equipped with a fire sprinkler system. Along with 24 hour security, all areas on campus have access control. The staff of Penick Village monitor the emergency alert systems around the clock and coordinates emergency responses as appropriate.

e. Maintenance. We maintain all community spaces and grounds as well as repair, maintain and replace Penick Village provided equipment and furnishings. If repairs are required as a result of your negligence you will be financially responsible for all repairs. You are responsible for maintenance of your personal property.

f. Mail. A mailbox is provided for you along with mail slots for intra-Penick Village communications.

g. Transportation. We provide scheduled group transportation to designated local shopping, social and cultural events, medical facilities, and other local destinations. For larger group events requiring transportation or destinations outside of Southern Pines, a transportation charge will apply.

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

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

j. Property Taxes and Insurance. Penick Village is not required to pay property taxes due to its exempt status. You, the Resident, are responsible for taxes assessed on your personal property. Penick Village maintains property and casualty insurance coverage on the buildings and grounds. Such coverage will not insure against loss or damage to your personal property or damage or injury to others caused by you. For that reason, Penick Village recommends you purchase comprehensive insurance typically referred to as “renter’s” as well as, if you elect, flood and personal “excess” insurance policies.

k. Storage Area. Except for Residences in a cottage, a storage area located in Penick Village is assigned and available for your use.

l. Medical Director. We retain the services of a qualified physician for certain regulatory requirements.

m. Long Term Care Benefit. If it is determined that you require assisted living or healthcare services you will receive priority access to our Residential Assisted Living, the Blanche Robertson Garden Cottage, or Skilled Healthcare Center. Upon admission we will provide you with basic personal services available in Residential Assisted Living or the Blanche Robertson Garden Cottage or healthcare services available in the Skilled Health Center as described below and subject to changes in law.

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

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

(ii). Assisted Living. We will provide to you, in a standard Residential Assisted Living room or apartment or Blanche Robertson Garden Cottage room, services that are designed to assist with the activities of daily living in accordance with applicable North Carolina statutes. Services included are assistance with dressing, grooming, bathing, toileting and ambulating and three meals a day.

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

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

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

Effect on Monthly Service Fee.

a. Temporary Transfers.

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

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

b. Permanent Transfers.

1. **Single Occupancy.** Should you have a permanent need for assisted living or nursing services, you will be required to release your Residence as provided under Section 3.3. You will pay the prevailing daily rate at Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Skilled Health Center. By “permanent” we mean a Permanent Transfer as defined in Section 3.3.

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

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



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

- Guest food
- Catering for special occasions
- Barber and beauty services
- Food delivery
- Additional transportation
- Additional housekeeping services
- Computer/IT services
- Usage of guest suites, if available
- Personal business services
- Additional maintenance services
- Electric car and golf cart charging stations

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

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

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

SECTION 2: RESIDENT'S OBLIGATIONS

2.1 Health Insurance. Penick Village will provide you with the services described in this Agreement, as appropriate. During the term of this Agreement, you shall obtain and maintain in force Medicare Parts A and B and any future program that may be offered by Medicare or its equivalent. You shall also maintain in effect supplemental Medicare insurance coverage acceptable to Penick Village, and furnish evidence of such insurance coverage upon our request. If you are not qualified for Medicare coverage, you will be required to maintain comprehensive health coverage satisfactory to Penick Village. You agree to provide evidence of such insurance to Penick Village upon request. You also agree to (i) execute all necessary forms to obtain

payment of benefits that are or may be payable in the future for health services provided hereunder to you and (ii) documentation authorizing the payor to remit any resulting benefit payments directly to and in the name of Penick Village.

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

- 2.2 Power of Attorney, Guardianship.** You acknowledge that at some future time you may be unable by reason of mental or physical disability to properly handle your own affairs and that it may be in your best interest to have an attorney in fact or a guardian appointed to handle your affairs. Therefore, you agree to designate in writing, prior to or at the time of entrance, a person(s) who will have authority to act on your behalf in the event you should at any time become unable to properly handle your own affairs. Thereafter, if you become either physically or mentally unable to properly administer your own affairs, this designated person shall either commence handling your affairs pursuant to the terms of a durable power of attorney or file a petition in a court of competent jurisdiction to have a guardian or conservator appointed to handle your affairs. If the designated person(s) are unable or unwilling to file such a petition, we are empowered to do so at your expense.
- 2.3 Home Health Care, Home Care and Companion Services.** It is the intent of Penick Village to enable you to maintain the highest level of independence possible. As such, you may arrange for home care services to be provided to you in your Residence at your expense. If you do not use Penick Village's Home Care Services or contracted Home Health Provider, any assistance by Penick Village in choosing an appropriate agency shall in no way be deemed an endorsement of a particular agency or persons, and Penick Village shall in no way be deemed responsible for the acts or failure to act of any such agency or persons. It is your responsibility to assure that your health care needs are being met while in your Residence. If you choose to receive home health, home care or companion services, you are obligated to utilize a licensed agency or private companion that you have screened per Penick Village's policy and guidelines and you agree to report the agency's or person's periods of visitation to Penick Village in accordance with the policies set forth in the Resident Handbook.
- 2.4 Cost of Physicians, Medicines, Etc.** You acknowledge and agree that any and all expenses or charges that may be incurred by or on behalf of you for costs not covered by this Agreement, including, but not limited to, physicians, therapists, podiatrists, diagnostic services, mental health, medicines, prescription drugs, medical supplies, eyeglasses, hearing aides, vitamins, crutches, braces, walkers, wheelchairs, special duty nursing, hospitalization, emergency medical services, ambulances, care and treatment of eyes, ears and teeth, and any and all other personal medical expenses shall be your sole and exclusive responsibility. You shall be entitled to treatment by the physician of your choice at your expense. Unpaid charges billed to your insurance will appear on your statement indicating they are pending a response from the insurance company. If a charge has been filed with your insurance for over 60 days without a response, it is the resident's



responsibility to contact the insurance company. If the insurance company denies a service or does not pay in full, the resident is responsible for paying the remaining balance in full.

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

SECTION 3: TRANSFERS AND READMISSION

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

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

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

- a. A determination that the Resident can no longer function in an independent manner in a Residence, and the Resident requires additional assistance with events of daily living or nursing services;
- b. A determination that the Resident is unable to remain ambulatory (for purposes of this document, the term "ambulatory" is used to describe a person who is capable of demonstrating the mental competence and physical ability to leave a building without human assistance or supervision in case of emergency); or,

c. A determination that the continued residency of the Resident at Penick Village would be harmful to either the Resident, other Residents or staff of Penick Village.

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

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

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

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

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

a. Temporary Transfer. A transfer is considered temporary when, pursuant to Section 3.1 and 3.2, the determination is made that the condition that requires your transfer has the potential to be resolved in a manner that may allow you to return to your Residence within sixty (60) days. Your Residence will be held for your return.

b. Permanent Transfer. A transfer is considered permanent when pursuant to Section 3.1 and 3.2, the determination is made that the condition that requires your transfer will not allow you to return to your Residence within sixty (60) days.

In the event of a Permanent Transfer, you shall release your Residence, in order for Penick Village to make your Residence available to a new Resident. In such event, Penick Village may enter into a new Residency Agreement for occupancy of the Residence with a new Resident. At your expense you grant Penick Village the right to inventory, remove and store your personal property from the Residence thirty (30) days after a Permanent Transfer. Penick Village assumes no financial or physical responsibility for the stored items. If your Residence is reassigned and should you subsequently recover sufficiently to maintain yourself independently in a Residence, you shall receive the next available Residence similar to the one relinquished. Should you request to keep your Residence following a Permanent Transfer, you will continue to pay the then current

monthly service fee for your Residence, in addition to the then current applicable daily rate in Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Skilled Health Center. Please note, that if this action depletes your financial resources you will nullify Section 4.7 and not be eligible for Penick Village's financial assistance program.

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

SECTION FOUR: ENTRANCE FEES AND OTHER FEES

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

The agreed upon occupancy date is _____.

Initial Initial Initial

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

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

4.3 Monthly Service Fees and Changes in Fees. Your Monthly Service Fee will initially be \$_____ per month for one (1) person and initially an additional \$_____ per month for a second person. The Monthly Service Fee shall be due beginning on the Occupancy Date and will

be prorated, if necessary, on a daily basis for the first and last months of occupancy. We may increase the Monthly Service Fee, upon sixty (60) days written notice to you. Changes in fees are determined by considering actual expenses and revenues, projected expenses and revenues, and other projections. It is our intent to make any adjustments to the Monthly Service Fee only once per year. The Monthly Service Fee shall be billed in advance along with any other fees and charges to you on or before the fifth (5th) day of each month, and shall be paid on or before the fifteenth (15th) day of the month.

- 4.4 Late Fee.** We will assess you a late fee of eighteen percent (18%) annually (or the maximum amount allowed by applicable law, if less) of the amount due if the Monthly Service Fee or Optional Services Fees are not paid in full on or before the fifteenth day (15th) of the calendar month in which they are due.
- 4.5 Changes in Occupancy.** If your Residence is occupied by two (2) Residents and one (1) Resident surrenders possession of the Residence to the other, other than by death or by a transfer covered by Section 3, the obligations of the Resident remaining in the Residence under this Agreement remain in legal force and effect, except that the Monthly Service Fee will be adjusted to reflect the single occupancy rate then in effect for the Residence. The Resident not remaining in the Residence will receive no services or benefits under this Agreement but will continue to be jointly and severally liable for the obligations of the Resident remaining in the Residence. The remaining Resident may elect to relocate to a different Residence, if desired, as covered in Section 6. No refund of the Entrance Fee, if applicable, will be made until the remaining Resident vacates the Residence and all conditions of Section 6.4 are met.

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

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

If you and a non-Resident (including a new spouse) desire to share the Residence, the non-Resident may become a Resident and live in the Residence only if he/she meets the qualifications for residency set forth in Section 5 and both persons execute a new Residency Agreement. In such event, the Monthly Service Fee shall be adjusted to reflect the additional charge per month for a

second person, and the non-Resident may be required to make an Entrance Fee in accordance with the then current policies established by Penick Village.

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

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

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

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

In the event Penick Village determines to provide you with any financial assistance or subsidy, you expressly agree to (i) grant Penick Village the right to offset any such assistance, plus interest, against the refund of your Entrance Fee, if applicable and/or (ii) allow Penick Village a first or prior claim against your estate(s). The cost of any such financial assistance provided shall be accrued and remain an obligation of the Resident and his or her estate. Furthermore, we may require you to move to a smaller or less expensive Residence. You also agree to an annual financial update and review of your assistance status.

SECTION FIVE: APPLICATION AND ACCEPTANCE FOR RESIDENCY

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

- 5.1 Residency Requirements for Acceptance.** We require that you be capable of independent living and have assets and income sufficient (under foreseeable circumstances and after provision for payment of your obligations hereunder) to meet ordinary and customary living expenses, after assuming occupancy. You hereby represent and warrant that you are capable of independent living and have assets and income sufficient to meet ordinary and customary living expenses after assuming occupancy.
- a. Confidential Application.** You shall complete and submit a Confidential Application provided by Penick Village prior to or concurrent with the execution of this Agreement. You hereby certify to Penick Village that all information reflected on such Confidential Application, which is hereby incorporated by reference and made a part of this Agreement, is complete and accurate. Penick Village reserves the right to conduct background checks, including but not limited to criminal background checks, sexual predator registry and credit checks. All financial information given must be complete and accurate. At a minimum, you will be required to submit your most recent tax return filed with the IRS, and any relevant documentation, including summary reports of investment returns, to verify personal financial data. Copies of medical insurance cards and any long term care insurance policies should be submitted prior to occupancy. All residents at Penick Village will be required to provide updated financial data at least bi-annually.
 - b. Confidential Medical Report.** Prior to your acceptance to Penick Village, you will be required to submit a Confidential Medical Report. You also agree to have a home visit by a Penick Village representative as part of the Medical Assessment.
 - c. Age.** To be accepted for residency at Penick Village, you must be at least sixty (60) years of age at or before the Occupancy Date.
- 5.2 Notification of Decision.** Penick Village shall notify you of its decision concerning your acceptance to Penick Village. In the event you are not accepted for residency at Penick Village, your First Installment deposit, specified in Section 4 and tendered upon execution of the Residency Agreement shall be refunded less a \$1,000.00 administrative fee within 30 days of the date of the notification to you of non-acceptance for residency, and the parties shall have no further obligations to one another under this Agreement.
- 5.3 Residency is Conditional on No Material Changes Prior to Occupancy.** Acceptance for residency at Penick Village shall be conditioned upon no material change in the matters covered by the Confidential Application, Confidential Financial Statement and Confidential Medical Report prior to your Occupancy Date. In the event of any such material change prior to the

Occupancy Date, Penick Village may request that additional information be provided. In the event of the existence of a material change in condition, Penick Village may revoke its acceptance of you for residency to Penick Village at any time prior to the Occupancy Date by written notification to you, and your First Installment deposit as specified in Section 4 shall be refunded less a \$1,000.00 administrative fee within 30 days of the date of such notification.

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

SECTION SIX: TERMINATION AND REFUNDS

6.1 Termination Prior to Occupancy.

a. You will be entitled to full reimbursement of any monies paid to us, less any contractually agreed upon non-refundable charges for your requested specific upgrades, within thirty (30) days of our receiving your written termination of this Agreement, if applicable, and will be released from liability to pay to us any other amount under this Agreement under the following condition. If you die before occupying your Residence at Penick Village, or if, because of illness, injury, or incapacity, you would be precluded from occupying your Residence consistent with the representations made by you in the Confidential Application and/or the Confidential Medical Report, this Agreement will be automatically canceled and the refund process listed in this paragraph will apply.

b. You will be entitled to full reimbursement of any monies paid to us, less any contractually agreed non-refundable charges for your requested specific upgrades and an administrative processing fee of one thousand dollars (\$1,000), within thirty (30) days, of our receiving your written termination of this Agreement, if applicable, and will be released from liability to pay us any other amount under this Agreement under any one of the following conditions:

(i) If you terminate this Agreement prior to the date you occupy your Residence for reasons or conditions other than those described in Section 6.1(a); or

(ii) If we terminate this Agreement for your failure to pay the second installment (or installments contractually agreed upon) or remaining Entrance Fee by the Occupancy Date as further described in Section 4.2.

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

- a.** By you at any time upon thirty (30) days prior written notice to Penick Village.
- b.** Penick Village may terminate this Agreement after the Occupancy Date for the following non-medical reasons:

(i) A material misrepresentation or omission by you in the Confidential Application, Confidential Financial Statement, or Confidential Medical Report, or related materials, which, if such information had been accurately provided, would have been material to the decision whether or not to accept the Resident for residency;

(ii) If you fail to comply with the policies and procedures of Penick Village or create a situation detrimental to the health, safety or quiet enjoyment of the community by yourself, other Residents, staff or neighboring property users;

(iii) If you fail to pay the Monthly Service Fee or other amounts due us when due unless other mutually satisfactory arrangements have been made, provided however it is our policy that this Agreement shall not be terminated solely because of your financial inability to pay the fees to the extent that (1) your inability to pay is not the result of your willful action; and (2) in our judgement, the ability of Penick Village to operate on a sound financial basis will not be impaired;

(iv) Material breach by you of the terms and conditions of this Agreement; and,

(v) The Residence is no longer fit for occupancy and Penick Village elects not to restore the Residence to habitable condition. To the extent another Residence is available, Penick Village will relocate you.

- c.** Penick Village may terminate this Agreement subsequent to Occupancy Date for medical reasons. If it is determined by the Medical Director or appropriate personnel of Penick Village (after consultation "to the extent feasible" with you, your personal physician, and your family and/or designated representative) that:

(i) You have developed a dangerous or contagious disease or mental illness;

(ii) You are in need of drug or alcoholic rehabilitation or any other condition for which we are not licensed or for which services cannot be provided by us without a significant and unique expenditure; or,

(iii) You are or have become mentally or emotionally disturbed to a degree that your continued presence in Penick Village is determined to be detrimental to the health, safety and welfare of other Residents or staff.

If any of these situations occur, we are expressly authorized (after consultation with the Medical Director or appropriate personnel of Penick Village, your personal physician and your family and/or your designated representative to the extent feasible) to transfer you, at your expense, to an appropriate hospital or alternative care facility.

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

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

6.4 Refund of Entrance Fee.

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

Fifty Percent (50%) Refundable Entrance Fee: After termination of this Agreement in accordance with Section 6.2, or, in the event of your death, or in the case of double occupancy, both occupants' death, we will refund your Fifty Percent (50%) Refundable Entrance Fee (without interest) that you paid for residency at Penick Village, less five (5) percent of the Entrance Fee after the first day of the first month occupied, four (4) percent per month for any portion of each month the Residence is occupied for the next 11 months (months 2 through 12), and one (1) percent the first day of the 13th month you occupy the Residence. After the first day of the 13th month of occupancy, 50 percent of the Entrance Fee paid by you is fully amortized and not refundable. Except as provided in the last paragraph of this section, the refund, if applicable, will be paid within 30 days upon receipt of proceeds from the next re-sale of your Residence listed on page one (1) of this Agreement.

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

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

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

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

- 6.5 Use of Entrance Fee.** The purpose of the Entrance Fee is to contribute to the operating income of Penick Village and to help fund operating and capital costs. At the sole discretion of Penick Village, Entrance Fees may also be used to pay for project development costs, start-up deficits, debt service, retirement of debt, costs of future expansions, capital expenditures, resident refunds, and other purposes deemed appropriate by Penick Village. No reserve funding will be established pertaining to the refund of the Entrance Fee.
- 6.6 Right of Off-Set; Other Rights.** We reserve the right to off-set against the refund of the Entrance Fee any fees or amounts payable to us under this Agreement including any charges deferred or unpaid. Termination of this Agreement for any reason will not affect or impair the exercise of any right or remedy granted to us or you under this Agreement for any claim or cause of action occurring prior to the date of such termination.
- 6.7 Relocation.** If for reasons not occasioned by changing health requirements, you may elect to move to another Residence, subject to availability and may be limited due to refund obligations due. For moves from one Independent Living Residence to another Independent Living Residence you will be required to pay a minimum transfer fee of twenty (20%) percent and

possibly up to 100 percent (100%) of the prevailing Entrance Fee for the Independent Living Residence to which you are moving. For any move from an existing Independent Living Residence into a new Independent Living residence under construction, you will be required to pay 100 percent (100%) of the entrance fee of the new Independent Living Residence. This is in addition of the initial Entrance Fee paid for your current residence. If you elect to move into a different Independent Living Residence that has a refund due, the minimum transfer fee will be at least the amount of the refund due on the requested Independent Living Residence. All transfer fees must be paid in advance and cannot be applied to any possible credits or future refunds owed by Penick Village back to the Resident(s). There is no refund of the Entrance Fee for the new unit if the Entrance Fee is less than what was previously paid. In all moves, you shall pay, in advance, the cost of painting and re-carpeting the new residence, all the costs of any other requested renovations or additions, all costs of the physical move and, when the move is complete, the monthly rate applicable for the new residence.

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

SECTION 7: MISCELLANEOUS

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



claim for damages that may be due from such third party for the injury. Penick Village is not required to bear the cost of care to you for which a third party is liable. You agree to indemnify Penick Village for any expenses incurred by Penick Village in providing care to you for which a third party is liable.

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

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

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

- 7.11 Entire Agreement.** This Agreement constitutes the entire Agreement between us with regard to your residence and care. We will not be liable for, or bound by, any statements, representations or promises made to you by any person representing or purporting to represent us, unless such statements, representations or promises are expressly set forth and endorsed by both parties in writing, and attached to this Agreement.
- 7.12 Binding Effect.** This Agreement is binding upon our successors and assigns to your heirs and personal representatives. The provisions of this Agreement are not assignable or transferable in whole or in part by you, and you will have no right to sublet the Residence.
- 7.13 Severability.** Each provision of this Agreement will be deemed separate from each other provision and the invalidity or unenforceability of any provision will not affect the validity or enforceability of the balance of the Agreement.
- 7.14 Subordination.** Your rights under this Agreement will be subordinate to any mortgage, security interest, pledge, or other lien that now encumbers all or any part of Penick Village's assets and shall be further subordinate to any mortgage, security interest, pledge, or other lien hereafter placed on all or any part of Penick Village's assets, and you agree to execute, acknowledge and deliver such subordination agreements as any lender or future lender shall reasonably require in order to establish the priority of any such lien.
- 7.15 Nondiscrimination.** Penick Village will be operated on a non-discriminatory basis (except for age criteria), and will provide the accommodations and services described in this Agreement to individuals regardless of race, color, sex, marital status, religion, creed, handicap, national origin, veteran status, sexual orientation, or other prohibited categories.
- 7.16 Notices.** Any notice to Penick Village by you will be given in writing and mailed or delivered to Penick Village at the administrative office or at such other address as we may designate in writing. Any notice to you by us will be given in writing or mailed at such address as you may designate to Penick Village in writing. Address for notice(s) to Penick Village:
- Penick Village
Business Office
500 East Rhode Island Avenue
Southern Pines, North Carolina 28387
- 7.17 Choice of Law.** This Agreement will be interpreted according to the laws of the State of North Carolina.
- 7.18 Change of Condition.** You agree to notify us of any material change in any of your physical, financial or mental conditions prior to residency and post-residency.

7.19 Authorized Agent Signature. This Agreement has been executed on behalf of Penick Village by its duly authorized agent, and no officer, director, agent or employee of Penick Village shall have any personal liability hereunder to you under any circumstances.

7.20 Third Party Rights. No other persons or entities other than Penick Village and the Resident have any rights or obligations under this Agreement.

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

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

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

7.23 Religious Affiliation. Penick Village is affiliated with The Episcopal Diocese of North Carolina. The Diocese is NOT responsible for the financial and contractual obligations of Penick Village.

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

Resident Signature

Date

Printed Name

Resident Signature

Date

Printed Name

Penick Village Authorized Representative

Date

Printed Name

Title/Position

Addendum A

NOTICE OF RIGHT TO RESCIND

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

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

Cancellation Date: _____

Resident Signature: _____



PENICK VILLAGE

CONFIDENTIAL APPLICATION

All information will be held confidential

Title: _____ Last Name: _____ First Name: _____

Middle Name: _____ Preferred Name: _____ Suffix: _____ Gender: _____

Telephone #'s: Home: (____) _____ Cell: (____) _____ Work: (____) _____

Email: _____ Date of Birth: _____

Address (Street) _____ (City) _____

(State) _____ (Zip) _____ (County) _____

Marital Status (circle): Single Divorced Married - Anniversary _____ Widowed - Date _____

Second Person: _____ Are you bringing a vehicle? Yes / No If yes, how many? _____

Penick Village will be operated on a non-discriminatory basis (except for age criteria), and will provide facilities and services to individuals regardless of race, color, sex, marital status, religion, creed, handicap, national origin, veteran status, sexual orientation, or other prohibited categories.

Are you bringing a pet? _____ If yes, how many? _____ Type & Weight: _____
Please be advised there is a one time non-refundable pet fee, based on Penick Village approval.

Are you capable of Independent Living without help from anyone else? Yes No

If no, please describe the kinds of assistance you currently need. _____

PERSONAL INFORMATION

Education _____ Occupations (Current/Previous) _____

Industry _____ Hobbies, special interests, clubs and organizations _____



MEDICAL INFORMATION

Primary Physician Name _____ Phone (____) _____

Address (Street) _____ (City) _____ (State) _____ (Zip) _____

Have you been hospitalized or incapacitated during the last 5 years? _____ Yes _____ No

If yes please explain such details as are necessary. _____

Other Physician(s) you visit regularly:

Physician _____ Specialty _____

Last Seen _____ Telephone _____

Address _____

Physician _____ Specialty _____

Last Seen _____ Telephone _____

Address _____

List all current medications. Include strength and how often taken:

| Medication | Strength | Directions |
|------------|----------|------------|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

Pharmacy (Name & Location) _____

Are you free from contagious disease? Yes No Have you ever been addicted to alcohol or illicit/prescription drugs? Yes No



MEDICAL INFORMATION (Continued)



Please list any medicinal allergies _____

Please list any food and environmental allergies _____

1.) Do you require assistance from any of the following? (circle all that apply) Cane Scooter Walker Wheelchair

2.) Do you use any of the following? (circle all that apply) Glasses Contacts Dentures* Hearing Aid(s)* Pacemaker

*Please specify _____

Please explain any major change in your general health in the past year and any chronic illness or disability

CONTACT INFORMATION

PERSON(S) TO NOTIFY IN CASE OF EMERGENCY AND TO WHOM PENICK VILLAGE MAY RELEASE PERSONAL HEALTH INFORMATION

Primary Secondary

Primary Secondary

Primary Secondary

1) Name(s) _____

2) Name(s) _____

3) Name(s) _____

Relationship _____

Relationship _____

Relationship _____

Address

Address

Address

(Street) _____

(Street) _____

(Street) _____

(City) _____

(City) _____

(City) _____

(State) _____ (Zip) _____

(State) _____ (Zip) _____

(State) _____ (Zip) _____

Telephone number(s) & Call Order

Telephone number(s) & Call Order

Telephone number(s) & Call Order

Home (____) _____

Home (____) _____

Home (____) _____

Work (____) _____

Work (____) _____

Work (____) _____

Cell (____) _____

Cell (____) _____

Cell (____) _____

Email _____

Email _____

Email _____





PHOTO PERMISSION



The undersigned hereby authorize Penick Village and the Penick Village Foundation to make, reproduce, publish, display, disseminate through any media for an unlimited period of time and photographic reproduction or likeness of the undersigned in any commercial advertisement or promotion undertaken by said company or organization.

Signature: _____ Date _____

ADDITIONAL DISCLOSURE



Have you ever been convicted of or plead no contest to a felony or other crime other than a traffic violation?

Yes

No

If yes, please provide an explanation. If more space is needed, please provide on a separate piece of paper.

Are you aware that we are a tobacco-free campus? _____ Are you aware that we are a firearm free campus? _____

We reserve the right to do criminal background, sexual offender, & credit checks.

Initial

Date

To the best of my knowledge, the above statements are complete and true. By signing this Confidential Data Profile, you authorize Penick Village to contact physicians listed herein and for those physicians to disclose medical information to Penick Village.

Additionally, I understand that the Confidential Application is good for six months. I agree to provide any material changes and updates to Penick Village prior to Residency approval.

Prospective Resident Signature

Date



PENICK VILLAGE

CONFIDENTIAL FINANCIAL STATEMENT

(MUST BE COMPLETED BY EACH INDIVIDUAL; JOINT HOLDINGS MUST BE SO NOTED)

All information will be held confidential.

ASSETS

| | Is the asset security for a loan? | | | Is the asset security for a loan? | | |
|--|-----------------------------------|-----|----|-----------------------------------|-----|----|
| | 1st Person | Yes | No | 2nd Person | Yes | No |
| Cash (<i>Savings & Checking</i>) | \$ | | | \$ | | |
| CD's, Money Markets, etc. | \$ | | | \$ | | |
| Stocks & Bonds | \$ | | | \$ | | |
| IRAs, Annuities, etc. | \$ | | | \$ | | |
| House | \$ | | | \$ | | |
| Other Real Estate | \$ | | | \$ | | |
| Trust Fund (<i>indicate % beneficial int.</i>) | \$ | | | \$ | | |
| Cash Surrender Value of Life Insurance | \$ | | | \$ | | |
| Other Assets (<i>Describe Below:</i>) | \$ | | | \$ | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| TOTAL ASSETS | | | | | | |
| | 1st Person | | | 2nd Person | | |
| | \$ | | | \$ | | |
| Combined | \$ | | | | | |

LIABILITIES

| | 1st Person | 2nd Person |
|--|------------|------------|
| Mortgage on Residence | \$ | \$ |
| Mortgage(s) on Other Real Estate | \$ | \$ |
| Other Bank Loans | \$ | \$ |
| Loans Against Cash Surrender Value of Life Insurance | \$ | \$ |
| Credit Cards | \$ | \$ |
| Other Liabilities (Notes Payable, etc.) | \$ | \$ |
| TOTAL LIABILITIES | \$ | \$ |
| Combined | \$ | |



| HAVE YOU GUARANTEED ANY DEBT OWED BY ANOTHER? | | | YES | NO |
|---|--------|----------|---------------------------|----|
| Guarantor(s) | Debtor | Relation | Amount of Debt Guaranteed | |

| | | | | |
|--|--|--|--|--|
| | | | | |
| | | | | |
| | | | | |

REGULAR MONTHLY INCOME

| | 1st Person | 2nd Person |
|-------------------------------------|------------|------------|
| Social Security | \$ | \$ |
| Pension | \$ | \$ |
| Dividends | \$ | \$ |
| Interest | \$ | \$ |
| Mortgage/Rental Income | \$ | \$ |
| IRA Income | \$ | \$ |
| Trust Income | \$ | \$ |
| Other Monthly Income | \$ | \$ |
| TOTAL REGULAR MONTHLY INCOME | \$ | \$ |
| Combined | \$ | |

With regard to monthly income reflected, will the monthly payment continue in the same amount for the life of the other person listed (generally, the surviving spouse)? _____ Yes _____ No. If no, what will the monthly payment be after the death of the recipient listed? \$ _____/month.

Do you have Long Term Health Care Insurance (LTHCI)? If so, what is the duration of the policy? _____

The policy covers: _____ Assisted Living _____ Skilled Nursing _____ Home Care.

What is the daily rate? _____ The annual index? _____ The elimination period? _____

I hereby declare that all statements made herein are true according to my best knowledge and belief. I agree to provide any material changes and updates, along with current documentation for each category, prior to Residency approval. In witness whereof, I have hereunto set my hand to this application this _____ day of _____, _____.

Signature of 1st Person

Signature of 2nd Person



PENICK VILLAGE

CONFIDENTIAL MEDICAL REPORT



This form is for the purpose of qualifying the named individual below as an independent resident at Penick Village. We value your input and recommendations as their physician. The medical information listed below will be reviewed by our assessment team.

Please attach copies of the following as part of the application:

- *Current Health & Physical Information provided by Primary Care Physician*
- *List of medications with dosage, frequency, and whether self-administered*
- *Surgical History*

**Please return this report to Penick Village
ATTN: Marketing, 500 E. Rhode Island Avenue, Southern Pines, NC, 28387
or fax to (910) 692-0461**

FILLED OUT BY APPLICANT

Full Name _____ Date of Birth _____

Address _____ Phone _____

Primary Care Physician's name _____ Phone _____

Address _____

By signing below, I authorize my Primary Care Physician to share all information in this form and the requested documents with Penick Village.

Signature _____ **Date** _____

FILLED OUT BY PHYSICIAN

How long has the individual been under your care? _____ Are you his/her regular physician? _____

Height _____ Weight _____ Pulse _____ O2 _____ BP _____

Current Diagnoses _____

Allergies (medicine and/or environmental) _____

IMMUNIZATION STATUS

Flu _____ Pneumonia _____ Pevnar _____ Tetanus _____

ASSISTIVE DEVICES- CHECK ALL THAT APPLY

Glasses ___ Hearing Aids *Left* ___ *Right* ___ *Both* ___ Dentures *Upper* ___ *Lower* ___ *Both* ___ Pacemaker ___

AMBULATION ASSISTIVE DEVICES- CHECK ALL THAT APPLY

Cane _____ Walker _____ Rollator _____ Scooter _____

MENTAL STATUS

Is the person able to communicate effectively and efficiently? _____

Is the person receiving or has received care for psychological, behavioral or addiction issues? _____ If yes, please provide more information. _____

Is there a diagnosis of dementia or concerns of memory loss? _____ If yes, please provide more information. _____

Do you have concerns with wandering or exit seeking behaviors? _____ If yes, please explain. _____

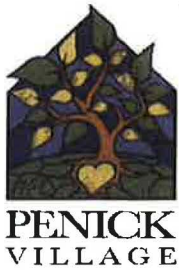
DOES THE APPLICANT NEED ASSISTANCE WITH THE FOLLOWING?

- ___ Bathing ___ Driving ___ Preparing a meal
- ___ Dressing ___ Remembering appointments ___ Using the phone
- ___ Toileting ___ Handling business affairs ___ Shopping
- ___ Ambulation assistance ___ Medication management

Do you recommend the applicant for Independent Living? _____

If NO, why? _____

Physician's Signature _____ **Date** _____



**PENICK VILLAGE
RESERVATION DEPOSIT AGREEMENT**

This Reservation Deposit Agreement ("Agreement") is entered into by _____ (individually and/or collectively "you" or "Resident(s)"), and Penick Village, Inc. doing business as Penick Village (hereinafter referred to as "Penick Village"), a North Carolina not-for-profit corporation. The term "Penick Village", "we", "our", and "the Community" are used throughout this Agreement to denote Penick Village, Inc. All Depositors that are parties to this Agreement shall all be jointly and severally responsible for payment of all fees and charges under this agreement.

Penick Village, Inc. presently owns and operates a Life Plan Community also known as a Continuing Care Retirement Community located at 500 East Rhode Island Avenue, Southern Pines, North Carolina, and Penick Village presently accepts a **\$5,000.00** deposit to reserve an apartment, cottage or cottage home. This Agreement is entered into for the purpose of reserving a residence for you at Penick Village.

You and Penick Village agree as follows:

I. Reservation of Residence

You wish to reserve residence style _____ located at _____.

A Reservation Deposit of **\$5,000.00** shall be paid upon execution of this Agreement and will be credited to the total Entrance Fee as set forth in Exhibit A. The balance of the Entrance Fee will be due and payable fourteen (14) days before you take occupancy of the reserved Residence.

II. Deposits

The Reservation Deposit is fully refundable at any time by giving Penick Village written notice. No interest will be paid on the deposit. There is a non-refundable application fee of **\$250.00**.

III. Application Requirements

Applicants for independent residency at Penick Village are required to live independently at the time of admission and to have the financial resources to pay the Entrance and Monthly Service Fees. Residents must be 60 years of age at the time of residency.

IV. Acceptance to Penick Village

You will submit a Confidential Application and Confidential Financial Statement (Addendum B) with supporting documentation, and a Physicians Examination Report (Addendum C) within 15 days of the signing of this agreement; and, within 30 days of the signing of this agreement, you shall participate in a non-binding interview with a representative from the Community. Penick Village may require updated financial or health information to ensure admission requirements continue to be met. Penick Village reserves the right to refuse residency should requirements for admission not be met.

V. Residency Agreement

Upon a residency application approval, you agree to sign a Residency Agreement. An additional deposit equal to ten percent (10%) of the Entrance Fee set forth in Exhibit A, less the Reservation Deposit of \$5,000.00, and less the Future Residency Program fee of \$1,000.00 (*if applicable*), shall be paid upon execution of the Residency Agreement. The final balance of the Entrance Fee will be due and payable per Section 4 of the Residency Agreement.

VI. Modifications to Your Residence

Penick Village allows custom choices to personalize your residence. Any such choices must have prior written approval by Penick Village. You are responsible for the cost of any custom changes, and are required to use installers and contractors approved and provided by Penick Village. All customizations become the property of Penick Village. You may be responsible for costs associated with restoring the residence to its standard condition prior to occupancy by a subsequent resident. All renovation/upgrade costs are to be paid in full prior to any work taking place.

VII. Termination and Refund

Prior to Signing a Residency Agreement

- a) You may terminate this Reservation Deposit Agreement any time prior to entering into a Residency Agreement for any reason by giving written notice to Penick Village. Penick Village will refund the amount of your Reservation Deposit within thirty (30) days of receipt of your notification. The \$250.00 application fee is non-refundable.
- b) If your application for residency does not meet admission requirements, we will notify you in writing and refund your Reservation Deposit amount within thirty (30) days of our written notification to you. The \$250.00 application fee is non-refundable.

After Signing a Residency Agreement

After you execute a Residency Agreement, all Reservation Deposits shall thereafter be deemed "Entrance Fee Deposits" and shall be refundable as set forth in Section 6 of the Residency Agreement.

VIII. Miscellaneous

Your rights under this Agreement may not be transferred to any other person. This Agreement will be governed by the laws of the State of North Carolina, and specifically by the North Carolina law governing continuing care retirement facilities, Chapter 58, Article 64 of the General Statutes of North Carolina.

Notices shall be given in writing and shall be given to Penick Village or to you at the addresses set forth in Exhibit A, or at such address as Penick Village and you shall specify in writing to each other.

By signing this Agreement, you understand and agree to its terms. You also agree that you have received a copy of Penick Village's Disclosure Statement on the _____ day of _____, 20 ____.

Prospective Resident's Signature

Date

Prospective Resident's Signature

Date

Penick Village Authorized Representative

Date

**EXHIBIT A
RESERVATION DEPOSIT AGREEMENT**

Residence Address _____

Floor Plan Style _____
Entrance Fee _____
FRP Deposit (*if applicable*) _____
Reservation Deposit _____
10% deposit payable at Execution of
Residency Agreement, less prior
payments _____
Balance of Entrance Fee due prior to move-in _____

Addresses for Required Notices

To Penick Village:
Penick Village
Business Office
500 East Rhode Island Avenue
Southern Pines, North Carolina 28387

To You:

**Your signature(s) indicate(s) that you understand and accept the terms stated
in this Exhibit A.**

Prospective Resident

Date

Prospective Resident

Date



**PENICK VILLAGE
FUTURE RESIDENCY PROGRAM AGREEMENT**

This Future Residency Program Agreement ("Agreement") is entered into by _____ (individually and/or collectively "you" or "Resident(s)"), and Penick Village, Inc. doing business as Penick Village (hereinafter referred to as "Penick Village"), a North Carolina not-for-profit corporation. The term "Penick Village", "we", "our", and "the Community" are used throughout this Agreement to denote Penick Village, Inc. All Depositors that are parties to this Agreement shall all be jointly and severally responsible for payment of all fees and charges under this agreement.

Penick Village, Inc. presently owns and operates a Life Plan Community, also known as a Continuing Care Retirement Community, located at 500 East Rhode Island Avenue, Southern Pines, North Carolina, and Penick Village hereby acknowledges receipt of a deposit in the amount of **\$1,000.00** from the Depositor(s) identified above. The deposit entitles the Depositor(s) to a numbered priority position indicated below on the Future Residency Program Ready/Hold list for later application to secure a specific residence at Penick Village. The position assigned is personal to the Depositor(s) and is non-transferable.

For approval to join the Future Residency Program, You will submit a Confidential Application (Addendum A) and Confidential Financial Information (Addendum B) within fifteen (15) days of the signing of this agreement. Penick Village may require updated additional confidential information to ensure requirements continue to be met. Penick Village reserves the right to refuse a position on the Future Residency Program list, should requirements for potential residency at Penick Village not be met. Penick Village reserves the right to refuse any application, and, in such event, its liability to the Depositor(s) shall be limited to a refund of the refundable One Thousand (\$1,000.00) deposit within 30 days.

Depositor(s) may request and receive a refund of this deposit at any time by giving to Penick Village written notice of the Depositor's desire to withdraw from the Future Residency Program. No interest will be paid on the refunded deposit, and the Depositor's priority position and Future Residency Program membership will be immediately forfeited.

Prior to approval for residency, the Depositor(s) must resubmit an updated Confidential Application and Confidential Financial Statement (Addendum B) and the Physician's Health Examination (Addendum C), providing all information necessary to establish that the Depositor(s) meet the minimum age, health, and financial requirements for admission to Penick Village. Penick Village reserves the right to refuse any application, and, in such event, its liability to the Depositor(s) shall be limited to a refund of the refundable One Thousand (\$1,000.00) deposit within 30 days.



Upon the selection of a specific residence by a qualified Depositor(s), the Depositor(s) shall be required to execute a Residency Agreement for the selected residence and to make a deposit equal to ten percent (10%) of the Entrance Fee. The \$1,000.00 deposit will be credited to the Entrance Fee.

Penick Village maintains two Future Residency Program Lists using the same priority system. Only those on the "Ready" List are notified of available residences. Members of the "Hold" List maintain their position, but are not notified of available residences. The application is held in suspense at the same position until such time as the Depositor notifies Penick Village that they are ready to move to Penick Village upon notification of available residences. At such time, the Depositor(s) will be given priority in accordance with their position as noted below and will again be notified of residences available for selection.

Please make your selection:

_____ READY _____ HOLD

Preferred Floor Plan(s):

1. _____, 2. _____, 3. _____

Penick Village will be operated on a non-discriminatory basis (except for age criteria), and will provide facilities and services to individuals regardless of race, color, sex, marital status, religion, creed, handicap, national origin, veteran status, sexual orientation, or other prohibited categories.

Signature Date

Signature Date

Your deposit of \$ _____ is hereby acknowledged.

Penick Village Authorized Representative Date Priority #

Attachment #9



**PENICK
VILLAGE**

**ASSISTED LIVING
RESIDENCY AGREEMENT**

for

PENICK VILLAGE ASSISTED LIVING RESIDENCY AGREEMENT

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ADDENDUM A – RIGHT OF RECISION

ADDENDUM B1 – CONFIDENTIAL APPLICATION

ADDENDUM B2 – CONFIDENTIAL FINANCIAL STATEMENT

ADDENDUM C – CONFIDENTIAL MEDICAL REPORT



PENICK VILLAGE ASSISTED LIVING RESIDENCY AGREEMENT

NOTICE OF RIGHT TO RESCIND

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

TERMS OF OCCUPANCY

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

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

RESIDENCE NUMBER: _____

RESIDENCE STYLE: _____

1. GENERAL SERVICES AND FACILITIES

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

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

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

1.2 Residence Furnishings. The Residence is furnished at our expense with floor coverings, blinds, emergency call system, telephone jack(s), internet/cable TV connections and as necessary other furniture per North Carolina Department of Health Service regulations.

1.3 Parking. Parking areas are provided for you and Penick Village guests as defined in the Resident Handbook.

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

- Chapel
- Living rooms
- Dining rooms
- Library
- Barber/beauty salon
- Card/life enrichment room
- Multi-purpose/media room
- Fitness center

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

- a. Food Service.** Breakfast, lunch and dinner are served on a daily basis. Specialized diets are available per Resident's Physician's orders. The Dining Service Leadership Team shall determine menus and service times.
- b. Housekeeping.** Residential Housekeeping, including vacuuming, dusting, bathroom cleaning, mopping, sweeping, etc. occurs on a weekly scheduled basis and as needed.
- c. Utilities.** The costs of sewer, water, waste disposal, internet service and electricity are included in the Monthly Service Fee. In consideration of the evolving new alternate forms of fuels and power sources, Penick Village reserves the right to apply up-front and/or ongoing charges to cover such costs. Basic cable television service is included in the Monthly Service Fee. While the Residence is centrally wired for cable television and telephone service, you are responsible for all long-distance telephone charges and premium cable television, (if available).

- d. **Security and Emergency Alert System.** Residences are equipped with smoke and/or heat detectors, sprinkler systems, and emergency alert systems.
- e. **Laundry.** We provide laundry services for the Resident's personal laundry.
- f. **Maintenance.** We maintain all community spaces and grounds as well as repair, maintain and replace Penick Village provided equipment and furnishings, unless such repairs are required as a result of your negligence. Damages to the residence (including appliances and cleaning) will result in additional fees. Resident(s) are responsible for maintenance of personal property.
- g. **Transportation.** We provide scheduled group transportation to designated shopping, social and cultural events, medical facilities, and other local destinations. For larger group events requiring transportation or destinations outside of Southern Pines, a transportation charge will apply.
- h. **Spiritual Programs.** A variety of spiritual programs are available for those residents wishing to participate.
- i. **Social, Educational, Cultural and Recreational Programs.** The Life Enrichment Department coordinates a variety of group and individual social, recreational, educational, fitness, wellness and cultural programs for those residents wishing to participate.
- j. **Property Taxes and Insurance.** Penick Village is not required to pay property taxes due to its exempt status and its Community Benefit requirements. You, the Resident, are responsible for taxes assessed on your personal property. Penick Village maintains property and casualty insurance coverage on the buildings and grounds. Such coverage will not insure against loss or damage to your personal property or damage or injury to others caused by you. For that reason, Penick Village recommends you purchase comprehensive insurance typically referred to as "renter's" as well as, if you elect, flood and personal "excess" insurance policies.
- k. **Storage Area.** A storage area located in Penick Village is assigned and available for Resident use.

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

- Guest meals
- Catering for special occasions
- Barber and beauty services
- Additional transportation
- Additional housekeeping and linen services
- Computer/IT services
- Usage of guest suites and community space, if available
- Personal business services
- Additional maintenance

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

- 1.7 Alteration to Residence.** You may make alterations to your Residence at your cost, subject to Penick Village policies and with Penick Village's prior written approval. Any approved alteration will be performed by our maintenance staff or by a contractor Penick Village approves. Any alterations of a permanent nature become the property of Penick Village. Should Penick Village choose to restore your Residence to its original condition upon vacancy, before any work is completed, a non-refundable charge that is estimated to restore and refurbish your unit. In the event no refund is due to you, all restoration costs become an obligation of you or your estate. For your safety, you agree not to replace or add any locking devices to your Residence. All alteration costs are at your expense and are non-refundable and due 100 percent in advance of work beginning. If you choose to have an alteration to your Residence, your apartment will be considered occupied by you and your daily service will apply once work begins.
- 1.8 Advance Notice for Changes in Scope of Services.** In the event it is deemed necessary to effect a change in the scope of care or services provided in this Agreement, Penick Village will provide at least sixty (60) days advance notice before any change in the scope of care or services becomes effective. This includes notification of any changes in charges for Optional Services, with the exception for dining service meals, services, and program costs.

2. RESIDENT'S OBLIGATIONS

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

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

- 2.2 Power of Attorney, Guardianship.** You acknowledge that at some future time you may be unable by reason of mental or physical disability to properly handle your own affairs and that it may be in your best interest to have an attorney in fact or a guardian appointed to handle your affairs. Therefore, you agree to designate in writing, prior to or at the time of entrance, a person(s) who will have authority to act on your behalf in the event you should at any time become unable to properly handle your own affairs. Thereafter, if you

become either physically or mentally unable to properly administer your own affairs, this designated person shall either commence handling your affairs pursuant to the terms of a durable power of attorney or file a petition in a court of competent jurisdiction to have a guardian or conservator appointed to handle your affairs. If the designated person(s) are unable or unwilling to file such a petition, we are empowered to do so at your expense.

- 2.3 Home Health Care, Home Care and Companion Services.** It is the intent of Penick Village to enable you to maintain the highest level of independence possible. As such, you may arrange for home care services to be provided to you in your Residence at your expense. If you do not use Penick Village's Home Care Services, you must use a state licensed Home Health/Care Provider, any assistance by Penick Village in choosing an appropriate agency shall in no way be deemed an endorsement of a particular agency or persons, and Penick Village shall in no way be deemed responsible for the acts or failure to act of any such agency or persons. It is your responsibility to assure that your health care needs are being met while in your Residence. If you choose to receive home health, home care or companion services, you are obligated to utilize a licensed agency or private companion that you have screened per Penick Village's policy and guidelines and you agree to report the agency's or person's periods of visitation to Penick Village in accordance with the policies set forth in the Resident Handbook.
- 2.4 Cost of Physicians, Medicines, Etc.** You acknowledge and agree that any and all expenses or charges that may be incurred by or on behalf of you for costs not covered by this Agreement, including, but not limited to, physicians, therapists, podiatrists, diagnostic services, mental health, medicines, prescription drugs, medical supplies, eyeglasses, hearing aides, vitamins, crutches, braces, walkers, wheelchairs, special duty nursing, hospitalization, emergency medical services, ambulances, care and treatment of eyes, ears and teeth, and any and all other personal medical expenses shall be your sole and exclusive responsibility. You shall be entitled to treatment by the physician of your choice at your expense. Unpaid charges billed to your insurance will appear on your statement indicating they are pending a response from the insurance company. If a charge has been filed with your insurance for over 60 days without a response, it is the resident's responsibility to contact the insurance company. If the insurance company denies a service or does not pay in full, the resident is responsible for paying the remaining balance in full.
- 2.5 Resident Handbook.** We have established and adopted policies and procedures (collectively "Policies") for the occupancy and orderly operation and management of Penick Village. These Policies provide for the safety, welfare, peace, and comfort of all Residents consistent with the provisions of the Residency Agreement. These Policies are published in writing in the Resident Handbook, which will be provided to you on or before the date you move in and which may be amended from time to time. You agree to abide by and observe such Policies and all amendments and additions thereto. These Policies, as amended from time to time, are hereby incorporated by reference. In the event that the terms of this Agreement conflict with the Policies, the terms of this Agreement shall control.
- 2.6 Non-Impairment of Financial Responsibility.** After execution of this Agreement, you agree not to impair your ability to meet your financial obligations under this Agreement and not to cause any act such that you would no longer meet the financial qualifications as set by Penick Village for your Residence. Any impairment of your ability to meet your financial obligation may disqualify you from eligibility for the financial assistance program.

3. TRANSFERS AND READMISSION

There may come a time when you must move from Assisted Living to a different level of care or to another community that provides services not available at Penick Village. Penick Village is aware that this is a critical transition and will follow the following procedures during any transfer or reassignment.

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

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

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

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

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

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

- i. **Temporary Transfer.** A transfer is considered temporary when, pursuant to Section 3.1 and 3.2, the determination is made that the condition that requires your transfer has the potential to be resolved in a manner that may allow you to return to your Residence within sixty (60) days. Your Residence will be held for your return but you continue to be financially responsible for the Daily Service Fee at all times.

- ii. **Permanent Transfer.** A transfer is considered permanent when pursuant to Section 3.1 and 3.2, the determination is made that the condition that requires your transfer will not allow you to return to your Residence.

In the event of a Permanent Transfer, you shall release your Residence, in order for Penick Village to make your Residence available to a new Resident. In such event, Penick Village may enter into a new Residency Agreement for occupancy of the Residence with a new Resident. You grant Penick Village the right to remove your personal property from the Residence thirty (30) days after a Permanent Transfer and to store it at your expense. If your Residence is reassigned and should you subsequently recover sufficiently to maintain yourself independently in a Residence, you shall receive the next available Residence similar to the one relinquished. Should you request to keep your Residence following a Permanent Transfer, you will continue to pay the then current monthly service fee for your Residence, in addition to the then current applicable daily rate in Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Skilled Health Center. Please note, that if this action depletes your financial resources you will nullify Section 4.7 and not be eligible for Penick Village's financial assistance program.

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

4. ENTRANCE FEES AND OTHER FEES

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

The agreed upon occupancy date is _____.

Initial Initial Initial

In the event you decide not to move into your Residence on the Occupancy Date, the obligation of Penick Village to provide care and services as provided hereunder shall not be effective until you move into your Residence. Penick Village, in its sole discretion, may terminate the Residency Agreement and market your Residence to a new Resident, if you decide not to move into your Residence on the Occupancy Date.

- 4.2 **Entrance Fee.** You agree to make a _____, non-transferable, non-interest bearing Entrance Fee in the total amount of \$_____. The Entrance Fee will be paid in one installment unless otherwise contractually agreed upon in an addendum letter as part of this contract. Your Entrance Fee, being \$_____ is due on the signing of this Residency Agreement, unless otherwise previously agreed in writing.

- 4.3 Daily Service Fees and Changes in Fees.** Your Daily Service Fee will initially be \$ _____ per month for one (1) person and initially an additional \$ _____ per month for a second person. We may increase the Daily Service Fee, upon sixty (60) days written notice to you. Changes in fees are determined by considering actual expenses and revenues, projected expenses and revenues, and other projections. It is our intent to make any adjustments to the Daily Service Fee only once per year. The Daily Service Fee and Optional Service Fees (if utilized) shall be billed in advance to you on or before the fifth (5th) day of each month, and shall be paid on or before the fifteenth (15th) day of the month.
- 4.4 Late Fee.** We will assess you a late fee of eighteen percent (18%) annually (or the maximum amount allowed by applicable law, if less) of the amount due if the Daily Service Fee or Optional Services Fees are not paid in full on or before the fifteenth day (15th) of the calendar month in which they are due.
- 4.5 Liability for Charges.** Each person who is designated as Resident in this Agreement is jointly and severally liable for the payment of the Daily Service Fee, Optional Service Fees and all other amounts required to be paid to Penick Village, pursuant to the provisions of this Agreement for so long as any one of the person(s) is a Penick Village resident. In the event it is necessary for us to institute legal action or other proceedings to recover amounts payable to Penick Village under this Agreement, we also will be entitled to recover reasonable legal fees and costs incurred in connection with all such proceedings. This provision will survive any termination of this Agreement.
- 4.6 Residents Who Become Unable to Pay.** It is Penick Village's current policy, which is subject to change at any time without notice in our sole and exclusive discretion, that this Agreement will not be terminated solely because of your financial inability to continue to pay the Daily Service Fee or other charges payable under the terms of this Agreement by reason of circumstances beyond your control; provided, however, this policy shall not be construed to qualify or limit Penick Village's right to terminate this Agreement in accordance with its terms. If you present facts that, in the opinion of Penick Village, justify special financial consideration, Penick Village will give careful consideration to subsidizing in part or in whole the Daily Service Fee and other charges payable by you under the terms of this Agreement, so long as such subsidy can be made without impairing the ability of Penick Village to attain its objectives while operating on a sound financial basis. Any determination by Penick Village with regard to the granting of financial assistance shall be within the sole discretion of the ad-hoc Penick Village Benevolent Assistance Committee, and any decision to provide such financial assistance shall continue in effect only so long as Penick Village, in its sole discretion, determines that it can continue to operate for the benefit of all Residents on a sound basis.

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

In the event Penick Village determines to provide you with any financial assistance or subsidy, you expressly agree to (i) grant Penick Village the right to offset any such assistance, plus interest, against the refund of your Entrance Fee, if applicable and/or (ii)

allow Penick Village a first or prior claim against your estate(s). The cost of any such financial assistance provided shall be accrued and remain an obligation of the Resident and his or her estate. Furthermore, we may require you to move to a smaller or less expensive Residence. You also agree to an annual financial update and review of your assistance status.

5. APPLICATION AND ACCEPTANCE FOR RESIDENCY.

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

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

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

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

5.2 Residency is Conditional on No Material Changes Prior to Occupancy. Acceptance for residency at Penick Village shall be conditioned upon no material change in the matters covered by the Confidential Application and Confidential Medical Report prior to your Occupancy Date. In the event of any such material change prior to the Occupancy Date, Penick Village may request that additional information be provided. In the event of the existence of a material change in condition, Penick Village may revoke its acceptance of you for residency to Penick Village at any time prior to the Occupancy Date by written notification to you.

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

6. TERMINATION AND REFUNDS

6.1 Termination Prior to Occupancy.

a. You will be entitled to full reimbursement of any monies paid to us, less any contractually agreed upon non-refundable charges for your requested specific upgrades, within thirty (30) days of our receiving your written termination of this Agreement, if applicable, and will be released from liability to pay to us any other amount under this Agreement under the following condition. If you die before occupying your Residence at Penick Village, or if, because of illness, injury, or incapacity, you would be precluded from occupying your Residence consistent with the representations made by you in the Confidential Application and/or the Confidential Medical Report, this Agreement will be automatically canceled and the refund process listed in this paragraph will apply.

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

- a. By you at any time upon thirty (30) days prior written notice to Penick Village.
- b. Penick Village may terminate this Agreement after the Occupancy Date for the following non-medical reasons:
- (i) A material misrepresentation or omission by you in the Confidential Application, Confidential Medical Report, or related materials, which, if such information had been accurately provided, would have been material to the decision whether or not to accept the Resident for residency;
 - (ii) If you fail to comply with the policies and procedures of Penick Village or create a situation detrimental to the health, safety or quiet enjoyment of the community by yourself, other Residents, staff or neighboring property users;
 - (iii) If you fail to pay the Daily Service Fee or other amounts due us when due unless other mutually satisfactory arrangements have been made, provided however it is our policy that this Agreement shall not be terminated solely because of your financial inability to pay the fees to the extent that (1) your inability to pay is not the result of your willful action; and (2) in our

judgement, the ability of Penick Village to operate on a sound financial basis will not be impaired;

- (iv) Material breach by you of the terms and conditions of this Agreement; and,
 - (v) The Residence is no longer fit for occupancy and Penick Village elects not to restore the Residence to habitable condition. To the extent another Residence is available, Penick Village will relocate you.
- c. Penick Village may terminate this Agreement subsequent to Occupancy Date for medical reasons. If it is determined by the Medical Director or appropriate personnel of Penick Village (after consultation "to the extent feasible" with you, your personal physician, and your family and/or designated representative) that:
- (i) Per North Carolina state regulations you no longer qualify for Assisted Living;
 - (ii) You have developed a dangerous or contagious disease or mental illness;
 - (iii) You are in need of drug or alcoholic rehabilitation or any other condition for which we are not licensed or for which services cannot be provided by us without a significant and unique expenditure; or,
 - (iv) You are or have become mentally or emotionally disturbed to a degree that your continued presence in Penick Village is determined to be detrimental to the health, safety and welfare of other Residents or staff.

If any of these situations occur, we are expressly authorized (after consultation with the Medical Director or appropriate personnel of Penick Village, your personal physician and your family and/or your designated representative to the extent feasible) to transfer you, at your expense, to an appropriate hospital or alternative care facility.

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

6.4 Refund of Entrance Fee.

Six-Month Declining Refundable Entrance Fee: After termination of this Agreement in accordance with Section 6.2, or, in the event of your death, or in the case of double occupancy, both occupants' death, we will refund your Six-Month Declining Refundable Entrance Fee (without interest) that you paid for residency at Penick Village, less one-half (50%) the first day of occupying the Residence, then ten percent (10%) per month for any portion of each month the Residence is occupied for the next five (5) months. After the

beginning of the sixth (6th) month of occupancy, the Entrance Fee paid by you is fully amortized and not refundable. Except as provided in the last paragraph of this section, the refund, if applicable, will be paid within 30 days upon receipt of proceeds from the next re-sale of your Residence listed on page one (1) of this Agreement.

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

- 6.5 Right of Off-Set; Other Rights.** We reserve the right to off-set against the refund of the Entrance Fee any fees or amounts payable to us under this Agreement including any charges deferred or unpaid. Termination of this Agreement for any reason will not affect or impair the exercise of any right or remedy granted to us or you under this Agreement for any claim or cause of action occurring prior to the date of such termination.

7. MISCELLANEOUS

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

You agree to indemnify Penick Village for any expenses incurred by Penick Village in providing care to you for which a third party is liable.

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

- 7.5 Indemnification for Negligence.** You hereby agree to indemnify, protect and hold us harmless from any loss, damage, injury or expense incurred by Penick Village as a result of your negligent or willful acts or omissions or the acts or omissions of your invitees or guests.
- 7.6 Right of Entry.** You hereby authorize our employees and agents to enter your Residence to provide services, repairs, maintenance, alterations, pest control and inspection, and to respond to perceived medical or other emergency. Penick Village will try to schedule all other services in advance with the Resident. If you are away from your residence seven (7) consecutive calendar days or longer, Penick Village reserves the right to, but is not obligated to, have a representative enter your Residence during your absence to confirm the safety and maintenance of your Residence remains intact.
- 7.7 Damage to Property.** In the event you have a service provided to you (for example: movers, dry cleaners, parcel delivery, etc.) or you have a mobility assistance device and that person, company or device causes any damage or injury to Penick Village, another resident and/or their property or an employee, including but not limited to gates, signage, walls, doors, floors and elevators you will be personally liable for any and all resulting costs and expenses. Including all workers compensation-related benefits if the injury is to a Penick Village employee.
- 7.8 Leave of Absence from Penick Village.** You agree to notify Penick Village in advance of any contemplated absence. No fee adjustments will be made in the event of a voluntary absence from Penick Village, with the exception of the absent day credit in conformance with our absent day credit policy.
- 7.9 Damage to Residence.** If your Residence is damaged by fire, flood, storm or other casualty or cause not resultant from your negligence or willful act or omission and we elect not to terminate this Agreement, we will, at our expense, proceed diligently to repair and restore your Residence. If your Residence is uninhabitable during the repair, we will relocate you to a comparable type Residence at Penick Village, if available, or, if not, we will try to relocate you temporarily to any other available Residence at Penick Village and the Monthly Service Fee will be adjusted for the type of Residence you temporarily occupy, but in no event shall be more than your Residence.
- 7.10 Entire Agreement.** This Agreement constitutes the entire Agreement between us with regard to your residence and care. We will not be liable for, or bound by, any statements, representations or promises made to you by any person representing or purporting to

represent us, unless such statements, representations or promises are expressly set forth and endorsed by both parties in writing, and attached to this Agreement.

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

third-party to the extent necessary to reimburse Penick Village for the costs incurred in providing services under this Agreement.

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

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

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

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

RESIDENT(S):

Signature: _____

Print Name: _____

Signature: _____

Print Name: _____

Date: _____

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

By: _____

Title: _____

Date: _____

Addendum A

NOTICE OF RIGHT TO RESCIND

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

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

Cancellation Date: _____

Resident Signature: _____



PENICK VILLAGE

CONFIDENTIAL APPLICATION

All information will be held confidential

Title: _____ Last Name: _____ First Name: _____

Middle Name: _____ Preferred Name: _____ Suffix: _____ Gender: _____

Telephone #'s: Home: (____) _____ Cell: (____) _____ Work: (____) _____

Email: _____ Date of Birth: _____

Address (Street) _____ (City) _____

(State) _____ (Zip) _____ (County) _____

Marital Status (circle): Single Divorced Married - Anniversary _____ Widowed - Date _____

Second Person: _____ Are you bringing a vehicle? Yes / No If yes, how many? _____

Penick Village will be operated on a non-discriminatory basis (except for age criteria), and will provide facilities and services to individuals regardless of race, color, sex, marital status, religion, creed, handicap, national origin, veteran status, sexual orientation, or other prohibited categories.

Are you bringing a pet? _____ If yes, how many? _____ Type & Weight: _____
Please be advised there is a one time non-refundable pet fee, based on Penick Village approval.

Are you capable of Independent Living without help from anyone else? Yes No

If no, please describe the kinds of assistance you currently need. _____

PERSONAL INFORMATION

Education _____ Occupations (Current/Previous) _____

Industry _____ Hobbies, special interests, clubs and organizations _____



MEDICAL INFORMATION

Primary Physician Name _____ Phone (____) _____

Address (Street) _____ (City) _____ (State) _____ (Zip) _____

Have you been hospitalized or incapacitated during the last 5 years? _____ Yes _____ No

If yes please explain such details as are necessary. _____

Other Physician(s) you visit regularly:

Physician _____ Specialty _____

Last Seen _____ Telephone _____

Address _____

Physician _____ Specialty _____

Last Seen _____ Telephone _____

Address _____

List all current medications. Include strength and how often taken:

| Medication | Strength | Directions |
|------------|----------|------------|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

Pharmacy (Name & Location) _____

Are you free from contagious disease? Yes No Have you ever been addicted to alcohol or illicit/prescription drugs? Yes No



MEDICAL INFORMATION (Continued)



Please list any medicinal allergies _____

Please list any food and environmental allergies _____

1.) Do you require assistance from any of the following? (circle all that apply) Cane Scooter Walker Wheelchair

2.) Do you use any of the following? (circle all that apply) Glasses Contacts Dentures* Hearing Aid(s)* Pacemaker

*Please specify _____

Please explain any major change in your general health in the past year and any chronic illness or disability

CONTACT INFORMATION

PERSON(S) TO NOTIFY IN CASE OF EMERGENCY AND TO WHOM PENICK VILLAGE MAY RELEASE PERSONAL HEALTH INFORMATION

Primary Secondary

Primary Secondary

Primary Secondary

1) Name(s) _____ 2) Name(s) _____ 3) Name(s) _____

Relationship _____ Relationship _____ Relationship _____

Address Address Address

(Street) _____ (Street) _____ (Street) _____

(City) _____ (City) _____ (City) _____

(State) _____ (Zip) _____ (State) _____ (Zip) _____

Telephone number(s) & Call Order Telephone number(s) & Call Order Telephone number(s) & Call Order

Home (____) _____ Home (____) _____ Home (____) _____

Work (____) _____ Work (____) _____ Work (____) _____

Cell (____) _____ Cell (____) _____ Cell (____) _____

Email _____ Email _____ Email _____



PHOTO PERMISSION



The undersigned hereby authorize Penick Village and the Penick Village Foundation to make, reproduce, publish, display, disseminate through any media for an unlimited period of time and photographic reproduction or likeness of the undersigned in any commercial advertisement or promotion undertaken by said company or organization.

Signature: _____ Date _____

ADDITIONAL DISCLOSURE



Have you ever been convicted of or plead no contest to a felony or other crime other than a traffic violation?

Yes

No

If yes, please provide an explanation. If more space is needed, please provide on a separate piece of paper.

Are you aware that we are a tobacco-free campus? _____ Are you aware that we are a firearm free campus? _____

We reserve the right to do criminal background, sexual offender, & credit checks.

Initial

Date

To the best of my knowledge, the above statements are complete and true. By signing this Confidential Data Profile, you authorize Penick Village to contact physicians listed herein and for those physicians to disclose medical information to Penick Village.

Additionally, I understand that the Confidential Application is good for six months. I agree to provide any material changes and updates to Penick Village prior to Residency approval.

Prospective Resident Signature

Date



PENICK VILLAGE

CONFIDENTIAL FINANCIAL STATEMENT



(MUST BE COMPLETED BY EACH INDIVIDUAL; JOINT HOLDINGS MUST BE SO NOTED)

All information will be held confidential.

ASSETS

| | Is the asset security for a loan? | | | Is the asset security for a loan? | | |
|--|-----------------------------------|-----|----|-----------------------------------|-----|----|
| | 1st Person | Yes | No | 2nd Person | Yes | No |
| Cash (<i>Savings & Checking</i>) | \$ | | | \$ | | |
| CD's, Money Markets, etc. | \$ | | | \$ | | |
| Stocks & Bonds | \$ | | | \$ | | |
| IRA's, Annuities, etc. | \$ | | | \$ | | |
| House | \$ | | | \$ | | |
| Other Real Estate | \$ | | | \$ | | |
| Trust Fund (<i>indicate % beneficial int.</i>) | \$ | | | \$ | | |
| Cash Surrender Value of Life Insurance | \$ | | | \$ | | |
| Other Assets (<i>Describe Below:</i>) | \$ | | | \$ | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| TOTAL ASSETS | 1st Person | | | 2nd Person | | |
| | \$ | | | \$ | | |
| Combined | \$ | | | | | |

LIABILITIES

| | 1st Person | 2nd Person |
|--|------------|------------|
| Mortgage on Residence | \$ | \$ |
| Mortgage(s) on Other Real Estate | \$ | \$ |
| Other Bank Loans | \$ | \$ |
| Loans Against Cash Surrender Value of Life Insurance | \$ | \$ |
| Credit Cards | \$ | \$ |
| Other Liabilities (Notes Payable, etc.) | \$ | \$ |
| TOTAL LIABILITIES | \$ | \$ |
| Combined | \$ | |



HAVE YOU GUARANTEED ANY DEBT OWED BY ANOTHER?

YES

NO

Guarantor(s)

Debtor

Relation

Amount of Debt Guaranteed

REGULAR MONTHLY INCOME

| | 1st Person | 2nd Person |
|-------------------------------------|------------|------------|
| Social Security | \$ | \$ |
| Pension | \$ | \$ |
| Dividends | \$ | \$ |
| Interest | \$ | \$ |
| Mortgage/Rental Income | \$ | \$ |
| IRA Income | \$ | \$ |
| Trust Income | \$ | \$ |
| Other Monthly Income | \$ | \$ |
| TOTAL REGULAR MONTHLY INCOME | \$ | \$ |
| Combined | \$ | |

With regard to monthly income reflected, will the monthly payment continue in the same amount for the life of the other person listed (generally, the surviving spouse)? _____ Yes _____ No. If no, what will the monthly payment be after the death of the recipient listed? \$ _____/month.

Do you have Long Term Health Care Insurance (LTHCI)? If so, what is the duration of the policy? _____

The policy covers: _____ Assisted Living _____ Skilled Nursing _____ Home Care.

What is the daily rate? _____ The annual index? _____ The elimination period? _____

I hereby declare that all statements made herein are true according to my best knowledge and belief. I agree to provide any material changes and updates, along with current documentation for each category, prior to Residency approval. In witness whereof, I have hereunto set my hand to this application this _____ day of _____, _____.

Signature of 1st Person

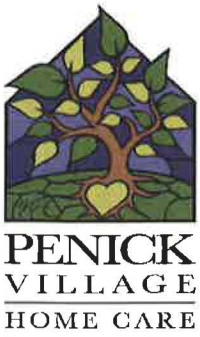
Signature of 2nd Person

2020 Optional Service Fees

| | |
|---------------------------------|--|
| Copies | \$.10 per page |
| Store2Door | See price list (Attachment #10) |
| Guest Room | \$70.00 per night (maximum seven night stay) Includes breakfast in Village |
| Dining | Pricing is a la carte |
| Transportation – Out of Town | Doctor appointments - \$25 per hour Airport transportation - \$125 one-way |
| Housekeeping | Additional housekeeping that is not considered routine and included in the monthly service fee will have a fee based on materials and labor. Carpet cleaning for pet stains start at \$75.00. Penick Village reserves the right to outsource all services. |
| Electric cars & Golf Carts | \$ 25.00 Monthly charge for charging station access |
| Long Distance Facsimiles | \$.25 per page |
| Special Maintenance Requests | The fee will be based on materials and labor. This does not include routine maintenance, which is included in the monthly service fee. |
| Medical Supplies | A price list will be provided upon a request from the resident. |
| Phone charges | \$21.00/month for basic phone service plus \$.11 per minute for long distance charges (Plan A) \$42.00/month for basic phone service including all long distance charges. (Plan B) Note: International calling not available through either plan. |
| Replacement Keys | \$5.00 |
| Replacement Key Fobs | \$12.00 |
| Replacement Gate Stickers | \$25.00 |
| Meal Delivery | \$3.00 per delivery |
| Room Clearing Fee | Depending on the size of the home – up to \$10,000 |
| Replacement Pendant | \$175.00 |
| Woodland Apt. covered parking | If available – Non-refundable \$5,000 upfront fee and \$10/monthly fee |
| Internet Options | \$36.00/month |
| Personal Business Support | \$50.00 per half hour with a minimum half hour charge |

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

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



Services and Prices

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

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

*All rates are subject to change

PENICK VILLAGE STORE2DOOR

DATE _____
 NAME: _____ ADDRESS _____ PHONE _____

| # | DAIRY, CHEESE | PRICE | # | VEGETABLES | PRICE | # | COFFEE / TEA | PRICE | # | CEREALS | PRICE | |
|---|-----------------------------|---------|---|---------------------|---------|---|----------------------|----------------------|---------|--------------------------|------------------------|---------|
| | Whole Milk (half gallon) | \$ 4.75 | | Carrots (each) | \$ 0.70 | | Regular Coffee (2oz) | \$ 1.30 | | Shredded Wheat (ind) | \$ 0.74 | |
| | Skim Milk (half gallon) | \$ 4.15 | | Celery (stalk) | \$ 1.25 | | Tea Bag Reg. (each) | \$ 0.10 | | Cheerios (ind) | \$ 0.80 | |
| | 2% Milk (half gallon) | \$ 4.60 | | Onion (each) | \$ 0.60 | | | | | Honey Nut Cheerios (ind) | \$ 0.80 | |
| | Buttermilk (half gallon) | \$ 4.55 | | Tomato (each) | \$ 1.25 | | | | | Corn Flakes | \$ 0.80 | |
| | Whole Milk (half pint) | \$ 0.85 | | Lettuce(head) | \$ 1.95 | | | | | Raisin Bran | \$ 0.80 | |
| | 2% Milk (half pint) | \$ 0.85 | | Green Pepper (each) | \$ 1.35 | | | | | Special K | \$ 0.80 | |
| | Skim Milk (half pint) | \$ 0.85 | | Cucumber (each) | \$ 1.00 | | | | | | | |
| | Half & Half (quart) | \$ 2.60 | | Potato (each) | \$ 0.95 | | | | | | | |
| | Yogurt Assorted (each) | \$ 1.35 | | | | | # | JUICE | PRICE | # | CONDIMENTS /MISC. | PRICE |
| | Butter (1# block) | \$ 4.00 | | | | | | Orange (quart) | \$ 2.50 | | Peanut Butter (Jar) | \$ 4.35 |
| | Margarine (1 LBS block) | \$ 1.95 | # | FRUITS | PRICE | | | Apple (60oz. can) | \$ 3.75 | | Strawberry Jelly (Ind) | \$ 0.15 |
| | LF Cottage Cheese (1/2 LBS) | \$ 2.95 | | Banana (each) | \$ 0.60 | | | Tomato (5oz. each) | \$ 0.90 | | Grape Jelly (ind) | \$ 0.15 |
| | Swiss Cheese (1/2 LBS) | \$ 4.10 | | Lemons (each) | \$ 0.40 | | | Prune (46oz. can) | \$ 3.80 | | Orange Marmalade (ind) | \$ 0.15 |
| | American Cheese (1/2 LBS) | \$ 2.50 | | Grapefruit (each) | \$ 1.15 | | | Cranberry (46oz can) | \$ 3.80 | | Honey (ind) | \$ 0.20 |
| | | | | Honeydew (each) | \$ 8.10 | | | V8 (5oz. each) | \$ 0.70 | | Ketchup (bottle) | \$ 1.85 |
| | | | | Cantaloupe (each) | \$ 4.00 | | | | | | Mustard (bottle) | \$ 1.65 |
| | | | | Red Apple (each) | \$ 0.60 | | | | | | Sweet & Low (pkg) | \$ 0.05 |
| | | | | Orange (each) | \$ 0.60 | | | | | | Equal (pkg) | \$ 0.05 |
| | | | | Apple Sauce (ind.) | \$ 0.50 | | | | | | Sugar (5 pound bag) | \$ 5.45 |
| | | | | | | | | | | | Napkins (1/2 bundle) | \$ 1.80 |
| # | EGGS & MEATS | PRICE | # | INDIVIDUAL SOUPS | PRICE | # | BAKED GOODS | PRICE | | | | |
| | Eggs (1/2 Dozen) | \$ 1.75 | | Chicken Noodle | \$ 1.25 | | White Bread (loaf) | \$ 2.40 | | | | |
| | Sliced Bacon (6 slices) | \$ 1.55 | | Tomato | \$ 1.25 | | Whole Wheat (loaf) | \$ 2.50 | | | | |
| | Sliced Turkey (1/4 pound) | \$ 1.80 | | | | | Raisin Bread (loaf) | \$ 3.95 | | | | |
| | Sliced Ham (1/4 pound) | \$ 1.60 | | | | | Eng. Muffin (6pack) | \$ 2.40 | | | | |

Please turn in all requisitions Monday - Friday at the Village House. Orders received by noon on Monday will be delivered Tuesday and orders received by noon Thursday will be delivered Friday. Prices and items are subject to change without notice due to market pricing and availability. Orders will not be received on Saturday and Sunday. Please provide your phone number and address on this form.

PENICK VILLAGE MEDIATION AND ARBITRATION PROGRAM

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

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

1. Applicability:

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

2. Commencement:

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

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

3. **Selection of Arbitrator:**

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

4. **Mediation:**

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

5. **North Carolina Law:**

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

6. **Discovery:**

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

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

7. **Location:**

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

8. **Court Reporter:**

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

9. **Confidentiality:**

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

10. **Costs:**

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

11. **Standard Award:**

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

12. **Finality of Award:**

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

Arbitration Selection as to All Disputes Covered by this Agreement:

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

Hereby consented to and agreed:

Resident Signature

Printed Name of Resident

Date: _____

Signature of Family Member or
Representative of Resident

Signature of Penick Village
Representative

Printed Name of Penick Village
Representative

Date: _____

Printed Name of Family Member or
Representative of Resident

Date: _____

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

Additional Signature of Family Member
or Representative of Resident

Printed Name of Additional Family Member or
Representative of Resident

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

Date: _____

Penick Village
Summary Balance Sheet
December 31, 2019

| | Actual Sep-19 | Actual Dec-19 | Budget Dec-19 | Act. Inc. (Dec.) Vs. Budget | | Inc. (Dec.) vs. Prior Mo. | Inc. (Dec.) YTD |
|--|-------------------|-------------------|----------------------|-----------------------------|--------------|------------------------------|----------------------|
| | | | | \$ | % | | |
| ASSETS | | | | | | | |
| <u>Current Assets</u> | | | | | | | |
| | | | 10,449,113 | | | | |
| 1 Cash - Unrestricted | 2,932,775 | \$ 2,353,798 | \$ 1,628,295 | \$ 725,503 | 44.6% | \$ (46,991) | \$ (578,977) |
| 2 Cash - Restricted | 251,204 | 208,879 | 56,196 | 152,683 | 271.7% | 895 | (42,325) |
| 28 Cash - Series19 Bonds | - | 8,097,295 | 8,820,818 | (723,523) | -8.2% | (344,280) | 8,097,295 |
| 3 Investments - Restricted | 513,638 | 538,501 | 493,862 | 44,639 | 9.0% | 9,475 | 24,863 |
| 3 Investments-Moore Trust Unrestricted | 4,680,012 | 4,895,447 | 4,447,616 | 447,831 | 10.1% | 96,139 | 215,436 |
| 9 Invest. - Operat. Res. - "Excess" | 433,306 | 634,677 | 385,621 | 249,056 | 64.6% | 76,618 | 201,370 |
| 4 Accounts Rec. - Resident Svc Fees | 493,519 | 826,656 | 629,391 | 197,265 | 31.3% | 78,652 | 333,137 |
| 5 Accounts Receivable - Other | 482,526 | 594,752 | 418,865 | 175,887 | 42.0% | (7,846) | 112,226 |
| 5 Allowance for Doubtful Accounts | (100,000) | (151,047) | (100,809) | (50,238) | 49.8% | (4,000) | (51,047) |
| 6 Prepaid Expenses | 125,472 | 168,153 | 232,969 | (64,816) | -27.8% | (38,694) | 42,680 |
| Total Current Assets | 9,812,453 | 18,167,113 | 17,012,824 | 1,154,289 | 6.8% | (180,032) | 8,354,660 |
| 9 Invest. - Operat. Res. - Required | 4,128,954 | 4,128,954 | 4,223,046 | (94,092) | -2.2% | 0 | 0 |
| 28 Series19 Bonds-Debt Resv Fund | - | 2,008,925 | 2,007,000 | 1,925 | 0.1% | 1,925 | 2,008,925 |
| 10 Prop., Plant & Equip. - Gross | 58,161,401 | 60,550,316 | 61,076,759 | (526,443) | -0.9% | 576,861 | 2,388,915 |
| 10 Less: Accum. Depreciation | 18,332,903 | 18,796,762 | 18,806,035 | (9,273) | 0.0% | 154,620 | 463,859 |
| Total PP&E - Net | 39,828,498 | 41,753,554 | 42,270,724 | (517,170) | -1.2% | 422,241 | 1,925,056 |
| <u>Other, Non-Current Assets</u> | | | | | | | |
| 8 L/T Receivables | 75,971 | 74,946 | 69,772 | 5,174 | 7.4% | (425) | (1,025) |
| 12 Deposits | 915 | 975 | 915 | 60 | 6.6% | 0 | 60 |
| 11 J.A. Greer Group Equity | 1,000 | 1,000 | 1,000 | - | 0.0% | 0 | 0 |
| 11 Annuities | 184,786 | 184,786 | 187,639 | (2,853) | -1.5% | 0 | 0 |
| 29 Unamort Cost of Issuance - L/T | - | 1,124,168 | 1,123,535 | 633 | 0.1% | (5,543) | 1,124,168 |
| 13 Unamortized Finance Costs - FB | 161,438 | - | - | - | 0.0% | 0 | (161,438) |
| 13 Unamort Intangible Asset-HC License | 82,558 | 81,834 | 74,077 | 7,757 | 10.5% | (483) | (724) |
| 13 Unamort Intangible Asset-Wharton | 43,888 | - | - | - | 0.0% | (43,888) | (43,888) |
| 13 (Due To)/From JA Greer Group LLC | 195,000 | 945,000 | 944,000 | 1,000 | 0.1% | 0 | 750,000 |
| 13 Interest Rate Cap Agreement | 757 | 757 | 5,420 | (4,663) | -86.0% | 0 | 0 |
| 13 Wellness Initiative Project | - | - | - | - | 0.0% | 0 | 0 |
| 13 FSA Prefunding Escrow | 1,090 | 1,090 | 1,094 | (4) | -0.4% | 0 | 0 |
| Total Other, Non-Current Assets | 747,403 | 2,414,556 | 2,407,452 | 7,104 | 0.3% | (50,338) | 1,667,153 |
| TOTAL ASSETS | 54,517,307 | 68,473,101 | \$ 67,921,046 | \$ 552,055 | 0.8% | \$ 193,796 | \$ 13,955,794 |
| LIABILITIES AND NET ASSETS | | | | | | | |
| <u>Current Liabilities</u> | | | | | | | |
| 14 Accounts Payable - Trade | 1,323,052 | 365,136 | \$ 619,210 | \$ (254,074) | -41.0% | \$ (191,417) | \$ (957,916) |
| 18 Accts. Pay. - Assets Limited to Use | 56,196 | 51,516 | 56,196 | (4,680) | -8.3% | 2,259 | (4,680) |
| 15 Accrued Liabilities | 787,180 | 727,880 | 712,178 | 15,702 | 2.2% | 56,045 | (59,300) |
| 15 Lease Liability - Current Portion | 10,076 | 10,076 | 9,531.00 | 545 | 5.7% | 0 | 0 |
| 16 Application/Prepaid Deposits | 2,126,086 | 2,459,451 | 2,277,556 | 181,895 | 8.0% | 214,325 | 333,365 |
| 17 Refund Liability - Current Portion | 1,260,348 | 455,252 | 590,165 | (134,913) | -22.9% | (169,620) | (805,096) |
| 30 Bonds Payable - Current Portion | - | 120,000 | 150,000 | (30,000) | -20.0% | (15,000) | 120,000 |
| 19 Unamort Bond Prem - Current Portion | - | 69,275 | - | 69,275 | 100.0% | 69,275 | 69,275 |
| 19 USBank Bond Pmt Clearing | - | 186,233 | - | 186,233 | 100.0% | 186,233 | 186,233 |
| 19 Deferred Revenue - Current Portion | 2,131,120 | 5,000 | - | 5,000 | 100.0% | 0 | (2,126,120) |
| Total Current Liabilities | 7,694,058 | 4,449,819 | 4,414,836 | 34,983 | 0.8% | 152,099 | (3,244,239) |

Penick Village
 Summary Balance Sheet
 December 31, 2019

| | Actual Sep-19 | Actual Dec-19 | Budget Dec-19 | Act. Inc. (Dec.) Vs. Budget | | Inc. (Dec.) vs. Prior Mo. | Inc. (Dec.) YTD |
|---|--------------------------|--------------------------|-----------------------------|-----------------------------|---------------------|------------------------------|--------------------------|
| | | | | \$ | % | | |
| <u>Long-Term Liabilities</u> | | | | | | | |
| 21 Refund Liability-Noncurrent Portion | 4,872,569 | 4,856,223 | 5,005,586 | (149,363) | -3.0% | (4,234) | (16,346) |
| 20 Deferred Revenue | 15,525,910 | 15,331,493 | 16,611,761 | (1,280,268) | -7.7% | (254,139) | (194,417) |
| 20 Lease Liability | 25,806 | 23,287 | 23,968 | (681) | -2.8% | (840) | (2,519) |
| 22 Unamort Bond Premium L/T - Series19 | - | 2,343,799 | 2,503,854 | (160,055) | -6.4% | (75,048) | 2,343,799 |
| 22 Long Term Debt | 17,771,638 | 32,290,000 | 32,262,727 | 27,273 | 0.1% | 0 | 14,518,362 |
| <i>Total Long-Term Liabilities</i> | <u>38,195,923</u> | <u>54,844,802</u> | <u>56,407,896</u> | <u>(1,563,094)</u> | <u>-2.8%</u> | <u>(334,260)</u> | <u>16,648,879</u> |
| TOTAL LIABILITIES | <u>45,889,981</u> | <u>59,294,621</u> | <u>\$ 60,822,732</u> | <u>(1,528,111)</u> | <u>-2.5%</u> | <u>(182,161)</u> | <u>13,404,641</u> |
| NET ASSETS | | | | | | | |
| 23 Operating Fund Balance - PY | 7,126,218 | 7,746,247 | 6,929,478 | 816,769 | 11.8% | 0 | 620,029 |
| 24 Restricted Assets - PY | 551,673 | 551,673 | 462,176 | 89,497 | 19.4% | 0 | 0 |
| 27 Net Assets - Permanently Restricted | 329,407 | 329,407 | 329,407 | - | 0.0% | 0 | 0 |
| 25 Current Changes - Equity | 620,029 | 551,153 | (622,747) | 1,173,900 | 0.0% | 375,957 | (68,876) |
| TOTAL NET ASSETS | <u>8,627,327</u> | <u>9,178,480</u> | <u>\$ 7,098,314</u> | <u>2,080,166</u> | <u>29.3%</u> | <u>375,957</u> | <u>551,153</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>54,517,307</u> | <u>68,473,101</u> | <u>\$ 67,921,046</u> | <u>\$ 552,055</u> | <u>0.8%</u> | <u>193,796</u> | <u>13,955,794</u> |

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

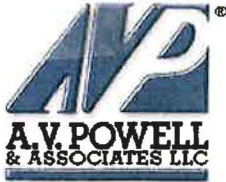
| | 12/31/19 | | | | Actual \$ YTD | Budget \$ YTD | Act. F/(U) vs. Budget | | | |
|--|------------------|------------------|-----------------------|---------------|------------------|------------------|-----------------------|---------------|-----------------------|---|
| | Actual \$ | Budget \$ | Act. F/(U) vs. Budget | | | | Actual \$ | Budget \$ | Act. F/(U) vs. Budget | |
| | December | December | \$ | % | | | \$ | \$ | \$ | % |
| REVENUE - RESIDENT SERVICES: | | | | | | | | | | |
| 1 Independent Living Revenue | \$ 469,158 | \$ 466,086 | \$ 3,072 | 0.7% | \$ 1,410,417 | \$ 1,398,258 | \$ 12,159 | 0.9% | | |
| 2 Nursing Care Revenue | 342,372 | 421,476 | (79,104) | -18.8% | 1,102,267 | 1,250,832 | (148,565) | -11.9% | | |
| 3 Assisted Living Revenue | 215,468 | 239,101 | (23,633) | -9.9% | 630,905 | 709,839 | (78,935) | -11.1% | | |
| 6 Other Operating Revenue | 161,937 | 34,077 | 127,860 | 375.2% | 376,817 | 104,914 | 271,903 | 259.2% | | |
| 5 Ancillary Charges Revenue | 95,193 | 107,515 | (12,322) | -11.5% | 268,761 | 322,548 | (53,787) | -16.7% | | |
| <i>Gross Rev. - Resident Svcs.</i> | <u>1,284,129</u> | <u>1,268,255</u> | <u>15,874</u> | <u>1.3%</u> | <u>3,789,167</u> | <u>3,786,391</u> | <u>2,776</u> | <u>0.1%</u> | | |
| 7 Contractual Adjustments | (73,405) | (74,036) | 631 | 0.9% | (176,963) | (220,272) | 43,309 | 19.7% | | |
| 8 Benevolent Assistance | (51,377) | (63,938) | 12,561 | 19.6% | (161,706) | (188,555) | 26,850 | 14.2% | | |
| <i>Contra-Revenues</i> | <u>(124,781)</u> | <u>(137,974)</u> | <u>13,193</u> | <u>9.6%</u> | <u>(338,668)</u> | <u>(408,827)</u> | <u>70,159</u> | <u>17.2%</u> | | |
| <i>Net Resident Service Revenue</i> | <u>1,159,347</u> | <u>1,130,281</u> | <u>29,066</u> | <u>2.6%</u> | <u>3,450,499</u> | <u>3,377,564</u> | <u>72,935</u> | <u>2.2%</u> | | |
| <i>Contra-Revenues as a % of Gross Res. Svcs. Rev.</i> | 9.7% | 10.9% | 1.2% | 10.7% | 8.9% | 10.8% | 1.9% | 17.2% | | |
| REVENUE - OTHER: | | | | | | | | | | |
| 9 Earned Entrance Fees | 254,139 | 180,000 | 74,139 | 41.2% | 762,417 | 540,000 | 222,417 | 41.2% | | |
| 4 Home Care Revenue | 79,133 | 64,527 | 14,606 | 22.6% | 270,438 | 192,495 | 77,943 | 40.5% | | |
| 10 Contribution (Income) | 169,042 | 177,000 | (7,958) | -4.5% | 258,614 | 220,000 | 38,614 | 17.6% | | |
| <i>Total Other Revenue</i> | <u>502,314</u> | <u>421,527</u> | <u>80,787</u> | <u>19.2%</u> | <u>1,291,469</u> | <u>952,495</u> | <u>338,974</u> | <u>35.6%</u> | | |
| TOTAL NET REVENUE | <u>1,661,661</u> | <u>1,551,808</u> | <u>109,853</u> | <u>7.1%</u> | <u>4,741,968</u> | <u>4,330,059</u> | <u>411,909</u> | <u>9.5%</u> | | |
| OPERATING EXP. - PROGRAM SRVCS: | | | | | | | | | | |
| 16 Life Enrichment | 28,037 | 30,445 | 2,408 | 7.9% | 85,291 | 101,851 | 16,561 | 16.3% | | |
| 18 Resident Services | 14,601 | 21,123 | 6,522 | 30.9% | 43,613 | 55,062 | 11,449 | 20.8% | | |
| 19 Dining Services - VH | 188,133 | 165,613 | (22,520) | -13.6% | 549,562 | 499,186 | (50,376) | -10.1% | | |
| 20 Dining Services - HealthCare | 76,935 | 86,281 | 9,346 | 10.8% | 232,204 | 260,510 | 28,306 | 10.9% | | |
| 50 Transportation | 9,009 | 10,882 | 1,873 | 17.2% | 23,874 | 32,586 | 8,712 | 26.7% | | |
| 22 Facility Maintenance | 118,388 | 96,718 | (21,670) | -22.4% | 328,409 | 330,305 | 1,896 | 0.6% | | |
| 23 Housekeeping | 56,189 | 67,322 | 11,133 | 16.5% | 172,254 | 214,375 | 42,120 | 19.6% | | |
| 25 Skilled Nursing | 301,774 | 310,540 | 8,766 | 2.8% | 860,116 | 942,250 | 82,134 | 8.7% | | |
| 26 Assisted Living | 49,717 | 48,640 | (1,077) | -2.2% | 151,861 | 151,632 | (228) | -0.2% | | |
| 27 Home Care | 61,294 | 58,395 | (2,899) | -5.0% | 205,047 | 187,485 | (17,562) | -9.4% | | |
| OPERATING EXP. - PROGRAM SRVCS: | | | | | | | | | | |
| 28 Garden Cottage | 28,707 | 35,044 | 6,337 | 18.1% | 101,091 | 109,119 | 8,028 | 7.4% | | |
| <i>Total - Program Services</i> | <u>932,784</u> | <u>931,003</u> | <u>(1,781)</u> | <u>-0.2%</u> | <u>2,753,321</u> | <u>2,884,361</u> | <u>131,040</u> | <u>4.5%</u> | | |
| OPERATING EXP. - SUPPORT SRVCS.: | | | | | | | | | | |
| 14 General & Administrative | 78,351 | 142,836 | 64,486 | 45.1% | 319,866 | 448,377 | 128,512 | 28.7% | | |
| 15 Human Resources | 41,542 | 41,773 | 231 | 0.6% | 106,458 | 119,601 | 13,142 | 11.0% | | |
| 17 Information Technology | 36,758 | 43,614 | 6,856 | 15.7% | 120,397 | 160,523 | 40,126 | 25.0% | | |
| 37 Dining Services - Catering | 3,424 | 3,653 | 229 | 6.3% | 10,134 | 17,147 | 7,013 | 40.9% | | |
| 21 Chaplain | 54 | 1,345 | 1,291 | 96.0% | 2,881 | 4,810 | 1,929 | 40.1% | | |
| 24 Marketing | 18,567 | 24,354 | 5,787 | 23.8% | 48,919 | 91,204 | 42,286 | 46.4% | | |
| 29 Development | (3,669) | 8,211 | 11,880 | 144.7% | 28,140 | 41,899 | 13,759 | 32.8% | | |
| 30 Utilities | 63,015 | 68,137 | 5,122 | 7.5% | 181,448 | 182,756 | 1,308 | 0.7% | | |
| 31 Insurance | 30,532 | 31,195 | 663 | 2.1% | 99,737 | 93,620 | (6,117) | -6.5% | | |
| 32 Bad Debt Expense | 4,000 | 4,000 | - | 0.0% | 12,000 | 12,000 | - | 0.0% | | |
| <i>Total - Support Services</i> | <u>272,574</u> | <u>369,119</u> | <u>96,545</u> | <u>26.2%</u> | <u>929,979</u> | <u>1,171,937</u> | <u>241,958</u> | <u>20.6%</u> | | |
| <i>Total Operating Expenses</i> | <u>1,205,358</u> | <u>1,300,122</u> | <u>94,764</u> | <u>7.3%</u> | <u>3,683,299</u> | <u>4,056,298</u> | <u>372,998</u> | <u>9.2%</u> | | |
| EBITDA | 456,303 | 251,686 | 204,617 | 81.3% | 1,058,668 | 273,761 | 784,907 | 286.7% | | |
| <i>Less: Earned Ent. Fees</i> | <i>(254,139)</i> | <i>(180,000)</i> | <i>(74,139)</i> | <i>-41.2%</i> | <i>(762,417)</i> | <i>(540,000)</i> | <i>(222,417)</i> | <i>-41.2%</i> | | |
| <i>Add-back: Bad Debt Exp.</i> | <i>4,000</i> | <i>4,000</i> | <i>-</i> | <i>0.0%</i> | <i>12,000</i> | <i>12,000</i> | <i>-</i> | <i>0.0%</i> | | |
| <i>"Cash" EBITDA</i> | <u>206,164</u> | <u>75,686</u> | <u>130,478</u> | <u>172.4%</u> | <u>308,251</u> | <u>(254,239)</u> | <u>562,490</u> | <u>221.2%</u> | | |
| Depreciation / Amortization Expense: | | | | | | | | | | |
| 33 Depreciation Expense | 154,620 | 157,710 | 3,090 | 2.0% | 463,859 | 473,130 | 9,271 | 2.0% | | |
| 34 Amortization Expense | 47,236 | 2,827 | (44,409) | -1570.9% | 211,429 | 213,807 | 2,378 | 1.1% | | |
| <i>Total - Depreciation/Amort. Expense</i> | <u>201,856</u> | <u>160,537</u> | <u>(41,319)</u> | <u>-25.7%</u> | <u>675,288</u> | <u>686,937</u> | <u>11,649</u> | <u>1.7%</u> | | |

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

| | 12/31/19 | | Act. F/(U) vs. Budget | | Actual \$ YTD | Budget \$ YTD | Act. F/(U) vs. Budget | |
|--|-----------------------|-----------------------|-----------------------|----------------|-------------------|---------------------|-----------------------|---------------|
| | Actual \$ December | Budget \$ December | \$ | % | | | \$ | % |
| EBIT | 254,447 | 91,149 | 163,298 | 179.2% | 383,380 | (413,176) | 796,556 | 192.8% |
| <i>Other (Income) Expense, Net:</i> | | | | | | | | |
| 35 Interest Expense | 72,516 | 118,972 | 46,456 | 39.0% | 287,558 | 305,313 | 17,755 | 5.8% |
| 11 Interest (Income) | (53,364) | (36,362) | 17,002 | 46.8% | (93,326) | (108,288) | (14,962) | -13.8% |
| 12 Real/Unrealized (G)/L on Investments | (140,760) | 0 | 140,760 | 100.0% | (374,233) | 0 | 374,233 | 100.0% |
| 13 (Gain)/Loss on Disposition of Assets | - | - | 0 | 0.0% | - | - | 0 | 0.0% |
| 36 Investment Expenses | 97 | 4,182 | 4,085 | 97.7% | 12,228 | 12,546 | 318 | 2.5% |
| <i>Total-Other (Income) Expense, Net</i> | <i>(121,511)</i> | <i>86,792</i> | <i>208,303</i> | <i>240.0%</i> | <i>(167,772)</i> | <i>209,571</i> | <i>377,343</i> | <i>180.1%</i> |
| CHANGE IN NET ASSETS | \$ 375,957 | \$ 4,357 | \$ 371,602 | 8528.8% | \$ 551,153 | \$ (622,747) | \$ 1,173,900 | 188.5% |

**Penick Village
Statement of Cash-Flow**

| | Actual | Budget | Act. F (U) Vs. Budget | | Actual | Budget | Act. F (U) Vs. Budget | |
|---|----------------------|----------------------|-----------------------|---------------|----------------------|----------------------|-----------------------|---------------|
| | Dec-19 | Dec-19 | \$ | % | YTD December | YTD December | \$ | % |
| Summary: | | | | | | | | |
| Net Cash Provided By (Used In) Operating Activities (1) | \$ 240,865 | \$ 419,379 | \$ (178,514) | -42.6% | \$ (2,448,697) | \$ (2,224,625) | \$ (224,072) | -10.1% |
| Net Cash Provided By (Used In) Capital and Investing Activities | (620,977) | (532,978) | (87,999) | -16.5% | (2,415,777) | (2,709,594) | 293,817 | 10.8% |
| Net Cash Provided By (Used In) Financing Activities (1) | (11,158) | (190,769) | 179,611 | 94.2% | 12,382,794 | 12,255,547 | 127,247 | 1.0% |
| Net Increase (Decrease) in Unrestricted Cash | (391,270) | (304,368) | (86,902) | -28.6% | 7,518,319 | 7,321,328 | 196,991 | 2.7% |
| Add: Beginning Balance - Unrestricted Cash | 10,842,365 | 10,753,481 | 88,884 | 0.8% | 2,932,775 | 3,127,784 | (195,009) | -6.2% |
| Ending Balance - Unrestricted Cash | \$ 10,451,095 | \$ 10,449,113 | \$ 1,982 | 0.0% | \$ 10,451,094 | \$ 10,449,113 | \$ 1,982 | 0.0% |
| CASH FLOWS FROM OPERATING ACTIVITIES (1): | | | | | | | | |
| Increase (decrease) in net assets | \$ 375,957 | \$ 4,357 | \$ 371,600 | 8528.7% | \$ 551,153 | \$ (622,747) | \$ 1,173,899 | 188.5% |
| Adjustments to reconcile increase (decrease) in net assets to net assets provided by (used in) operating activities: | | | | | | | | |
| Add: Depreciation expense | 154,620 | 157,710 | (3,090) | -2.0% | 463,859 | 473,130 | (9,271) | -2.0% |
| Add: Amortization expense | 47,236 | 2,827 | 44,409 | 1570.9% | 211,429 | 213,807 | (2,378) | -1.1% |
| Add: Bad debt expense | 4,000 | 4,000 | - | 0.0% | 12,000 | 12,000 | - | 0.0% |
| Less: Amortization of entrance fees | (254,139) | (180,000) | (74,139) | -41.2% | (762,417) | (540,000) | (222,417) | -41.2% |
| Realized/unrealized (gains) losses on investments | (140,760) | - | (140,760) | -100.0% | (374,233) | - | (374,233) | -100.0% |
| (Gain) loss on disposal of property/equip. | - | - | - | 0.0% | - | - | - | 0.0% |
| Add: 2nd-generation entrance fees | - | 333,334 | (333,334) | -100.0% | 459,000 | 1,000,002 | (541,002) | -54.1% |
| Net changes in operating assets and liabilities: | | | | | | | | |
| (Inc.) dec. in accounts receivable - resident | (82,652) | (15,271) | (67,381) | -441.2% | (345,137) | (147,872) | (197,265) | -133.4% |
| (Inc.) dec. in "A/R - Other" | 7,846 | - | 7,846 | 100.0% | (112,226) | (13,542) | (98,684) | -728.7% |
| Inc. (dec.) in allowance for doubtful accounts | 4,000 | 270 | 3,730 | 1381.5% | 51,047 | 809 | 50,238 | 6209.8% |
| (Inc.) dec. in prepaid expenses | 38,694 | 20,814 | 17,880 | 85.9% | (42,680) | (107,497) | 64,817 | 60.3% |
| (Inc.) dec. in all "other, non-current assets" | 3,102 | 3,063 | 39 | 1.3% | (1,878,582) | (1,866,340) | (12,242) | -0.7% |
| Inc. (dec.) in accounts payable - trade | (189,666) | (14,682) | (174,984) | -1191.8% | (951,295) | (702,843) | (248,452) | -35.3% |
| Inc. (dec.) in accounts payable - assets limited to use | 2,259 | - | 2,259 | 100.0% | (4,680) | - | (4,680) | -100.0% |
| Inc. (dec.) in accrued liabilities | 56,045 | 100,957 | (44,912) | -44.5% | (59,300) | (75,002) | 15,702 | 20.9% |
| Inc. (dec.) in application/prepaid deposits | 214,325 | 2,000 | 212,325 | 10616.3% | 333,365 | 151,470 | 181,895 | 120.1% |
| Net Cash Provided By (Used In) Operating Activities | 240,865 | 419,379 | (178,514) | -42.6% | (2,448,697) | (2,224,625) | (224,073) | -10.1% |
| CASH FLOWS FROM CAPITAL AND INVESTING ACTIVITIES: | | | | | | | | |
| (Purchases) of property/equipment | (576,861) | (973,453) | 396,592 | 40.7% | (2,388,915) | (2,915,359) | 526,444 | 18.1% |
| (Increase) decrease in restricted cash | (895) | 168,553 | (169,448) | -100.5% | 42,325 | - | 42,325 | 100.0% |
| Proceeds from sale of property/equipment | - | - | - | 0.0% | - | - | - | 0.0% |
| (Increase) decrease in PV investments' "cash" balances | 184,928 | 271,922 | (86,995) | -32.0% | (128,520) | 205,765 | (334,285) | -162.5% |
| Gross proceeds from PV's sale of investments (ex. trading exp.) | 671,025 | - | 671,025 | 100.0% | 1,365,200 | - | 1,365,200 | 100.0% |
| PV's (purchase) of investments (ex. trading exp.) | (899,174) | - | (899,174) | -100.0% | (1,305,866) | - | (1,305,866) | -100.0% |
| Net Cash Provided By (Used In) Capital and Investing Activities | (620,977) | (532,978) | (87,999) | -16.5% | (2,415,777) | (2,709,594) | 293,817 | 10.8% |
| CASH FLOWS FROM FINANCING ACTIVITIES (1): | | | | | | | | |
| Net increase (decrease) in term bank debt | - | - | - | 0.0% | (18,516,101) | (18,516,101) | (0) | 0.0% |
| Net increase (decrease) in bank line of credit | - | - | - | 0.0% | (749,000) | (749,000) | - | 0.0% |
| Net increase (decrease) in Wharton debt | - | - | - | 0.0% | (637,657) | (637,657) | 0 | 0.0% |
| Net increase (decrease) in bonds payable | (15,000) | (13,637) | (1,363) | -10.0% | 32,410,000 | 32,412,727 | (2,727) | 0.0% |
| Increase (decrease) in bonds payable premium, net of amort. | (5,773) | - | (5,773) | -100.0% | 2,413,074 | 2,503,854 | (90,780) | -3.6% |
| Increase (decrease) in bond payment clearing | 186,233 | - | 186,233 | 100.0% | 186,233 | 76,204 | 110,029 | 144.4% |
| (Increase) decrease in debt reserve fund | (1,925) | - | (1,925) | -100.0% | (2,008,925) | (2,007,000) | (1,925) | -0.1% |
| Increase (decrease) in leases payable | (840) | (795) | (45) | -5.6% | (2,519) | (2,383) | (136) | -5.7% |
| Add: 1st-generation entrance fees (on-campus) | - | - | - | 0.0% | 109,000 | - | 109,000 | 100.0% |
| Less: Refund "offsets" | (4,234) | (6,667) | 2,433 | 36.5% | (16,346) | (20,001) | 3,655 | 18.3% |
| Less: 50%/90% contract refunds cash-paid | - | - | - | 0.0% | (390,456) | (390,456) | - | 0.0% |
| Less: 48-mos. ent. fee contract refunds cash-paid | (169,620) | (169,670) | 50 | 0.0% | (414,510) | (414,640) | 130 | 0.0% |
| Net Cash Provided By (Used In) Financing Activities | (11,158) | (190,769) | 179,611 | 94.2% | 12,382,794 | 12,255,547 | 127,247 | 1.0% |
| Net Increase (Decrease) in Unrestricted/Bond Cash | (391,270) | (304,368) | (86,902) | -28.6% | 7,518,319 | 7,321,329 | 196,990 | 2.7% |
| Beginning Unrestricted/Bond Cash Balance | 10,842,365 | 10,753,481 | 88,884 | 0.8% | 2,932,775 | 3,127,784 | (195,009) | -6.2% |
| Ending Unrestricted/Bond Cash Balance (See Below) | \$ 10,451,094 | \$ 10,449,113 | \$ 1,982 | 0.0% | \$ 10,451,094 | \$ 10,449,113 | \$ 1,981 | 0.0% |



PENICK VILLAGE Actuarial Report

Penick Village engaged the consulting firm, A.V. Powell & Associates, LLC (“AVP LLC”), to conduct an actuarial study of Penick Village Retirement Community as of September 30, 2019. The final report was submitted to the Penick Village management on February 7, 2020.

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

Some of the key assumptions were that:

- a. Future monthly fees would match assumed increases in operating expenses.
- b. Annual earnings and yields on invested assets will consistently equal or exceed internal expense inflation by 2%.
- c. Average annual occupancy in independent living would equal or exceed 96.2%, 92.7% in assisted living, and 92.0% in nursing care.
- d. Residents will be able to pay the fees charged, or if not, then other sources will be found to subsidize those residents.
- e. Capital expenditures will be adequate to maintain the market position of the community.

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

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

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