



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

Disclosure Statement

August 28, 2025

In accordance with Article 64 of Chapter 58 of the NC General Statutes, this Disclosure Statement may be delivered only through January 25, 2027, if not earlier revised. Delivery of this Disclosure Statement to a contracting Party before execution of a contract for the provision of continuing care is required. This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.

DISCLOSURE STATEMENT

Dated August 28, 2025

Name of Facility: **Carolina Village**

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

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

- **This Disclosure Statement may be delivered until revised, but not after January 25, 2027;**
- **Delivery of the Disclosure Statement to a contracting party before execution of a contract for continuing care is required;**
- **This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.**

ACKNOWLEDGMENT OF RECEIPT
of
DISCLOSURE STATEMENT

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

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

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

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

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

SIGNATURE NAME *of* PROSPECTIVE RESIDENT 1

PRINTED *of* PROSPECTIVE RESIDENT 1

DATE *of* SIGNATURE

SIGNATURE NAME *of* PROSPECTIVE RESIDENT 2

PRINTED *of* PROSPECTIVE RESIDENT 2

DATE *of* SIGNATURE

SIGNATURE *of* FACILITY REPRESENTATIVE

DATE *of* SIGNATURE

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DISCLOSURE STATEMENT

CAROLINA VILLAGE, INC.
HENDERSONVILLE, NORTH CAROLINA 28792

The date of this Disclosure Statement is August 28, 2025. This Disclosure Statement may be delivered only through January 25, 2027, if not earlier revised. Delivery of this Disclosure Statement before the execution of a contract for the provision of continuing care is required by North Carolina law. This Disclosure Statement has not been reviewed or approved by any governmental agency or representative to ensure accuracy or completeness of the information set forth. This Disclosure Statement is to comply with North Carolina General Statute Chapter 58, Article 64.

ORGANIZATION INTRODUCTION

WHO WE ARE AND WHAT WE DO

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

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

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

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

BOARD of DIRECTORS

The management supervision of Carolina Village, including policy making, budgeting, and monitoring performance, is the responsibility of an eighteen-member board of directors, who serve without compensation and are drawn from a broad spectrum of experience among residents in the Hendersonville area. As of August 28, 2025, the current directors are:

Board Chair:	Trina Strokes, 75 Ridgeway Dr., Flat Rock, Local Executive
Vice-President:	Mark Morse, 411 Sabine Dr., Hendersonville, Local Executive
Treasurer:	Terry Andersen, 307 N Church St., Hendersonville, Practicing CPA
Asst. Treasurer:	Tim Kriegel, 146 Allen Paul Drive., Hendersonville, Retired Local Executive
Secretary:	Justin Ward, 4436 Green River Rd., Zirconia, Deputy Fire Chief of Hendersonville
Asst. Secretary:	Rick Wood, 2206 Evergreen Dr., Hendersonville, Retired Educator
Director:	Dick Bobb, 600 Carolina Village Rd., Hendersonville, Retired Financial Executive/Resident
Director:	Robbie Chenault, 25 Crestview St., Asheville, Local Executive, Aging Services
Director:	David Fluech, 2775 Hendersonville Rd, Arden, Physician Asst.
Director:	Bill Gold, 210 Third Avenue West, Hendersonville, Local Executive, Wealth Advisory Firm
Director:	Dr. Wilder Glover Little, 1216 6 th Ave W, Hendersonville, Physician
Director:	Renita McDougal, 731 Fourth Ave W, Hendersonville, Retired Investment Advisor
Director:	Sherri Metzger, 30 Kestrel Court, Hendersonville, Retired Realtor/Resident
Director:	Lee Mulligan, 104 North Washington St., Hendersonville, Local Attorney
Director:	Sissy Rogers, 700 Shepherd St., Hendersonville, Local Executive
Director:	Adam Shealy, 224 6 th Ave. East., Hendersonville, Local Attorney
Director:	Elizabeth Whitten, 220 King Creek Blvd., Hendersonville, Local Financial Executive
Director:	Steven Young, 30 Musterground Hill Rd., Candler, VP of Technology, Blue Ridge Community College

ADMINISTRATION

The operation of Carolina Village is the responsibility of professionals experienced in life-care management. Key management persons as of August 28, 2025, are:

Executive Director:	Kevin Parries, 22 years at Carolina Village, 37 years of experience in long-term care, Master's in Business Administration from Wingate University, Nursing Home Administrator, Assisted Living Certified, Certified Gerontologist and Certified Aging Service Professional
Director of Operations:	Jon Renegar, 22 years of experience in long-term care, 13 years as administrator, 14 years at Carolina Village, Certified Aging Service Professional, Master's in Business Administration, Nursing Home Administrator
Chief Financial Officer:	Amber Anderson, C.P.A., Master of Accountancy and Bachelor of Science in Business Administration from Western Carolina University, 6 years at Carolina Village, 12 years as a Certified Public Accountant
Medical Center Administrator:	Alex Tucker, 16 years of experience in long-term care, 13 years at Carolina Village as administrator, Certified Aging Service Professional, Nursing Home Administrator, Assisted Living Certified
Medical Director:	Dr. Larry J. Russell M.D. CMD. 39 years of experience, Certified Medical Director for Long Term Care Facilities
Director of Nursing:	Holly Styles, 17 years of experience as a Registered Nurse, 11 months as Director of Nursing, 16 years at Carolina Village
Director of Dining Services:	Maria Rich, Certified Dietary Manager, 32 years as a Certified Dietician, 12 years at Carolina Village
Director of Horticulture:	Josh Ballard, 27 years of experience in Horticulture, 2 years at Carolina Village, State of NC Certified Plant Professional, Associate Degree- Horticulture
Director of Facility Services:	Jason Millard, 23 years of experience in maintenance, 3 years at Carolina Village, Certified Apartment Maintenance Technician, Certified Pool Operator, EPA Certified
Director of Environmental Services:	David Auxier, 13 years of experience as Housekeeping Supervisor, 8 years at Carolina Village
Director of Independent Living Services:	Brent Thomas, 21 years of church leadership and pastoral counseling experience, 3 years at Carolina Village, Bachelor's degree in Elementary Education and Master's in Divinity
Director of Human Resources:	Stephanie Lee, 15 years at Carolina Village in HR, currently working on BSBA in Business Management

Director of Strategic Communications:	Wendy Smith, 21 years of experience in communications and marketing, 6 years at Carolina Village, B.A. in English with a concentration in Professional Writing
Director of Information Technology:	Jordan Webber, 15 years of experience in IT, 5 years at Carolina Village, Associate's degree in Electronic Engineering Technology
Director of Marketing:	Cheryl Justus, 28 years at Carolina Village, 21 years as Carolina Village Director of Marketing, Bachelor's Degree in Business Administration

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

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

No member of the Board of Directors or management team has been convicted of a felony or pleaded nolo contendere to a felony charge or been held liable or enjoined in a civil action by final judgment, where the felony or civil action by final judgment involved fraud, embezzlement, fraudulent conversion, or misappropriation of property.

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

RESIDENT ASSOCIATION

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

LOCATION

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

FACILITIES

The Village is comprised of four three-story and two four-story fire-resistant buildings containing 239 apartments and 135 free-standing cottages. Types of living units available include various sized one- and two-bedroom apartments and two-bedroom cottages. Common areas include a pool, Main Street, multipurpose meeting rooms, a media room, business center, clubhouse, pharmacy, market, dining room, lounges, libraries, personal laundry facilities and craft centers.

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

MEDICAL CENTER (SNF) AND CARE CENTER (AL)

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

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

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

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

CHARGES, FEES, AND CONTRACTS

WAITLIST FEE

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

RESERVATION DEPOSIT

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

ENTRANCE FEE

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



COMMUNITY PRICING

Apartments

Apartment Type	Square Footage	COUPLE OCCUPANCY		SINGLE OCCUPANCY	
		Entrance Fee	Monthly Fee ¹	Entrance Fee	Monthly Fee ¹
Pisgah					
1-BEDROOM STANDARD	600	\$ 309,000 ²	\$ 4,225	\$ 224,000 ²	\$ 2,650
1-BEDROOM DELUXE	740	\$ 342,900 ²	\$ 4,486	\$ 257,900 ²	\$ 2,911
Summit					
1-BEDROOM	814	\$ 380,500	\$ 5,156	\$ 295,500	\$ 3,581
1-BEDROOM + DEN	1,050	\$ 459,700	\$ 6,030	\$ 374,700	\$ 4,455
Blue Ridge					
2-BEDROOM STANDARD	740	\$ 342,900 ²	\$ 4,486	\$ 257,900 ²	\$ 2,911
2-BEDROOM EXPANDED	900	\$ 382,700 ²	\$ 4,863	\$ 297,700 ²	\$ 3,288
2-BEDROOM CUSTOM	1,040	\$ 429,300 ²	\$ 5,135	\$ 344,300 ²	\$ 3,560
2-BEDROOM DELUXE	1,200	\$ 481,700 ²	\$ 5,455	\$ 396,700 ²	\$ 3,880
Pinnacle					
2-BEDROOM	1,160	\$ 491,200	\$ 6,145	\$ 406,200	\$ 4,570
2-BEDROOM CORNER	1,366	\$ 563,500	\$ 6,775	\$ 478,500	\$ 5,200
2-BEDROOM + DEN	1,372	\$ 566,300	\$ 6,748	\$ 481,300	\$ 5,173
2-BEDROOM CORNER + DEN	1,541	\$ 624,300	\$ 7,132	\$ 539,300	\$ 5,557
Smoky Mountain					
1-BEDROOM + DEN	1,134	\$ 492,600 ²	\$ 5,827	\$ 407,600 ²	\$ 4,252
2-BEDROOM	1,335	\$ 565,300 ²	\$ 6,520	\$ 480,300 ²	\$ 4,945
2-BEDROOM + DEN	1,609	\$ 663,800 ²	\$ 7,549	\$ 578,800 ²	\$ 5,974

We are available to
answer your questions:

Cheryl Justus

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

Nora Stepp

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

Prices effective April 1, 2025. See notes on reverse.



Cottages

Cottage Type	Square Footage	COUPLE OCCUPANCY		SINGLE OCCUPANCY	
		Entrance Fee	Monthly Fee ¹	Entrance Fee	Monthly Fee ¹
Woods					
2-BEDROOM EXPANDED	945	\$ 436,500	\$ 4,941	\$ 351,500	\$ 3,366
2-BEDROOM CUSTOM	1,092	\$ 489,800	\$ 5,199	\$ 404,800	\$ 3,624
2-BEDROOM DELUXE	1,260	\$ 552,500	\$ 5,492	\$ 467,500	\$ 3,917
Garden					
2-BEDROOM STANDARD + DEN	1,482	\$ 618,500	\$ 6,033	\$ 533,500	\$ 4,458
2-BEDROOM EXPANDED + DEN	1,612	\$ 665,400	\$ 6,262	\$ 580,400	\$ 4,687
2-BEDROOM CUSTOM + DEN	1,742	\$ 712,200	\$ 6,508	\$ 627,200	\$ 4,933
Meadows					
2-BEDROOM STANDARD	1,322	\$ 560,800	\$ 5,742	\$ 475,800	\$ 4,167
2-BEDROOM EXPANDED	1,422	\$ 597,000	\$ 6,020	\$ 512,000	\$ 4,445
2-BEDROOM CUSTOM + DEN	1,504	\$ 626,300	\$ 6,136	\$ 541,300	\$ 4,561
2-BEDROOM DELUXE + DEN	1,604	\$ 661,800	\$ 6,416	\$ 576,800	\$ 4,841
Clear Creek					
1-BEDROOM + DEN	1,180	\$ 530,300	\$ 5,759	\$ 445,300	\$ 4,184
2-BEDROOM TERRACE	1,270	\$ 564,900	\$ 6,032	\$ 479,900	\$ 4,457
2-BEDROOM DUPLEX	1,415	\$ 619,100	\$ 6,488	\$ 534,100	\$ 4,913
2-BEDROOM + DEN	1,570	\$ 677,300	\$ 6,976	\$ 592,300	\$ 5,401

1. Monthly fee includes basic utilities, as well as high-definition basic cable television and high-speed public Wi-Fi. Phone service not included. Monthly fee also includes: declining balance meal plan equivalent to one meal per day (\$472 for single; \$944 for couple), property insurance (excluding personal belongings), interior and exterior home maintenance, bi-weekly housekeeping services, weekly flat laundry service, social programs, events, emergency nursing services and security available 24/7, fitness center and exercise/therapy pools, and lifetime care in our skilled nursing or assisted living facility when ordered by a physician. Fees are subject to change with Board approval and 30-day notice to residents.
2. Units with a premier view of Tranquil Lake will have a one-time \$10,000 premium added to Entrance Fee.

MONTHLY FEES

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

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

POLICIES

ELIGIBILITY

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

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

REFUNDS

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

Before Move-In

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

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

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

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

After Move-In

The Occupant shall not under any circumstance terminate this agreement without serving the Village with 90 days written notice of intention to so terminate (or as otherwise stated in the Occupant's Occupancy Agreement). The Occupant will be charged with the established monthly service fee until the close of the 90-day period mentioned above.

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

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

After occupancy there is no refund after death.

SURRENDER OF LIVING UNIT

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

(a) If Occupant's physician advises the Village that a resident in the Medical or Care Center will not be able to return to his/her independent living unit, the Village will

be authorized to reclaim the independent living unit from the Occupant for re-assignment.

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

CANCELLATION BY VILLAGE

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

FINANCIAL INFORMATION

RESERVE FUNDING

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

The chart as follows shows the operating reserve requirement as of March 31, 2026, determined from the 2026 forecast for expenses and the March 31, 2025, occupancy numbers:

	March 31, 2026
Total Operating Expenses	\$ 38,358,000
Principle payment on LTD	\$ 2,549,000
Depreciation Expense	\$ (4,700,000)
Amortization Expense	\$ (68,000)
Extraordinary items as approved by the Commissioner	\$ 0
Debt service portion, if provided for by way of a separate reserve account:	\$ <u>(2,597,000)</u>
Total Operating Cost	\$ 33,542,000
Occupancy Factor	<u>X</u> 25%
Operating Reserve Requirement	\$ 8,385,500

Available Funds Toward Reserves

Total Cash & Marketable Securities	\$ 22,020,682
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The Board of Directors has established that all funds above working cash needs, including reserve funds, are to be managed by professional investment managers. The Investment Committee has an Investment Policy in place. Currently investment portfolios are held by Edward Jones, First Citizens Wealth Management and Vanguard. No employee of Carolina Village is responsible for investment decisions. Management of the investment portfolios is the responsibility of Edward Jones and First Citizens, with oversight from the Carolina Village Investment Committee.

ADJUSTMENTS IN MONTHLY SERVICE FEE

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

<u>Effective Date</u>	<u>Single</u>	<u>Couple</u>
April 1, 2025	\$ 173	\$ 240
April 1, 2024	\$ 172	\$ 243
January 1, 2023	\$ 344	\$ 459
January 1, 2022	\$ 130	\$ 171
January 1, 2021	\$ 70	\$ 92
Average Annual Increase	\$ 178	\$ 241

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

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

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

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

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

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

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

FACILITY DEVELOPMENT/EXPANSION

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

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

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

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

Currently, the Board of Directors and Administration is completing a comprehensive Strategic Master Plan. This Strategic Master Plan will outline a detailed capital reinvestment into our existing 96-acre campus.

OTHER MATERIAL INFORMATION

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

Appendix A

Audited Financial Statements

For the year ended March 31, 2025

Forecasted Financial Statements

For the years ending

March 31, 2026 thru March 31, 2030

Report on Variances



Carolina Village, Inc.

Independent Auditor's Report, and Financial Statements

March 31, 2025 and 2024



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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Carolina Village, Inc. (the "Village"), which comprise the balance sheets as of March 31, 2025 and 2024, and the related statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Village as of March 31, 2025 and 2024 and the results of its operations and changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the Village and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audits of the Financial Statements

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

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

In performing an audit in accordance with GAAS, we:

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

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

Forvis Mazars, LLP

**Asheville, North Carolina
June 25, 2025**

Carolina Village, Inc.
Balance Sheets
March 31, 2025 and 2024

	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 5,416,653	\$ 5,300,170
Investments in marketable securities	7,123,774	9,567,055
Accounts receivable, residents, net	253,138	154,609
Accounts receivable, entrance fees	1,841,300	171,050
Accounts receivable, other	968,462	617,430
Supplies, inventories, and prepaid expenses	565,243	538,108
Total Current Assets	16,168,570	16,348,422
Assets Limited as to Use		
Funds held by a trustee under bond indenture	1,778,125	1,778,125
Endowment funds	362,192	362,192
Investments restricted for statutory operating reserve	7,589,000	7,055,000
Assets held in charitable remainder trusts	83,080	245,549
Assets held for deferred compensation	2,016,835	1,948,648
Other donor restricted assets held	1,368,257	1,201,987
Total Assets Limited as to Use	13,197,489	12,591,501
Employee Retention Credit receivable	1,756,165	1,756,165
Property and Equipment, Net	109,740,427	107,246,492
Total Noncurrent Assets	124,694,081	121,594,158
Total Assets	\$ 140,862,651	\$ 137,942,580

Carolina Village, Inc.
Balance Sheets
March 31, 2025 and 2024

(Continued)

	2025	2024
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable—trade	\$ 877,975	\$ 798,474
Accounts payable—construction	237,602	663,567
Accrued payroll and related withholdings	716,180	626,876
Accrued vacation	1,224,611	1,128,204
Deposits on contracts	521,800	503,000
Current maturities of		
Charitable remainder trust annuities payable	4,331	8,037
Refundable entrance fees	423,053	247,238
Current maturities of long-term debt	2,549,131	2,466,961
Total Current Liabilities	6,554,683	6,442,357
Long-term Liabilities		
Exclusive of current maturities:		
Long-term debt, net	52,976,985	55,458,974
Charitable remainder trust annuities payable	12,561	23,306
Deferred compensation	2,016,835	1,948,648
Deferred revenue from entrance fees	69,919,872	66,906,232
Total Long-term Liabilities	124,926,253	124,337,160
Total Liabilities	131,480,936	130,779,517
Net Assets		
Without donor restriction	7,568,186	5,353,335
With donor restriction	1,813,529	1,809,728
Total Net Assets	9,381,715	7,163,063
Total Liabilities and Net Assets	\$ 140,862,651	\$ 137,942,580

Carolina Village, Inc.
Statements of Operations and Changes in Net Assets
Years Ended March 31, 2025 and 2024

	2025	2024
Revenues, Gains, and Other Support		
Revenues		
Apartments:		
Service fees	\$ 15,544,414	\$ 14,647,892
Entrance fee amortization	7,128,850	7,051,288
Entrance fee forfeitures	1,789,844	1,932,676
Administration fee	855,640	-
Other apartments revenue	242,149	206,401
Medical Center	4,302,201	2,986,051
Care Center	2,315,243	1,937,830
Dietary	2,144,186	2,101,461
Dietary–Care Center and Medical Center	1,685,130	1,617,349
Net assets released from restrictions for operations	708,870	345,974
Miscellaneous	655,077	746,139
Total Revenues	37,371,604	33,573,061
Expenses		
General and administrative	3,828,401	3,666,875
Operation of plant	5,869,063	5,526,197
Housekeeping	1,116,310	1,094,133
Medical Center	6,983,153	6,211,374
Care Center	3,035,645	2,896,448
Dietary	4,671,064	4,356,864
Dietary–Care Center and Medical Center	2,148,025	1,887,612
Independent living support	1,309,018	1,216,541
Annuity expenditures	5,464	10,742
Depreciation	4,712,250	4,412,662
Interest	2,255,340	2,196,141
Total Expenses	35,933,733	33,475,589
Operating Income	1,437,871	97,472
Non-operating Income (Expense)		
Unrealized gain (loss) on investments	108,376	1,527,450
Investment income	690,102	758,358
Gain (loss) on sale of property and equipment	(21,498)	640
Excess of Revenues over Expenses	\$ 2,214,851	\$ 2,383,920

Carolina Village, Inc.
Statements of Operations and Changes in Net Assets
Years Ended March 31, 2025 and 2024

(Continued)

	2025	2024
Net assets with Donor Restrictions		
Split interest agreement	\$ 14,451	\$ 21,679
Contributions	604,929	204,839
Interest and dividends	38,269	15,174
Unrealized gain (loss) on investments	(17,942)	165,866
Realized gain on investments	72,964	43,059
Net assets released from restrictions for operations	<u>(708,870)</u>	<u>(345,974)</u>
Change in Net Assets with Donor Restrictions	<u>3,801</u>	<u>104,643</u>
Change in Net Assets	2,218,652	2,488,563
Net Assets – Beginning of Year	<u>7,163,063</u>	<u>4,674,500</u>
Net Assets – End of Year	<u><u>\$ 9,381,715</u></u>	<u><u>\$ 7,163,063</u></u>

Carolina Village, Inc.
Statements of Cash Flows
Years Ended March 31, 2025 and 2024

	2025	2024
Operating Activities		
Change in net assets	\$ 2,218,652	\$ 2,488,563
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,712,250	4,412,662
Unrealized gain on investments	(90,434)	(1,693,316)
Realized gain on investments	(763,066)	(801,417)
Amortization of deferred loan costs	78,909	78,911
Amortization of bond discount	7,224	7,224
Amortization of bond premium	(18,480)	(18,480)
Gain on sale of property and equipment	21,498	(640)
Change in value of split interest agreements	(8,987)	(10,937)
Entrance fee amortization ⁽¹⁾	(8,998,251)	(7,610,758)
Entrance fee forfeitures	(1,789,844)	(1,932,676)
Entrance fees—new occupancy contracts—existing units	12,931,575	15,533,050
Restricted contributions	(604,929)	(204,839)
Changes in operating assets and liabilities:		
Accounts receivable—residents	(98,529)	134,796
Accounts receivable—other	(351,032)	(50,249)
Employee Retention Credit receivable	-	3,254,747
Supplies, inventories and prepaid expenses	(27,135)	(125,795)
Accounts payable—trade	79,501	37,925
Accrued payroll	89,304	111,099
Accrued vacation	96,407	102,374
Deferred compensation	68,187	372,937
Deposits on contracts—existing units	18,800	75,200
Net Cash provided by Operating Activities	7,571,620	14,160,381
Investing Activities		
Purchase of investments	(4,509,768)	(11,888,731)
Sale of investments	7,200,560	9,169,569
Proceeds from sale of property and equipment	2,077	1,600
Purchase of property and equipment	(7,655,725)	(10,312,791)
Net Cash used by Investing Activities	(4,962,856)	(13,030,353)

Carolina Village, Inc.
Statements of Cash Flows
Years Ended March 31, 2025 and 2024

(Continued)

	2025	2024
Financing Activities		
Payments on long-term debt	\$ (2,467,471)	\$ (2,074,814)
Proceeds from long-term debt	-	2,975,111
Annuity payments	(5,464)	(10,742)
Refunds of entrance fees	(624,275)	(871,289)
Proceeds from restricted contributions	604,929	204,839
Net Cash provided (used) by Financing Activities	(2,492,281)	223,105
Net Change in Cash, Cash Equivalents, and Restricted Cash	116,483	1,353,133
Cash, Cash Equivalents, and Restricted Cash – Beginning of Year	7,078,295	5,725,162
Cash, Cash Equivalents, and Restricted Cash – End of Year	\$ 7,194,778	\$ 7,078,295
Interest Paid	\$ 2,173,677	\$ 2,115,389
Non-Cash Investing Activities		
Purchase of property and equipment in accounts payable at year-end	\$ 237,602	\$ 663,567
Reconciliation of Cash, Cash Equivalents, and Restricted Cash reported within the Balance Sheets that sum to the Total of the same such Amounts in the Statements of Cash Flows:		
Cash and cash equivalents	\$ 5,416,653	\$ 5,300,170
Funds held by a trustee under bond indenture	1,778,125	1,778,125
Cash, Cash Equivalents, and Restricted Cash—End of Year	\$ 7,194,778	\$ 7,078,295

⁽¹⁾ Includes entrance fee amortization related to the Medical Center and Care Center.

Note 1. Summary of Significant Accounting Policies

Organization

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

The facility contains 239 apartment units, 135 cottage units, a 58 bed skilled nursing facility and a 60 bed assisted living center. Residents purchase the privilege of occupying a specific living unit and the accompanying medical care for their lifetime. The agreement states that it is not a lease and does not create any interest in the real estate or property.

Basis of Presentation

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

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

- *Net assets without donor restrictions* – resources of the Village that are not restricted by donors or grantors as to use or purpose. These resources include amounts generated from operations, undesignated gifts, and the investment in property and equipment.
- *Net assets with donor restrictions* – resources that are subject to donor-imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those satisfied by the passage of time or actions of the Village. Other donor-imposed restrictions stipulate that donated assets be maintained in perpetuity, but may permit the Village to use or expend part or all of the income derived from the donated assets.

Use of Estimates

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

Cash and Cash Equivalents

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

Assets Limited as to Use

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

Accounts Receivable

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

Accounts Receivable—Entrance Fees

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

Supplies and Inventories

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

Fair Value Measurements

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

Property and Equipment

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

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

Capitalized Interest

Interest costs incurred on borrowed funds during the period of capital asset construction are capitalized as a component of the cost of acquisition and were approximately \$0 and \$49,000 for the years ended March 31, 2025 and 2024, respectively.

Deferred Revenue from Entrance Fees

Fees paid by a resident upon entering into a contract agreement are recorded as deferred revenue and amortized into income using the straight-line method over the estimated remaining life expectancy of the resident, adjusted on an annual basis. Subject to certain exceptions, entrance fees, less 10 percent of the fee, are initially refundable, but become non-refundable at the rate of 2 percent per month until becoming fully non-refundable after 45 months. Refunds are paid based on the lesser of 30 business days after termination of the contract agreement or upon receiving payment of an entrance fee from an acceptable substitute resident. Total contractual refund obligations under existing contracts (that is if all residents with a refundable balance were to have withdrawn) totaled approximately \$40,416,000 and \$39,200,000 at March 31, 2025 and 2024, respectively. Based on historical experience, the estimated amount of the contractual refund obligations that are expected to be refunded in the coming year is \$423,053 and \$247,238 at March 31, 2025 and 2024, respectively, and is classified as a current liability on the balance sheets.

Contributions and Donor-Imposed Restrictions

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

Resident Revenue

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

Benevolent Assistance

The Village provides benevolent assistance to residents who are unable to pay. Such residents are identified based on financial information obtained from the resident and subsequent review and analysis. The Village utilized certain net assets with donor restrictions, as well as earnings from certain net assets with donor restrictions and board designated net assets, to partially fund the care of such residents. The Village provided approximately \$102,800 and \$94,600 in benevolent assistance during the years ended March 31, 2025 and 2024, respectively.

Social Accountability

The Village provides office space to the Hendersonville Fire Department and Pharm Save Pharmacy rent free. The Hendersonville Fire Department and Pharm Save Pharmacy serve the Village residents and the greater community. The dollar amount of space provided based upon local fair market value rental rates is approximately \$505,000 and \$622,000 for the years ended March 31, 2025 and 2024, respectively. Carolina Village also provides numerous community benefits which include charitable donations and tuition assistance in the amounts of \$101,000 and \$53,000 for the years ended March 31, 2025 and 2024, respectively. These contribution amounts are reflected in the statements of operations and changes in net assets as general and administrative expenses. The Village also provides meals to the Council on Aging of Hendersonville County and Hendersonville Rescue Mission every day. Approximately 11,700 and 3,800 meals were donated for each of the years ended March 31, 2025 and 2024, respectively.

Obligation to Provide Future Services to Residents

The Village enters into continuing-care contracts with various residents. A continuing-care contract is an agreement between a resident and the Village specifying the services and facilities to be provided to a resident over his or her remaining life for a monthly fee. Under the contracts, the Village has the ability to increase fees as deemed necessary. The Village annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from advance fees. If the present value of the net cost of future services and the use of the facilities exceeds the deferred revenue from advance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. There was no obligation at March 31, 2025 or 2024.

Statements of Operations

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

Income Tax

The Village is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Village has determined that it does not have any material unrecognized tax benefits or obligations as of March 31, 2025.

Methods Used for Allocation of Expenses Among Programs and Supporting Services

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

Concentration of Credit Risk

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

Subsequent Events

The Village evaluated the effect subsequent events would have on the financial statements through June 25, 2025, which is the date the financial statements were issued.

Reclassification

Certain reclassifications have been made to the 2024 financial statements to confirm to the 2025 financial statement presentation. These reclassifications had no effect on change in net assets.

Note 2. Revenue Recognition

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

Monthly service fees:

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

Entrance fees:

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

Health care services:

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

Carolina Village, Inc.
Notes to Consolidated Financial Statements
March 31, 2025 and 2024

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

	March 31, 2025			
	<u>Independent Living</u>	<u>Care Center</u>	<u>Medical Center</u>	<u>Total</u>
Private pay	\$ 17,688,600	\$ 3,258,303	\$ 1,495,478	\$ 22,442,381
Government reimbursement	-	-	3,548,793	3,548,793
Total	<u>\$ 17,688,600</u>	<u>\$ 3,258,303</u>	<u>\$ 5,044,271</u>	<u>\$ 25,991,174</u>

	March 31, 2024			
	<u>Independent Living</u>	<u>Care Center</u>	<u>Medical Center</u>	<u>Total</u>
Private pay	\$ 16,749,353	\$ 2,851,639	\$ 1,403,594	\$ 21,004,586
Government reimbursement	-	-	2,285,997	2,285,997
Total	<u>\$ 16,749,353</u>	<u>\$ 2,851,639</u>	<u>\$ 3,689,591</u>	<u>\$ 23,290,583</u>

Note 3. Fair Value of Financial Assets and Liabilities

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

There were no changes during the years ended March 31, 2025 and 2024 to the Village's valuation techniques used to measure asset and liability fair values on a recurring basis.

Carolina Village, Inc.
Notes to Consolidated Financial Statements
March 31, 2025 and 2024

The following tables set forth by level within the fair value hierarchy the Village's financial assets and liabilities accounted for at fair value on a recurring basis as of March 31, 2025 and 2024. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Village's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value of assets and liabilities and their placement within the fair value hierarchy levels. Assets and liabilities at fair value as of March 31, 2025 and 2024 consist of the following:

Assets and Liabilities at Fair Value as of March 31, 2025				
	Level 1	Level 2	Level 3	Total
Investments and assets limited as to use:				
Mutual funds - index funds	\$ 9,822,135	\$ -	\$ -	\$ 9,822,135
Stocks (1)	5,473,443	-	-	5,473,443
Corporate bonds	-	1,757,051	-	1,757,051
Government and agency securities	-	1,674,760	-	1,674,760
Total investments and assets limited as to use	<u>\$ 15,295,578</u>	<u>\$ 3,431,811</u>	<u>\$ -</u>	<u>\$ 18,727,389</u>
Liabilities:				
Charitable remainder trust annuities	\$ -	\$ -	\$ 16,892	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,892</u>	<u>\$ -</u>

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

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

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

Carolina Village, Inc.
Notes to Consolidated Financial Statements
March 31, 2025 and 2024

The Village has \$1,593,874 and \$3,204,035 of money market funds included in investments and assets limited as to use on the balance sheets as of March 31, 2025 and 2024, respectively, which is not classified as a level as prescribed within the provision.

The Village recognizes transfers between the levels as of the beginning of the reporting period. There were no gross transfers between the levels for the years ended March 31, 2025 and 2024.

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

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

The following table illustrates the activity of Level 3 assets measured at fair value on a recurring basis from March 31, 2023 to March 31, 2025:

	<u>Charitable Remainder Trust Annuity</u>
Balance, March 31, 2023	53,022
Unrealized activity, payments made and other	<u>(21,679)</u>
Balance, March 31, 2024	31,343
Unrealized activity, payments made and other	<u>(14,451)</u>
Balance, March 31, 2025	<u>\$ 16,892</u>

Note 4. Funds Held by a Trustee

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

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

	<u>2025</u>	<u>2024</u>
Total assets limited as to use	<u>\$ 1,778,125</u>	<u>\$ 1,778,125</u>

Carolina Village, Inc.
Notes to Consolidated Financial Statements
March 31, 2025 and 2024

Note 5. Property and Equipment

Property and equipment consist of the following at March 31:

	<u>2025</u>	<u>2024</u>
Land and improvements	\$ 5,951,190	\$ 5,788,805
Buildings and improvements	120,672,118	113,483,126
Cottages and improvements	44,075,939	43,147,526
Kitchen equipment	2,331,852	2,290,384
Medical and care centers equipment	2,311,727	2,227,357
Furniture and fixtures	3,956,925	3,838,702
Motor vehicles	<u>683,589</u>	<u>683,589</u>
Total property and equipment	179,983,340	171,459,489
Less: accumulated depreciation	<u>(71,107,043)</u>	<u>(66,405,773)</u>
	108,876,297	105,053,716
Construction in progress	<u>864,130</u>	<u>2,192,776</u>
Total	<u>\$ 109,740,427</u>	<u>\$ 107,246,492</u>

Note 6. Long-term Debt

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

	<u>2025</u>	<u>2024</u>
Series 2017 A bonds:		
Direct purchase bank loan with principal payments beginning fiscal year 2018 through 2038 with a fixed interest rate at 4.550%, payable on the first of every month with principal payments ranging from \$100,000 to \$220,000.	\$ 28,390,000	\$ 30,135,000
Series 2017 B bonds:		
Bonds with interest stated below and payable each April 1 and October 1. Principal payments beginning fiscal year 2038 through 2048 ranging from \$800,000 to \$2,360,000.		
4.250% Serial Bonds	7,200,000	7,200,000
5.000% Serial Bonds	11,745,000	11,745,000
Series 2021 A Note:		
Construction loan with interest payable the 24th of each month. Principal payments of \$47,129 beginning fiscal year 2024 through 2037. Interest rate at 3.620% for the first 24 payments then 3.500% for the remaining payments.	5,238,411	5,610,814

Carolina Village, Inc.
Notes to Consolidated Financial Statements
March 31, 2025 and 2024

Series 2021 B Note:

Construction loan with interest payable the 24th of each month.

Principal payments of \$41,419 beginning fiscal year 2024 through 2034. Fixed interest rate at 3.800%.

	<u>3,622,176</u>	<u>3,972,245</u>
	56,195,587	58,663,059
Less: current maturities	(2,549,131)	(2,466,961)
Less: original issue discount	(93,439)	(100,663)
Less: net unamortized debt issuance costs	(963,762)	(1,042,671)
Plus: net unamortized bond premium	<u>387,730</u>	<u>406,210</u>
	<u>\$ 52,976,985</u>	<u>\$ 55,458,974</u>

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

The Village opened a \$2,500,000 line of credit with First Citizens Bank & Trust Company on July 29, 2019. This line of credit bears a variable interest rate based on the Prime Rate and is due November 1, 2025. There was no outstanding balance at March 31, 2025.

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

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

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

2026	\$ 2,549,131
2027	2,637,789
2028	2,726,775
2029	2,817,399
2030	2,908,887
Thereafter	<u>42,555,606</u>
	<u>\$ 56,195,587</u>

Note 7. Other Funds

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

Charitable Remainder Annuity Trust Fund

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

Endowment Fund

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

Quality Assurance Fund

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

Operating Reserve Fund

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

Note 8. Net Assets With Donor Restrictions

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

	<u>2025</u>	<u>2024</u>
Charitable remainder trust annuities	\$ 66,186	\$ 214,204
Endowment fund earnings	798,706	707,868
Endowment funds	362,192	362,192
Quality assurance fund	73,413	74,556
Other restrictions	<u>513,032</u>	<u>450,908</u>
Total	<u>\$ 1,813,529</u>	<u>\$ 1,809,728</u>

Note 9. Endowment Funds

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

Interpretation of Relevant Law

The Board of Directors of the Village has interpreted the North Carolina Uniform Prudent Management of Institutional Funds Act (the "Act") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Village has classified as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulated is added to the fund. Amounts are appropriated for expenditure by the Village in a manner consistent with the standard of prudence prescribed by the Act.

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

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

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Village relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Village targets a diversified asset allocation that includes fixed income instruments and equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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

The Village's objective is to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. During the years ended March 31, 2025 and 2024, the Village expended earnings on the endowment of \$59,800 and \$28,800, respectively.

Carolina Village, Inc.
Notes to Consolidated Financial Statements
March 31, 2025 and 2024

Changes in endowment net assets for the year ended March 31, 2025 are as follows:

	<u>Earnings</u>	<u>Endowment</u>	<u>Total</u>
Endowment net assets March 31, 2024	\$ 707,868	\$ 362,192	\$ 1,070,060
Contributions	89,694	-	89,694
Investment earnings	20,047	-	20,047
Net appreciation	40,897	-	40,897
Appropriation of endowment assets for expenditure	<u>(59,800)</u>	<u>-</u>	<u>(59,800)</u>
Endowment net assets March 31, 2025	<u>\$ 798,706</u>	<u>\$ 362,192</u>	<u>\$ 1,160,898</u>

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

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

Note 10. Statutory Operating Reserve Requirement

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

Note 11. Employee Benefit Plans

The Village sponsors a retirement plan, which is available to substantially all employees. The plan is a tax shelter annuity 403(b) plan, which the employees can contribute compensation, as defined in the plan document. The Village then matches employee contributions, up to a maximum rate set by the Board of Directors. The matching rate was up to 4 percent of gross employee earnings. The total matching portion expensed was \$309,084 and \$255,439 for the years ended March 31, 2025 and 2024, respectively.

The Village also has a qualified Welfare Benefit Plan providing comprehensive health care coverage. The Plan includes coverage provided by the Plan underwriter as well as self-funded coverage provided by the Village. The Village's self-funded liability is limited to \$90,000 per person per year. The liability for estimated unpaid claims was approximately \$257,000 and \$193,000 at March 31, 2025 and 2024, respectively, and is included in accounts payable—trade on the balance sheets.

Note 12. Deferred Compensation

The Village has a deferred compensation agreement with certain key employees. The agreement is to make contributions to their account at the discretion of the Board of Directors with an intention to provide annual funding equal to at least 10 percent of the employee's annual compensation. The employee will be entitled to the funds upon the attainment of a minimum age of 62 and retirement, death, or disability. Deferred compensation expense was \$111,610 and \$80,982 for the years ended March 31, 2025 and 2024, respectively. The long-term deferred compensation liability at March 31, 2025 and 2024 was \$2,016,835 and \$1,948,648, respectively with current maturities of approximately \$150,000 at March 31, 2025 and 2024, which is included in accounts payable—trade on the balance sheets.

Note 13. Contingencies

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

Note 14. COVID-19 Pandemic

Employee Retention Credit

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

The Village qualifies for the ERC based on a partial shutdown and has elected to account for the ERC as a government grant by analogy to ASC 958-605. Under ASC 958-605, the ERC may be recognized once the conditions attached to the grant have been substantially met. From July 1, 2021 through September 30, 2021, the Village incurred qualifying wages and has recognized \$1,756,165 associated with the ERC as grant income on the statement of operations and changes in net assets and a corresponding receivable on the balance sheet for the year ended March 31, 2024. The related funds have not been received as of March 31, 2025.

This funding is subject to audit by the Internal Revenue Service (IRS). Recent scrutiny by the IRS has resulted in an increase in denials. During fiscal year 2025, the IRS issued a denial to The Village. Management has appealed the denial and expects to be successful with their appeal.

Note 15. Liquidity and Availability

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

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

Carolina Village, Inc.
Notes to Consolidated Financial Statements
March 31, 2025 and 2024

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

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 5,416,653	\$ 5,300,170
Investments	7,123,774	9,567,055
Accounts receivable, residents, net	253,138	154,609
Accounts receivable, entrance fees	1,841,300	171,050
Accounts receivable, other	<u>968,462</u>	<u>617,430</u>
	<u>\$ 15,603,327</u>	<u>\$ 15,810,314</u>

Note 16. Schedule of Expenses by Nature and Function

The following is a schedule of expenses by both nature and function for the years ended March 31, 2025 and 2024:

	<u>2025</u>		
	<u>Program Services</u>	<u>Administrative and General</u>	<u>Marketing and Fundraising</u>
Salaries and benefits	\$ 17,097,289	\$ 2,425,819	\$ -
Advertising	-	-	267,482
Supplies and other expenses	7,955,078	1,220,475	-
Depreciation	4,288,147	424,103	-
Interest	<u>2,052,359</u>	<u>202,981</u>	<u>-</u>
Total expenses	<u>\$ 31,392,873</u>	<u>\$ 4,273,378</u>	<u>\$ 267,482</u>

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

CAROLINA VILLAGE, INC.

Compilation of a Financial Forecast

For Each of the Five Years
Ending March 31, 2030

(with Accountant's Compilation Report thereon)

CAROLINA VILLAGE, INC.
Compilation of a Financial Forecast
Five Years Ending March 31, 2030

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Accountant's Compilation Report

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

Management of Carolina Village, Inc. (the "Corporation") ("Management") is responsible for the accompanying financial forecast of the Corporation, which comprises the forecasted balance sheets as of and for each of the five years ending March 31, 2030 and the related forecasted statements of operations changes in net assets, and cash flows for each of the years then ending, and the related summary of significant forecast assumptions and rationale in accordance with guidelines for the presentation of a financial forecast established by the American Institute of Certified Public Accountants ("AICPA").

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

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the financial forecast, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by Management. Accordingly, we do not express an opinion, a conclusion, or provide any form of assurance on this financial forecast. The forecasted results may not be achieved, as there will usually be differences between the prospective and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

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

Forvis Mazars, LLP

Atlanta, Georgia
August 28, 2025

CAROLINA VILLAGE, INC.

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

	2026	2027	2028	2029	2030
Revenues, gains and other support:					
Independent living units:					
Entrance fee amortization	\$ 7,404	\$ 7,896	\$ 8,003	\$ 8,213	\$ 8,581
Entrance fee forfeitures	1,548	1,610	1,674	1,741	1,811
Administration fee	1,300	1,352	1,406	1,462	1,521
Service fees	16,602	17,189	17,799	18,435	19,094
Medical center revenue	5,223	4,870	4,941	5,035	5,121
Care center revenue	2,387	2,463	2,542	2,624	2,709
Dietary revenue	3,880	4,087	4,293	4,508	4,732
Other revenue	196	204	212	220	228
Contributions	504	504	504	504	504
Interest income	336	512	524	535	548
Total revenues, gains and other support	\$ 39,380	\$ 40,687	\$ 41,898	\$ 43,277	\$ 44,849
Expenses:					
General and administrative	4,054	4,196	4,343	4,495	4,653
Independent living services	1,400	1,449	1,500	1,552	1,607
Operation of plant	6,345	6,567	6,797	7,035	7,281
Housekeeping	1,159	1,200	1,242	1,286	1,331
Medical center	7,631	7,899	8,175	8,461	8,757
Care center	3,203	3,315	3,431	3,551	3,675
Dietary	7,301	7,558	7,822	8,096	8,379
Depreciation	4,700	4,814	4,929	5,041	5,147
Interest expense:					
Series 2017A Bonds	1,291	1,188	1,103	1,011	918
Series 2017B Bonds	893	893	893	893	893
Construction Loans	313	285	256	225	183
Amortization	68	68	68	53	53
Total expenses	\$ 38,358	\$ 39,432	\$ 40,559	\$ 41,699	\$ 42,877
Operating income	1,022	1,255	1,339	1,578	1,972
Annuity expenditures	(5)	(5)	(5)	(5)	(5)
Excess of revenues over expenses	1,017	1,250	1,334	1,573	1,967
Change in net assets	1,017	1,250	1,334	1,573	1,967
Net assets, beginning of year	9,382	10,399	11,649	12,983	14,556
Net assets, end of year	\$ 10,399	\$ 11,649	\$ 12,983	\$ 14,556	\$ 16,523

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

CAROLINA VILLAGE, INC.

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

	2026	2027	2028	2029	2030
Cash flows from operating activities:					
Change in net assets	\$ 1,017	\$ 1,250	\$ 1,334	\$ 1,573	\$ 1,967
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation	4,700	4,814	4,929	5,041	5,147
Amortization of deferred financing costs	94	94	94	79	79
Amortization of original issue discount	7	7	7	7	7
Amortization of original issue premium	(33)	(33)	(33)	(33)	(33)
Entrance fee amortization	(7,404)	(7,896)	(8,003)	(8,213)	(8,581)
Entrance fee forfeitures	(1,548)	(1,610)	(1,674)	(1,741)	(1,811)
Administration fee	(1,300)	(1,352)	(1,406)	(1,462)	(1,521)
Entrance fees - resident turnover	15,435	15,030	15,700	16,356	17,297
Change in Employee Retention Credit receivable	-	1,756	-	-	-
Net change in current assets and liabilities	2,336	67	54	54	46
Net cash provided by operating activities	13,304	12,127	11,002	11,661	12,597
Cash flows from investing activities:					
Change in assets limited as to use	(1,616)	(269)	(282)	(289)	(293)
Routine capital additions	(4,000)	(4,200)	(4,400)	(4,500)	(4,600)
Change in investments	(4,783)	(4,553)	(3,097)	(3,601)	(4,326)
Net cash used by investing activities	(10,399)	(9,022)	(7,779)	(8,390)	(9,219)
Cash flows from financing activities:					
Principal payments on Series 2017A Bonds	(1,800)	(1,860)	(1,920)	(1,980)	(2,040)
Principal payments on Construction Loans	(749)	(778)	(807)	(837)	(877)
Refunds of entrance fees	(321)	(276)	(298)	(250)	(249)
Net cash used by financing activities	(2,870)	(2,914)	(3,025)	(3,067)	(3,166)
Change in cash, investments and restricted cash	35	191	198	204	212
Cash, investments and restricted cash, beginning of year	7,195	7,230	7,421	7,619	7,823
Cash, investments and restricted cash, end of year	\$ 7,230	\$ 7,421	\$ 7,619	\$ 7,823	\$ 8,035
Reconciliation of cash, investments and restricted cash:					
Cash and cash equivalents	5,452	5,643	5,841	6,045	6,257
Debt Service Reserve Fund - Series 2017B Bonds	1,778	1,778	1,778	1,778	1,778
Cash, investments, and restricted cash	\$ 7,230	\$ 7,421	\$ 7,619	\$ 7,823	\$ 8,035

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

CAROLINA VILLAGE, INC.

Forecasted Balance Sheets At March 31, (In Thousands)

	2026	2027	2028	2029	2030
Assets					
Current assets:					
Cash and cash equivalents	\$ 5,452	\$ 5,643	\$ 5,841	\$ 6,045	\$ 6,257
Investments and restricted cash	11,907	16,460	19,557	23,158	27,484
Assets limited as to use-current portion	819	828	837	845	843
Accounts receivable, residents, net	253	257	266	275	285
Accounts receivable-other	693	706	730	755	781
Accounts receivable-entrance fees	250	250	250	250	250
Employee Retention Credit receivable	1,756	-	-	-	-
Supplies, inventories, and prepaid expenses	580	600	621	643	665
Total current assets	21,710	24,744	28,102	31,971	36,565
Assets limited as to use:					
Designated for Statutory Operating Reserve Fund	8,386	8,646	8,919	9,200	9,495
Debt Service Reserve Fund - Series 2017B Bonds	1,778	1,778	1,778	1,778	1,778
Endowment funds	362	362	362	362	362
Charitable remainder trusts	83	83	83	83	83
Deferred compensation in marketable securities	2,017	2,017	2,017	2,017	2,017
Other donor-restricted assets	1,368	1,368	1,368	1,368	1,368
Total assets limited as to use	13,994	14,254	14,527	14,808	15,103
Property and equipment	184,847	189,047	193,447	197,947	202,547
Less: accumulated depreciation	(75,807)	(80,621)	(85,550)	(90,591)	(95,738)
Property and equipment, net	109,040	108,426	107,897	107,356	106,809
Total assets	\$ 144,744	\$ 147,424	\$ 150,526	\$ 154,135	\$ 158,477

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

CAROLINA VILLAGE, INC.

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

	2026	2027	2028	2029	2030
Liabilities and net assets					
Current liabilities:					
Accounts payable	\$ 936	\$ 968	\$ 1,002	\$ 1,037	\$ 1,074
Accrued interest-Series 2017A Bonds	105	98	90	82	74
Accrued interest-Series 2017B Bonds	447	447	447	447	447
Accrued interest-Construction Loans	47	56	65	73	70
Accrued payroll and benefits	2,007	2,077	2,150	2,225	2,303
Deposits on contracts	522	522	522	522	522
Current maturities of charitable remainder trust annuities payable	4	4	4	4	4
Refundable entrance fees	276	298	250	249	220
Current maturities of Series 2017A Bonds	1,860	1,920	1,980	2,040	2,100
Current maturities of Construction Loans	778	807	837	877	910
Total current liabilities	6,982	7,197	7,347	7,556	7,724
Long-term liabilities:					
Long-term debt-Series 2017A Bonds	24,730	22,810	20,830	18,790	16,690
Long-term debt-Series 2017B Bonds	18,945	18,945	18,945	18,945	18,945
Original issue discount, net	(86)	(79)	(72)	(65)	(58)
Original issue premium, net	355	322	289	256	223
Construction Loans	7,334	6,527	5,690	4,813	3,903
Deferred financing costs, net	(874)	(780)	(686)	(607)	(528)
Total long-term debt	50,404	47,745	44,996	42,132	39,175
Deferred compensation	2,017	2,017	2,017	2,017	2,017
Charitable remainder trust annuities payable	13	13	13	13	13
Deferred revenue from entrance fees	74,929	78,803	83,170	87,861	93,025
Total long-term liabilities	127,363	128,578	130,196	132,023	134,230
Total liabilities	\$ 134,345	\$ 135,775	\$ 137,543	\$ 139,579	\$ 141,954
Net assets:					
Without donor restriction	8,585	9,835	11,169	12,742	14,709
With donor restriction	1,814	1,814	1,814	1,814	1,814
Total net assets	\$ 10,399	\$ 11,649	\$ 12,983	\$ 14,556	\$ 16,523
Total liabilities and net assets	\$ 144,744	\$ 147,424	\$ 150,526	\$ 154,135	\$ 158,477

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

CAROLINA VILLAGE, INC.

Summary of Significant Forecast Assumptions and Rationale

For Each of the Five Years Ending March 31, 2030

Basis of Presentation

The accompanying financial forecast presents, to the best of the knowledge and belief of management of Carolina Village, Inc. (the “Corporation”) (“Management”) the expected financial position, results of operations and changes in net assets, and cash flows of the Corporation as of and for each of the five years ending March 31, 2030. Accordingly, the accompanying forecast reflects Management’s judgment as of August 28, 2025, the date of this forecast, of the expected conditions and its expected course of action during the forecast period. However, there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Management’s purpose in releasing this financial forecast is for inclusion in the Corporation’s annual disclosure statement in accordance with Chapter 58, Article 64, of the North Carolina General Statutes. Accordingly, this report should not be used for any other purpose. The assumptions disclosed herein are those that Management believes are significant to the prospective financial statements.

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

Description of the Community

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

The Community is located on an approximate 96-acre campus and consists of 375 independent living apartment and cottage units (the “Independent Living Units”), a 60-unit assisted living facility (the “Assisted Living Units”), and 58 Medicare certified skilled nursing beds (the “Skilled Nursing Beds”), along with supportive common areas.

An expansion and renovation to the Community’s dining venues, certain common areas and office space was completed in November 2023. Renovations to the Community’s medical center for room and common area refurbishments were completed in August 2024.

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

Table 1
Independent Living Units Configuration

Type of Unit	Units	Square Footage	Entrance Fees ⁽¹⁾⁽²⁾	Monthly Service Fees ⁽¹⁾
<u>Studios</u>				
Smoky Mountain – Efficiency ⁽³⁾	6	440	–	\$2,261
Total/weighted averages	6	440	–	\$2,261
<u>One Bedroom Apartments</u>				
Pisgah – One Bedroom Standard	31	600	\$224,000	\$2,650
Pisgah – One Bedroom Deluxe	28	740	\$257,900	\$2,911
Summit – One Bedroom	12	814	\$295,500	\$3,581
Summit – One Bedroom with Den	12	1,050	\$374,700	\$4,455
Smoky Mountain – One Bedroom with Den	24	1,134	\$407,600	\$4,252
Total/weighted averages	107	831	\$298,972	\$3,384
<u>Two Bedroom Apartments</u>				
Blue Ridge – Two Bedroom Standard	20	740	\$257,900	\$2,911
Blue Ridge – Two Bedroom Expanded	25	900	\$297,700	\$3,288
Blue Ridge – Two Bedroom Custom	25	1,040	\$344,300	\$3,560
Blue Ridge – Two Bedroom Deluxe	6	1,200	\$396,700	\$3,880
Pinnacle – Two Bedroom	27	1,160	\$406,200	\$4,570
Pinnacle – Two Bedroom with Den	3	1,372	\$481,300	\$5,173
Pinnacle – Two Bedroom Corner	3	1,366	\$478,500	\$5,200
Pinnacle – Two Bedroom Corner with Den	6	1,541	\$539,300	\$5,557
Smoky Mountain – Two Bedroom	8	1,335	\$480,300	\$4,945
Smoky Mountain – Two Bedroom with Den	4	1,609	\$578,800	\$5,974
Total/weighted averages	127	1,074	\$368,728	\$3,969
<u>Cottages</u>				
Woods	27	945 – 1,260	\$351,500 – 467,500	\$3,366 – 3,917
Garden	27	1,482 – 1,742	\$533,300 – 627,200	\$4,458 – 4,933
Meadows	27	1,322 – 1,604	\$475,800 – 576,800	\$4,167 – 4,841
Clear Creek	54	1,180 – 1,570	\$445,300 – 592,300	\$4,184 – 5,401
Total/weighted averages	135	1,378	\$508,184	\$4,459
Total ILUs/weighted averages	375	1,104	\$393,129	\$3,951
Second person fees			\$85,000	\$1,575

Source: Management

(1) Fees effective April 1, 2025 through the fiscal year ending March 31, 2026.

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

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

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

Table 2			
Healthcare Center Configuration			
Unit Type	Number of Units	Square Footage	Daily Service Fees ⁽¹⁾
Assisted Living Units	60	320	\$270
Skilled Nursing Beds	58	255	\$445
Total / weighted averages	118	288	\$356

Source: Management

(1) Daily Service Fees are effective April 1, 2025 through the calendar year ending March 31, 2026.

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Description of the Occupancy Agreement

Reservation Process

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

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

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

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

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

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

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

Entrance Fee Plan

The Corporation offers one Entrance Fee plan for occupancy of an Independent Living Unit. The Resident agrees to pay an Entrance Fee as a condition of becoming a Resident under a zero percent refundable Entrance Fee plan. An administrative fee equal to 10 percent of the Entrance Fee is non-refundable and retained by the Corporation. The remaining 90 percent of the Entrance Fee amortizes at the rate of 2 percent per month for a period of 45 months, after which time the Entrance Fee is no longer refundable. In the event the Resident moves out in less than 45 months, the unamortized portion of the Entrance Fee is refunded.

Health Care Benefit

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

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

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Terminations and Refunds

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

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

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

Services Provided for Care Center Units

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

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

Services Provided for Medical Center Units

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

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

Summary of Significant Accounting Policies

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

North Carolina General Statute § 58-64A-245 requires CCRCs to maintain an operating reserve (the "Statutory Operating Reserve") as a percentage of the total operating costs in a given year, based on occupancy levels of the independent units. This law provides security to residents that the Corporation is able to meet its contractual obligations to provide continuing care.
- (f) Accounts Receivable - Doubtful accounts are accounted for using the allowance method. The allowance is increased or decreased, based upon Management's evaluation, by provisions to bad debt expense charged against income. Uncollectible balances are written off against the allowance. Recoveries of previously written off balances are credited to income. Generally, no finance charges are assessed on trade receivables. The Corporation believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses.

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

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- (n) Net Assets - The Corporation reports its net assets using the following two classes: net assets without donor restrictions and net assets with donor restrictions depending on the presence and type of donor-imposed restrictions limiting the Corporation's ability to use or dispose of specific contributed assets or the economic benefits embodied in those assets. Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Net assets with donor restrictions are those net assets whose use by the Corporation has been limited by donors (a) to later periods of time or after specified dates, or (b) to specified purposes.
- (o) Contributions and Donor-Imposed Restrictions - All contributions are considered available for unrestricted use unless specifically restricted by the donor. The Corporation reports gifts of cash and other assets as restricted contributions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without restriction and reported in the statements of operations as net assets released from restrictions.
- (p) Income Taxes - The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. For purposes of the forecast, the Corporation has assumed no material unrecognized tax benefits or obligations during the forecast period.
- (q) Obligation to Provide Future Services to Residents - The Corporation enters into continuing care contracts with various Residents. A continuing care contract is an agreement between a Resident and the Corporation specifying the services and facilities to be provided to a Resident over his or her remaining life for a monthly fee. Under the Occupancy Agreements, the Corporation has the ability to increase fees as deemed necessary. The Corporation calculates annually the present value of the net cost of future services and the use of facilities to be provided to current Residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and the use of the facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. No liability was recorded at March 31, 2025, because the present value of the estimated net costs of future services and use of facilities is less than deferred revenue from entrance fees. For purposes of the forecast, Management has assumed no future service obligation liability.

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

Service fee revenue for Residents living in the Independent Living Units is based upon the assumed occupancy and the Monthly Service Fee of the respective units. The Independent Living Unit Monthly Service Fees are assumed to increase 4.0 percent beginning April 1, 2026 and annually thereafter.

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

Table 3 Utilization of the Independent Living Units			
Years Ending March 31,	Average Number of Units Occupied	Average Number of Units Available ⁽¹⁾	Average Occupancy
2026	356.2	375.0	95.0%
2027	356.2	375.0	95.0%
2028	356.2	375.0	95.0%
2029	356.2	375.0	95.0%
2030	356.2	375.0	95.0%

Source: Management

- (1) Average occupancy for the Independent Living Units as of July 31, 2025 was 362 units occupied out of 375 units available, or approximately 96.5 percent.

The double occupancy percentage for the Independent Living Units is assumed to approximate 33 percent throughout the forecast period.

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Care Center Revenue

Service fee revenue for Residents living in the Assisted Living Units is based upon the assumed occupancy and the Daily Service Fee of the respective units. The Assisted Living Unit Daily Service Fees are assumed to increase 4.0 percent beginning April 1, 2026 and annually thereafter.

Management assumes the Assisted Living Units shall maintain approximately 90 percent occupancy throughout the forecast period. The assumed occupancy levels for the Assisted Living Units are presented in the following table:

Table 4
Utilization of the Assisted Living Units

Years Ended March 31,	Average Units Occupied – Permanent	Average Units Occupied – Temporary	Average Units Occupied – Private Pay	Average Units Occupied - Total	Total Units Available	Average Occupancy
2026 ⁽¹⁾	52.6	1.6	0.1	54.3	60.0	90.5%
2027	52.6	1.6	0.1	54.3	60.0	90.5%
2028	52.6	1.6	0.1	54.3	60.0	90.5%
2029	52.6	1.6	0.1	54.3	60.0	90.5%
2030	52.6	1.6	0.1	54.3	60.0	90.5%

Source: Management

- (1) Average occupancy for the Assisted Living Units as of July 31, 2025 was 55.1 units occupied out of 60 units available, or approximately 91.8 percent.

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Medical Center Revenue

Service fee revenue for Residents living in the Medical Center is based upon the assumed occupancy and the service fees of the respective beds. The Skilled Nursing Beds Daily Service Fees are assumed to increase 4.0 percent for private pay and 2.0 for Medicare beginning April 1, 2026 and annually thereafter.

Management has assumed the Skilled Nursing Beds shall average approximately 84 percent occupancy throughout the forecast period. The assumed occupancy levels for the Skilled Nursing Beds are presented in the following table:

Table 5
Average Utilization of the Skilled Nursing Beds

Years Ended March 31,	Permanent Lifecare Transfers	Temporary Lifecare Transfers	Private Pay	Medicare	Total	Total Beds Available	Average Occupancy
2026	21.3	11.4	1.2	14.9	48.7	58.0	84.0%
2027	23.9	10.9	1.9	12.1	48.8	58.0	84.1%
2028	24.1	10.9	1.7	12.1	48.8	58.0	84.1%
2029	24.2	10.9	1.6	12.1	48.8	58.0	84.1%
2030	24.4	10.9	1.4	12.1	48.8	58.0	84.1%

Source: Management

- (1) Average occupancy for the Skilled Nursing Beds as of July 31, 2025 was 47.5 beds occupied out of 58 beds available, or approximately 81.9 percent.

Investment Income

Interest earnings are assumed to approximate 2.5 percent annually throughout the forecast period on the Corporation's cash and investments, assets limited as to use-current portion, Designated for Statutory Operating Reserve Fund, Debt Service Reserve Fund, endowment funds, charitable remainder trusts, deferred compensation in marketable securities, and other donor-restricted assets.

Other Revenue

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

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Entrance Fees

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

Independent Living Units Entrance Fees from attrition are assumed to increase 4.0 percent annually throughout the forecast period. The following table presents the assumed attrition Entrance Fees received and Entrance Fees refunded.

Table 6					
Entrance Fees Receipts and Entrance Fees Refunds					
(In Thousands)					
	2026	2027	2028	2029	2030
Annual attrition	38.0	35.0	35.0	35.0	36.0
Vacant unit refill	1.0	2.0	2.0	2.0	2.0
Number of Entrance Fees Received	39.0	37.0	37.0	37.0	38.0
Entrance Fees Received	\$ 15,435	\$ 15,030	\$ 15,700	\$ 16,356	\$ 17,297
Entrance Fees Refunded	(321)	(276)	(298)	(250)	(249)
Entrance Fees Received, Net of Refunds	\$ 15,114	\$ 14,754	\$ 15,402	\$ 16,106	\$ 17,048

Source: Management and the Actuary

Employee Retention Credit

The Corporation qualified for the Employee Retention Credit (“ERC”) based on a partial shutdown and has elected to account for the ERC as a government grant by analogy to ASC 958-605. Under ASC 958-605, the ERC may be recognized once the conditions attached to the grant have been substantially met. From July 1, 2021 through September 30, 2021, the Corporation incurred qualifying wages and has recognized \$1,756,165 associated with the ERC as grant income on the statement of operations and changes in net assets and a corresponding receivable on the balance sheet for the year ended March 31, 2024. The related funds have not been received as of March 31, 2025.

This funding is subject to audit by the Internal Revenue Service (IRS). Recent scrutiny by the IRS has resulted in an increase in denials. During fiscal year 2025, the IRS issued a denial to The Village. Management has appealed the denial and expects to be successful with their appeal. The Corporation anticipates receiving the outstanding ERC payment of \$1,756,000 during fiscal year 2027.

See Accountant’s Compilation Report

Summary of Operating Expense Assumptions

Management assumes departmental, residential, assisted living, and long-term care expenses to increase approximately 3.5 percent annually throughout the forecast period. The table below illustrates the assumed staffing during the forecast period.

Table 7	
Schedule of Assumed Staffing Levels (FTEs)	
Department	2026
General and administrative	18
Independent living services	18
Dining services	91
Operation of plant	16
Security	13
Housekeeping	18
Medical center	68
Care center	44
Therapy	9
Total FTE's	295

Source: Management

Other non-salary operating expenses are assumed to include ongoing marketing costs, utilities, supplies, property taxes, maintenance, security, building and general liability insurance, legal and accounting fees, and other miscellaneous expenses and are assumed to increase 3.5 percent annually throughout the forecast period.

Assets Limited as to Use

Assets limited as to use represents funds required to be held by a trustee, statutory required funds, and Board designated funds.

- (1) The Debt Service Reserve Fund for the Series 2017B Bonds (defined hereafter) was funded at the closing of the Series 2017B Bonds.
- (2) Endowment funds include investments that carry a donor-imposed restriction that permits the Corporation to use or expend the donated investments as specified and is satisfied by the passage of time or the actions of the Corporation.
- (3) Charitable remainder trusts are those which the Corporation acts as trustee under several charitable remainder annuity trusts. These trusts are given to the Corporation with the condition that a specified payment is made to the contributor over his or her life or until the trust agreement expires. A liability is established based on the present value of the payments to be made. The anticipated remainder interest is recorded as a contribution.

See Accountant's Compilation Report

- (4) Deferred compensation in marketable securities includes contributions under a deferred compensation agreement between the Corporation and key employees. The Corporation is to make contributions at the discretion of the Board with an intention to provide annual funding equal to at least 10 percent of the employees' annual compensation.
- (5) Other donor-restricted assets include other funds and accounts that have been received by donors. These funds and accounts are donor-restricted as specified by the donor and is satisfied by the passage of time or the actions of the Corporation.
- (6) Designated for Statutory Operating Reserve: North Carolina General Statute § 58-64A-245 requires CCRC's to maintain an operating reserve (the "Statutory Operating Reserve") subject to the certain guidelines.
- A provider shall maintain after the opening of a CCRC an operating reserve equal to fifty percent of the total operating costs of the CCRC forecasted for the 12-month period following the period covered by the most recent disclosure statement filed with the North Carolina Department of Insurance ("NCDOI").
 - Once a CCRC achieves a 12-month daily average independent living unit occupancy rate of 90 percent or higher, a provider shall be required to maintain an operating reserve in an amount calculated using the table below, unless otherwise instructed by NCDOI.
 - A provider who has a 12-month daily average independent living unit occupancy rate equal to or in excess of ninety-three percent and has no long-term debt or a debt service coverage ratio in excess of 2.00x as of the provider's most recent fiscal year-end shall be required to maintain an operating reserve equal to 12.5 percent of total operating costs of the CCRC.

12-Month Average Occupancy Rate	Operating Reserve Requirement as a Percentage of Independent Living Unit Occupancy Rate
90% or above	25.00%
86% to 89.9%	31.25%
83% to 85.9%	37.50%
80% to 82.9%	43.75%
Below 80%	50.00%

See Accountant's Compilation Report

The following summarizes the calculation of the Forecasted Statutory Operating Reserve:

Table 8
Operating Reserve Requirement
(In Thousands)

Years Ending March 31,	2026	2027	2028	2029	2030
Forecasted operating expense	\$ 38,358	\$ 39,432	\$ 40,559	\$ 41,699	\$ 42,877
Add: Principal payments on long-term debt obligations	2,549	2,638	2,727	2,817	2,917
Subtract: Depreciation and amortization	(4,768)	(4,882)	(4,997)	(5,094)	(5,193)
Subtract: Debt service accounted for by way of another reserve	(2,597)	(2,606)	(2,615)	(2,623)	(2,621)
Forecasted operating expenses-adjusted	33,542	34,582	35,674	36,799	37,980
Operating reserve % required	25%	25%	25%	25%	25%
Operating reserve	\$ 8,386	\$ 8,646	\$ 8,919	\$ 9,200	\$ 9,495
Independent Living & Assisted Living Units					
Available units	435	435	435	435	435
Occupied units as of last day of the year	411	411	411	411	411
Occupancy percentage	94%	94%	94%	94%	94%

Source: Management

Property and Equipment and Depreciation Expense

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

Table 9
Schedule of Property and Equipment
(In Thousands)

Years Ended March 31,	2026	2027	2028	2029	2030
Property and equipment, gross					
Beginning balance	\$ 180,847	\$ 184,847	\$ 189,047	\$ 193,447	\$ 197,947
Routine capital additions	4,000	4,200	4,400	4,500	4,600
Property and equipment, gross	184,847	189,047	193,447	197,947	202,547
Accumulated depreciation	(75,807)	(80,621)	(85,550)	(90,591)	(95,738)
Property and equipment, net	\$ 109,040	\$ 108,426	\$ 107,897	\$ 107,356	\$ 106,809

Source: Management

See Accountant's Compilation Report

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

As of March 31, 2025, \$28,390,000 of long-term debt was related to a direct purchase bank loan (the “Series 2017A Bonds”). The Series 2017A Bonds were issued in December 2017 at a par amount of approximately \$39,885,000 with an average interest rate of 4.55 percent per annum. Interest on the Series 2017A Bonds is to be paid monthly. Principal on the Series 2017A Bonds is paid monthly, with a final maturity on April 1, 2038.

Series 2017B Bonds

As of March 31, 2025 \$18,945,000 of long-term debt was related to North Carolina Medical Care Commission First Mortgage Refunding and Revenue Bonds, Series 2017 (the “Series 2017B Bonds”). The Series 2017B Bonds include serial bonds issued at both a discount and a premium, with interest rates ranging from 4.25 to 5.00 percent per annum. Interest on the Series 2017B Bonds is to be paid semi-annually on April 1 and October 1 of each year. Principal on the Series 2017B Bonds is to be paid annually commencing on April 1, 2037, with a final maturity on April 1, 2047.

Construction Loans

In June 2021, the Corporation entered into two draw-down construction loans (the “Construction Loans”) with First Citizens Bank & Trust Company, with a combined obligation up to \$10,00,000, with interest rates ranging from 3.50 to 3.80 percent per annum. As of March 31, 2025 approximately \$8,861,000 of the Construction Loans remain. Interest on the Construction Loans is paid monthly. Principal on the Construction Loans is paid monthly.

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

Table 10
Annual Debt Service
(In Thousands)

Years Ending March 31,	<u>Series 2017A Bonds</u>		<u>Series 2017B Bonds</u>		<u>Construction Loans</u>		Total Debt Service
	Principal Payment	Interest Payment	Principal Payment	Interest Payment	Principal Payment	Interest Payment	
2026	1,800	1,291	—	893	749	313	5,046
2027	1,860	1,188	—	893	778	285	5,004
2028	1,920	1,103	—	893	807	256	4,979
2029	1,980	1,011	—	893	837	225	4,946
2030	2,040	918	—	893	877	183	4,911
Thereafter	18,790	3,631	18,945	12,688	4,813	499	59,366
Total	\$ 28,390	\$ 9,142	\$ 18,945	\$ 17,153	\$ 8,861	\$ 1,761	\$ 84,252

Source: Management

See Accountant’s Compilation Report

Current Assets and Current Liabilities

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

Table 11	
Working Capital – Days on Hand	
Accounts receivable, residents, net	3 days of operating revenues
Accounts receivables-other	9 days of operating revenues
Supplies, inventories, and prepaid expenses	7 days of operating expenses
Accounts payable	11 days of operating expenses
Accrued payroll and benefits	24 days of operating expenses
Source: Management	

See Accountant's Compilation Report

CAROLINA VILLAGE, INC.**Report on material variances between prior year's forecast and actual audited results
For the year ended March 31, 2025**

The threshold of \$1,056,000 is calculated as .75% of total assets.

Statements of Operations

<u>Statements of Operations</u>		FORECASTED	AUDITED	Variance greater than \$1,056,000 and 5%	
<u>Revenues:</u>					
	Resident Service Fees	\$ 15,800,000	\$ 15,544,414		
	Entrance Fee amortization and forfeitures	9,389,000	8,918,694		
	Medical Center	3,911,000	4,302,201		
	Care Center	2,030,000	2,315,243		
	Dietary	3,791,000	3,829,316		
	Investment Gain/(Loss)	468,000	798,478		
1)	Miscellaneous Income	732,000	2,444,039	1,712,039	233.9%
	Total Revenues	36,121,000	38,152,385		
<u>Expenses:</u>					
	General and Administration	3,634,000	3,828,401		
	Operation of Plant	5,837,000	5,869,063		
	Housekeeping	1,144,000	1,116,310		
	Medical Center	6,729,000	6,983,153		
	Care Center	3,019,000	3,035,645		
	Dietary	6,707,000	6,819,089		
	Independent Living Support	1,311,000	1,309,018		
	Annuity Expenditures	5,000	5,464		
	Depreciation	4,500,000	4,712,250		
	Interest Expense	2,161,000	2,255,340		
	Total Expenses	35,047,000	35,933,733		
	Change in Net Assets	1,074,000	2,218,652		
	Net Deficits - Beginning Of Year	7,163,000	7,163,063		
	Net Assets - End Of Year	\$ 8,237,000	\$ 9,381,715		

CAROLINA VILLAGE, INC.

Report on material variances between prior year's forecast and actual audited results For the year ended March 31, 2025

Cash Flow Statements

<u>Cash Flow Statements</u>		<u>FORECASTED</u>	<u>AUDITED</u>	<u>Variance greater than \$1,056,000 and 5%</u>	
<u>Cash flows from operating activities</u>					
Change in Net Assets	\$	1,074,000	\$	2,218,652	
Adjustment to reconcile change in net assets to net cash provided by operating activities:					
Depreciation		4,500,000		4,712,250	
Amortization of Financing Costs		68,000		67,653	
2) Entrance Fee amortization and forfeitures		(9,389,000)		(10,788,095)	(1,399,095) 14.9%
Entrance Fees received - net of refunds		13,359,000		12,931,575	
Realized gains on investments		-		(763,066)	
Unrealized gains on investments		-		(90,434)	
3) Change in Employee Retention Credit receivable		1,756,000		-	(1,756,000) -100.0%
Change in current & other assets and liabilities		(142,000)		(716,915)	
Net Cash provided by operating activities		11,226,000		7,571,620	
<u>Cash flows used by Investing activities:</u>					
4) Change in investments and assets limited to use		(2,803,000)		2,692,869	5,495,869 -196.1%
Project Costs		(2,500,000)		(1,999,087)	
5) Purchases of property and equipment		(3,000,000)		(5,656,638)	(2,656,638) 88.6%
Net cash (used) by investing activities		(8,303,000)		(4,962,856)	
<u>Cash flows provided (used) by financing activities:</u>					
Annuity Payments and Restricted Contributions		-		599,465	
Refunds of Entrance Fees		(313,000)		(624,275)	
Principal payments on long-term debt		(2,467,000)		(2,467,471)	
Net Cash Flows (used) by Financing Activities		(2,780,000)		(2,492,281)	
Change in cash and cash equivalents		143,000		116,483	
Cash and cash equivalents, beginning of year		7,078,000		7,078,295	
Cash and cash equivalents end of year	\$	7,221,000	\$	7,194,778	
Reconciliation of Cash, cash equivalents and restricted cash					
Cash and Cash Equivalents	\$	5,443,000	\$	5,416,653	
Funds held by a trustee under Bond Indenture Investments		1,778,000		1,778,125	
Total Cash and Cash Equivalents	\$	7,221,000	\$	7,194,778	

CAROLINA VILLAGE, INC.

Report on material variances between prior year's forecast and actual audited results For the year ended March 31, 2025

<u>Balance Sheets</u>				Variance greater than \$1,056,000 and 5%	
	<u>Assets</u>	<u>FORECASTED</u>	<u>AUDITED</u>		
Current Assets:					
6)	Cash and Investments	\$ 16,472,000	\$ 12,540,427	(3,931,573)	-23.9%
	Assets limited as to use-current portion	807,000	-		
7)	Accounts receivable	1,083,000	3,062,900	1,979,900	182.8%
	Inventories And Prepaid Expenses	516,000	565,243		
	Total Current Assets	18,878,000	16,168,570		
Non-Current Assets:					
	Designated for Operating Reserve	7,589,000	7,589,000		
	Funds held by a trustee under Bond Indenture	1,778,000	1,778,125		
	Long-Term Restricted Investments	3,759,000	3,830,364		
	Total Assets Limited to Use	13,126,000	13,197,489		
3)	Employee Retention Credit receivable	-	1,756,165	1,756,165	100.0%
	Property and Equipment, net	108,247,000	109,740,427		
	Total Noncurrent Assets	121,373,000	124,694,081		
	Total Assets	\$ 140,251,000	\$ 140,862,651		
<u>Liabilities and Net Assets</u>					
Current Liabilities:					
	Accounts Payable	\$ 3,484,000	\$ 3,483,752		
	Deposits on Contracts	503,000	521,800		
	Current Maturities-Long Term Debt	2,549,000	2,549,131		
	Total Current Liabilities	6,536,000	6,554,683		
Long term Liabilities:					
	Exclusive Of Current Maturities				
	Long-Term Debt	53,053,000	52,976,985		
	Other Long-term Liabilities	1,971,000	2,029,396		
	Total Long-Term Liabilities	55,024,000	55,006,381		
Deferred revenue:					
	Deferred revenue from entrance fees	70,454,000	69,919,872		
	Total Liabilities	132,014,000	131,480,936		
Net Assets (Deficit):					
8)	Without Donor Restrictions	6,427,000	7,568,186	1,141,186	17.8%
	With Donor Restrictions	1,810,000	1,813,529		
	Total Net Assets	8,237,000	9,381,715		
	Total Liabilities and Net Assets	\$ 140,251,000	\$ 140,862,651		

CAROLINA VILLAGE, INC.

Report on material variances between prior year's forecast and actual audited results For the year ended March 31, 2025

- 1) The audited miscellaneous income is higher than forecasted due to an administration fee of 10% of each entrance fee being recognized immediately. This amounted to \$855,000. The forecast did not include this in FY25. Additionally the forecast excluded contributions from the medical center campaign. These amounted to \$285,000.
- 2) The audited Entrance Fee Amortization and Forfeitures were higher than forecasted, causing this adjustment on the cash flow statement to be a larger negative than forecasted. This type of amortization income is based on the resident's estimated life expectancy. Entrance Fee forfeitures are recognized when a resident has passed away, causing fluctuations.
- 3) The forecast expected Carolina Village to receive the last remaining quarter of the employer retention credit. No employee retention credit was received in FY25, resulting in the receivable remaining on the audited financial statements.
- 4) The audited Investment activity fluctuated more than the forecast expected, due to market activity.
- 5) The audited Purchase of Property and Equipment is higher than forecasted due to more independent living units being renovated than expected in addition to other capital improvements, leading to higher occupancy in Independent Living.
- 6) See the Cash Flow Statement and explanations of variances within the Cash Flow Statement to explain why audited Cash and Investments is lower than forecasted.
- 7) Change in accounts receivable is directly related to the change in entrance fees receivable. There were more move ins at the end of the fiscal year than expected, which resulted in a higher entrance fee receivable than what was forecasted.
- 8) See statement of operations for the detailed change in net assets.

Appendix B

Interim Financial Statements

For the four months ended

July 31, 2025

CAROLINA VILLAGE, INC.
BALANCE SHEETS
July 31, 2025

	<u>ASSETS</u>	July 31 2025	March 31 2025
CURRENT ASSETS:			
Cash and Cash Investments		\$ 5,490,626	\$ 5,416,653
Investments in Marketable Securities		17,239,708	15,931,046
Accounts Receivable		1,059,332	1,221,599
Entrance Fees Receivable		173,250	1,841,300
Inventories and Prepaid Expenses		619,862	565,241
Total Current Assets		<u>24,582,778</u>	<u>24,975,839</u>
PROPERTY, PLANT AND EQUIPMENT:			
Land and Improvements		5,990,206	5,951,189
Building and Cottages		166,283,777	164,748,055
Construction in Progress		1,013,241	864,130
Equipment		9,610,899	9,284,093
Total Property, Plant & Equipment		<u>182,898,123</u>	<u>180,847,467</u>
Less: Accumulated Depreciation		<u>72,666,870</u>	<u>71,107,046</u>
Total Property, Plant & Equipment --net		<u>110,231,253</u>	<u>109,740,421</u>
OTHER ASSETS:			
Long-Term Accounts Receivable		1,756,165	1,756,165
Debt Service Reserve Fund		1,802,977	1,778,125
Long - Term Investments		2,924,574	2,529,027
Assets held in Charitable Trusts		130,082	83,080
Total Other Assets		<u>6,613,798</u>	<u>6,146,397</u>
TOTAL ASSETS		<u><u>\$ 141,427,829</u></u>	<u><u>\$ 140,862,657</u></u>
	<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:			
Accounts Payable		\$ 678,235	\$ 965,584
Accrued Payroll and Payroll Taxes		4,250,094	4,107,626
Current Maturities of Long Term Debt		2,637,789	2,549,131
Total Current Liabilities		<u>7,566,118</u>	<u>7,622,341</u>
LONG TERM LIABILITIES:			
Long-Term Debt		52,069,336	52,976,985
Annuity and Trust Payables		16,892	16,892
Total Long Term Liabilities		<u>52,086,228</u>	<u>52,993,877</u>
DEFERRED INCOME:			
Deferred Entrance Fee Income		70,136,751	70,342,925
Occupancy Contracts - Deposits		130,000	521,800
Total Deferred Income		<u>70,266,751</u>	<u>70,864,725</u>
Total Liabilities		129,919,097	131,480,943
NET ASSETS:			
Without Donor Restrictions		9,831,085	7,648,010
With Donor Restrictions		1,677,647	1,733,704
Total Net Assets		<u>11,508,732</u>	<u>9,381,714</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 141,427,829</u></u>	<u><u>\$ 140,862,657</u></u>

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

	April 2025 thru July 2025	12 months ended March 2025
Revenues		
Apartments:		
Service Fees	\$ 5,488,821	\$ 15,544,414
Entrance Fee Amortization	2,451,231	7,128,850
Entrance Fee Forfeitures	720,043	1,789,844
Admin Fee	405,000	855,640
Other Apartment revenue	85,891	242,149
Medical Center	1,540,523	4,302,200
Care Center	896,271	2,315,243
Dietary - Main Complex	746,132	2,144,187
Dietary - Nursing	605,777	1,685,130
Contributions	169,737	957,220
Miscellaneous	151,641	308,246
Total Revenues	<u>13,261,067</u>	<u>37,273,123</u>
Expenses		
General and Administrative	1,416,761	3,834,620
Operation of Plant	1,824,845	5,870,254
Housekeeping	396,729	1,117,379
Independent Living Support	452,312	1,309,804
Medical Center	2,536,276	6,987,034
Care Center	1,121,362	3,037,500
Dietary - Main Complex	1,657,193	4,672,978
Dietary - Medical	746,096	2,149,094
Depreciation	1,566,668	4,712,250
Interest Expense	831,663	2,255,340
Total Expenses	<u>12,549,905</u>	<u>35,946,253</u>
Operating Gain (Loss)	711,162	1,326,870
Non-Operating Revenues (Expenses)		
Unrealized/Realized Gain (Loss) on Investments	894,542	72,781
Investment Income	521,314	819,000
Net Non-Operating Revenues (Expenses)	<u>1,415,856</u>	<u>891,781</u>
Change in Net Assets	2,127,018	2,218,651
Net Assets - Beginning of Period	9,381,714	7,163,063
Net Assets - End of Period	<u><u>\$ 11,508,732</u></u>	<u><u>\$ 9,381,714</u></u>

CAROLINA VILLAGE, INC.
STATEMENT OF CASH FLOWS

	April 2025 thru July 2025	12 months ended March 2025
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 2,127,018	\$ 2,218,651
Entrance Fee Amortization	(2,451,231)	(7,128,850)
Entrance Fee Forfeitures	(720,043)	(1,789,844)
Entrance Fee Admin	(405,000)	(855,640)
Depreciation	1,566,668	4,712,250
Amortization of Bond Costs	22,551	67,654
Deferred Income LCP	(415,285)	(1,013,761)
Entrance Fees (New Contracts) - Net of Refunds	5,453,435	12,307,300
Net Trust Forfeitures & Actuarial Adjustments	-	(14,450)
(Gain) Loss on Disposal of Asset	(1,000)	21,498
Changes in Operating Assets and Liabilities:		
Receivables	162,267	(449,560)
Inventories & Prepaid Expenses	(54,621)	(27,134)
Accounts Payable	(144,881)	(92,560)
Deposits on Occupancy Contracts	(391,800)	18,800
Net Cash Flows Provided (Used) by Operating Activities	4,748,078	7,974,354
Cash Flows from Investing Activities:		
Change in Assets held in Charitable Remainder Trusts	(47,002)	162,469
Change in Investments	(395,547)	(68,187)
Capital Additions	(2,057,499)	(7,229,770)
Proceeds from Sale of Asset	1,000	2,076
Net Cash Used by Investing Activities	(2,499,048)	(7,133,412)
Cash Flows from Financing Activities:		
Principal Payments - Long-Term debt	(841,543)	(2,467,471)
Funds held by Trustee - Net of Transfers	(24,852)	-
Net Cash Provided (Used) by Financing Activities	(866,395)	(2,467,471)
Net Increase (Decrease) in Cash and Cash Investments	1,382,635	(1,626,529)
Cash and Cash Investments - Beginning of Period	21,347,699	22,974,228
Cash and Cash Investments - End of Period	<u>\$ 22,730,334</u>	<u>\$ 21,347,699</u>

Appendix C

Waiting List Agreement

Reservation Agreement

Occupancy Agreement

WAITING LIST AGREEMENT

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

1. That the applicant will be notified in the order that his or her name appears on the waiting list for the availability of ALL UNITS or these specific unit types: _____

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

Applicant 1 Printed Name

Applicant 1 Date of Birth

Applicant 1 Address

Applicant 1 Phone Number(s)

Applicant 1 Email Address

Applicant 1 Signature

Applicant 2 (*if applicable*) Printed Name

Applicant 2 Date of Birth

Applicant 2 Address

Applicant 2 Phone Number(s)

Applicant 2 Email Address

Applicant 2 Signature

Dated at Hendersonville, NC the _____ day of _____, 20____

CAROLINA VILLAGE, INC.
MARKETING REPRESENTATIVE



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

STATE OF NORTH CAROLINA
COUNTY OF HENDERSON

RESERVATION AGREEMENT

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

WITNESSETH:

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

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

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

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

It is therefore agreed as follows:

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

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

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

_____	_____
ATTEST	OCCUPANT

_____	_____
ATTEST	OCCUPANT

CAROLINA VILLAGE, INC.

BY: _____
MARKETING REPRESENTATIVE



INCORPORATED

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

STATE OF NORTH CAROLINA
COUNTY OF HENDERSON

OCCUPANCY AGREEMENT

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

WITNESSETH:

- (1) THE OCCUPANT, having made application for residence number _____, a
_____, at Carolina Village, and the Village, having accepted
Occupant's application, agree that the Occupant shall comply with policies and operating
procedures now existing or as hereinafter amended by the Village. It is further agreed that such
residence shall be subject to the following terms and conditions. A copy of Occupant's financial
disclosure is attached hereto and by this reference made a part of hereof.
- (2) THE OCCUPANT agrees to pay the Village an Entrance Fee in the amount of
\$_____ for the particular living unit selected by the Occupant. The full
Entrance Fee is payable at the signing of this Occupancy Agreement. Also, at that time, the
Occupant assumes control of the residence.
- (3) THE PRIVILEGE of occupying said living unit shall continue throughout the lifetime of the
Occupant unless canceled in the manner hereinafter provided. It being understood, however,
and agreed that this Agreement is neither a lease nor shall it inure to the use or benefit of the
heirs, assignees, or representatives of the Occupant.
- (4) A MONTHLY service fee shall be paid by the Occupant upon receipt of a statement from the
Village for the month to follow, in such amounts as determined by the Board of Directors of the
Village for which the Village proposes to provide the following services and facilities:

- Access to Assisted Living & Skilled Nursing Services without increase in monthly service fee (except meals, drugs, supplies, any applicable deductible, co-payment, and/or co-insurance amounts not paid by the resident's Medicare and supplemental or replacement plans and therapy services ordered by resident's personal physician)
- Flexible meal plan
- All utilities, except for phone service
- 24-hour Maintenance
- Semi-monthly housekeeping service
- Weekly flat laundry service
- Free parking for residents and their guests
- Emergency call system
- On-site Wellness Coordinator and multiple fitness areas
- Planned activities--social, cultural, recreational, intellectual, vocational, spiritual
- Shuttle bus with regular schedule
- Private transportation (Additional cost)
- On-site pharmacy (Additional cost)
- Beauty/Barber Shop available (Additional cost)

(4a) The monthly service fee will begin ninety (90) days from the date of the Occupant's Reservation Agreement or at the time of occupancy, whichever is earlier, and shall be \$ _____. The Village will provide thirty (30) days' notice before rate changes.

(4b) The Village reserves the right to change or adjust the monthly service fee according to the living costs incurred and other economic necessities as they arise.

(4c) Upon timely payment of the aforesaid monthly service fee, Occupant shall be entitled to utilize all of the physical facilities that are generally made available to other residents of the Village whether such facilities exist on the date of this Agreement or not.

(5) IT IS UNDERSTOOD that The Village, a North Carolina Not-For-Profit Corporation, has no stockholders and governed by a volunteer local Board of Directors. The Board of Directors of the Village are non-salaried personnel and offer their services gratuitously for the express purpose of permitting the Village to operate at the lowest possible cost with resulting savings in the payment of the monthly service fee. Carolina Village is not affiliated with any religious or charitable organization that could be considered responsible for the financial or contractual obligations of the Village.

(6) THE VILLAGE will designate a member in good standing of the North Carolina Medical Board as Medical Director who will treat Occupants on an emergency basis only and will be available for consultation with the Village staff. The Occupant, at his/her own expense, will engage the services of a personal physician and will update the Village on any changes in the status of his/her health or a change in personal physician.

- (7) FURNISHINGS WITHIN the individual living units will be provided by the Occupant. Occupant further agrees to keep unit in a neat and orderly fashion to avoid fire and health hazards. The Village highly recommends that the Occupant maintains renter's insurance to protect Occupant's personal property against damage or loss. The Village is not responsible for damage or loss of personal property.
- (8) IN THE EVENT the personal physician and/or the Medical Director determines in his/her sole judgment that the Occupant is infected with a dangerous or contagious disease, or that the Occupant has become mentally or emotionally disturbed to the degree that his/her presence in the Village shall be deemed detrimental to the health or peace of other residents, or is adjudged incapacitated or incompetent by virtue of any disease or condition for which the Village is not permitted to provide care, the Village shall have authority to immediately transfer the Occupant to an appropriate hospital or other care facility that can, in the sole opinion of the Village, meet the Occupant's needs. In the event the Village cannot meet the Occupant's needs pursuant to this paragraph, reimbursement to the Occupant will be made as determined in Section 10c.

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

Changes in the location of an occupant's living unit or in services provided may be required if, in the judgment of the Medical Director, the health or safety or general interest or welfare of the Village or its residents would be best served by such change in location or services or if the level of services necessary to care for the Occupant can be better provided in a different living unit or area within the Village or cannot be provided by the Village. Occupant understands that there is the potential increased likelihood of experiencing health issues, cognitive decline, or functional limitations that are associated with the normal process of aging.

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

can require the Occupant to move from the Village into another more appropriate care/living environment.

- (9) THE CONTRACT may be rescinded within 30 days following the later of the execution of the contract or the receipt of a Disclosure Statement and the Occupant is not required to move in during the rescission period. The refund of all money or property transferred shall be made to the Occupant, or the Occupant's legal representative less periodic charges applicable to period a unit was occupied, non-standard feature costs requested by the Occupant, and nonrefundable administrative fee set out in paragraph 10 of this Agreement.
- (10) THE OCCUPANT shall have the right to terminate this Agreement after assuming residency in the Village for reasons under the following terms and conditions:
- (10a) The Occupant shall not under any circumstance terminate this agreement after Occupancy without serving the Village with ninety (90) days' written notice of intention to so terminate. The Occupant will be charged with the established monthly service fee until the expiration of the 90-day period mentioned above.
- (10b) In the event Occupancy is terminated by an Occupant who is competent to make a valid decision as provided in this paragraph, or his or her confirmed Power of Attorney or guardian, the departing Occupant will be reimbursed for the amount of the Entrance Fee paid less an appropriate charge for the period of Occupancy as stated in 10c. The refund will be made within 30 business days from the date when the 90-day notice period expires.
- (10c) An administrative fee in an amount equal to ten percent (10%) of the entrance fee is non-refundable and will be retained by the Village. In addition, any costs of non-standard features requested by the Occupant, any medical charges incurred for Occupant's care during residency and any other periodic charges, including any charges occurring during the ninety (90)-day notice period shall be considered as credit to the Village and shall reduce the amount refunded to Occupant. In addition to these reductions, the refundable portion of the entrance fee will amortize and become nonrefundable at the rate of two percent (2%) per month for a period of forty-five (45) months from the date of occupancy or the date of this occupancy agreement, whichever is earlier. After the forty-five (45) month period, there will be no refund of the entrance fee.
- (10d) If residents move in as a couple and one resident passes away and the surviving Occupant requests to move out, any reimbursement of the entrance fee amount will be calculated using the single-person entrance fee that was in place at the time of the move in date for the Occupant's specific unit type. The calculation of the reimbursement of the single-person entrance fee will follow the calculation stated in 10c.
- (10e) After Occupancy there is no refund in the event of the death of Occupant.

- (10f) In the event the Occupant finds it necessary to cancel the agreement for good reason before Occupancy, and after expiration of the thirty (30)-day period provided in paragraph 9 herein above, the Village shall be allowed to retain the administrative fee and all costs of non-standard improvements requested by the resident and shall reduce the amount refunded to the Occupant.
- (10g) Nothing in this paragraph 10 shall be construed to limit or modify Occupant's right to rescind this contract as provided in paragraph 9 herein above.
- (11) If residents move in as a couple and one resident passes away, the monthly service fee will be adjusted to the single rate.
- (12) THE VILLAGE shall not be responsible for the loss or damage suffered by the Village as a result of negligence or actions of the Occupant. The Occupant agrees to indemnify and hold harmless the Village for any injury to the person or property of others resulting from the negligence or intentional act of the Occupant.
- (13) OCCUPANT AGREES to provide the Village provisions for final testamentary disposition of all furniture, possessions and property located on the property of the Village should be made by Occupant. In the event such disposition is not made or in the event removal is not accomplished within 30 days after termination of occupancy by reason of death or otherwise, the Village shall have the right to remove and store the said furniture, possessions and property at the expense of the Occupant or the Occupant's estate.
- (14) THE VILLAGE may terminate the Occupant's residency upon a showing of good cause that the Occupant is not complying with the operating procedures and/or is creating a disturbance within the Village detrimental to the health or peaceful lodging of others. In the event the Occupant's residency is terminated as provided in this paragraph 14, reimbursement shall be made as described in Section 10 (except for the 90-day notice which shall not be required).
- (15) OCCUPANT AGREES to make payment herein provided for at the time and in the manner specified by the Village. Upon failure to do so, the Board of Directors shall have the right to terminate and cancel this Agreement if any such payment shall be in default for more than ninety (90) days, without any obligation to make any refunds of monies. It is the declared policy of the Village that an Occupant's residence shall not be terminated solely by reason of the financial inability of the Occupant to pay monthly fees. The Occupant must apply for and establish facts to justify special financial consideration and dispensation provided such application can be granted (within the sole discretion of the Board of Directors of the Village) without impairing the ability of the Village to operate on a sound financial basis. The Village does not require residents to apply for public assistance programs such as Medicaid. The Occupant must move to a smaller size living unit upon receiving special financial consideration.

- (16) VILLAGE AND OCCUPANT recognize that a situation may arise where it may become necessary for Occupant to be admitted to the Medical or Care Center for an extended period of time, and the parties hereto further recognize that it is not economically possible for Village to provide unlimited Medical or Care Center care while at the same time allowing Occupant to retain his/her independent living unit indefinitely. Accordingly, the parties hereto agree that at such time as Village shall be advised by the Occupant's physician that in his/her medical opinion, Occupant will not be able to return permanently to his/her independent living unit to live, then and in that event, Village shall make such information, together with all other facts and circumstances, known to its Board of Directors which shall be authorized to reacquire possession of said unit from Occupant for reassigning, and upon such approval being obtained, Village shall be authorized to forfeit Occupant's interest in said unit and to reassign the same; provided, that in the event Occupant's condition becomes such that Occupant's physician certifies that Occupant may return to a living unit, Village will provide Occupant a living unit substantially equivalent to the one formerly possessed by Occupant within such period of time as Village may reasonably have such unit available. However, no provision of this paragraph shall be construed to deprive a Co-Occupant of his/her use of the living unit unless said Co-Occupant also becomes admitted to the Medical or Care Center according to the terms of this paragraph.
- (17) THE OCCUPANT agrees that his/her rights under this agreement shall at all times be subordinate and junior to the lien of all mortgages executed by the Village covering the real estate known as Carolina Village.
- (18) THE INVALIDITY of a restriction, condition, or other provisions of this agreement, or any part of the same, shall not impair or affect in any way the validity, enforceability, or effect of the rest of this agreement.
- (19) NO AMENDMENT between the parties hereto is valid unless contained in writing executed by the Village and Occupant.
- (20) THE CONTRACT shall be automatically canceled due to death, illness, injury, or incapacity prior to occupancy that would preclude the Occupant from occupying a living unit. The resident or the resident's legal representative shall receive a refund of all money or property transferred to the provider, less (i) those standard and non-standard feature costs specifically incurred by the provider or facility at the request of the resident and described in the selection sheet signed by the resident; (ii) nonrefundable fees, if set out in the contract.
- (21) Notwithstanding anything contained herein to the contrary, the Village shall have the right to impose any reasonable rule, regulation or restriction which is necessary, in the discretion of the Village, to protect the health and safety of all residents of the Village. Any such restriction, rule or regulation shall supersede the terms of this Agreement.

(22) THE EXECUTION of this contract vests the privilege in the Occupant to change his/her mind within the first 30 days of execution of this contract or receipt of a Disclosure Statement as provided in paragraph 9 herein above.

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

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

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

ATTEST

OCCUPANT

ATTEST

OCCUPANT

CAROLINA VILLAGE, INC.

BY: _____
PRESIDENT OF BOARD OF DIRECTORS