

# Disclosure Statement

May 28, 2025



750 Weaver Dairy Road

Chapel Hill, NC 27514

[www.carolwoods.org](http://www.carolwoods.org)

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## Mission Statement

*Carol Woods shall be a charitable, not-for-profit corporation meeting the needs of older adults for housing, health, well-being, and protection of financial security. The mission of Carol Woods shall be to provide a safe, healthful, and secure environment for people throughout their later years, as well as to engage in cooperative research, development and education in areas encompassed by the mission.*

*High-quality residential living and health services shall be provided according to individual needs. Residents' ongoing needs to maintain and promote health and well-being shall be supported through the provision of appropriate resources. Carol Woods shall encourage diversity, residents' leadership, and participation in and service to Carol Woods and the larger community. Carol Woods shall also foster a high-quality work experience for staff and facilitate staff development that embodies the values and mission of the organization.*

## Vision

*Carol Woods strives to serve as a national model for continuing care communities and to be a leader in promoting successful aging throughout the state and the nation.*

## Values Statement

*We promote individual growth and fulfillment for both residents and staff through education, research, and recognition of each person's unique contribution. We value social accountability, while maintaining financial and organizational strength of the Carol Woods' community. We embrace collaborative planning among our board, residents, and staff. We strive for a comfortable, relaxed, versatile environment that respects diversity of lifestyles, self-determination, and personal dignity. We take pride in the shared responsibility of residents and staff in nurturing our community and believe in individual and collective contributions. We value optimal independence and security, a meaningful lifestyle, and the highest quality of health care for every resident. We seek to provide research and education that will enhance the health and care of older adults. We value excellence, effectiveness, efficiency, and human caring in our employees and affiliated professionals. We embrace initiative, innovation, teamwork, and mutual respect.*

*We seek to keep lines of communication open and to nurture ties outside Carol Woods, enabling contributions to the larger community.*

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In accordance with Chapter 58, Article 64 of the General Statutes of the State of North Carolina, this Disclosure Statement may be delivered until revised, but not after **October 26, 2026**. Delivery of the Disclosure Statement to a contracting party is required before execution of a contract for continuing care. This Disclosure Statement has not been reviewed nor approved by any government agency nor representative to ensure accuracy or completeness of the information set out.

## Table of Contents

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ORGANIZATION INTRODUCTION AND INFORMATION .....	4
Description of the Organization and its Operation.....	4
Affiliations.....	4
Accreditation .....	5
Licensure .....	5
FACILITY INTRODUCTION AND INFORMATION.....	6
Physical Location and Capacity .....	6
Board of Directors .....	6
Key Management Staff.....	8
Residents Association.....	10
Ongoing or Proposed Expansions or Developments.....	11
ADMISSION AND RESIDENCY REQUIREMENTS .....	12
Admission Requirements .....	13
Health Criteria .....	13
Financial and Insurance Criteria.....	14
Age Requirements .....	14
EARLY ACCEPTANCE AND RESIDENCE & SERVICES AGREEMENTS.....	15
Contract Cancellations / Terminations and Applicable Refunds.....	15
Moves .....	18
Marriages / New Second Occupants.....	20
Inability to Pay.....	20
SERVICES .....	21
General Services Supported with Entry Fees and Monthly Fees .....	21
On-Campus Living Services.....	22
Carol Woods Services Available at Extra Charge .....	22
Personal Services .....	23
FEES .....	23
Priority List Deposit / Administration Fee .....	23
Entry Fees and Monthly Fees – Early Acceptance and Independent Living .....	23
Fees in Higher Levels of Support.....	24
Fee Change Policies.....	26
Historic Changes in Major Fees .....	26
FINANCIAL INFORMATION.....	27
Amortization of Entry Fees.....	27

Reserves, Escrows and Trusts.....	27
Other Material Information, As Applicable.....	27
Tax Consequences .....	27
Explanations of Material Differences.....	28

## Appendices

- Appendix A: Audited Financial Statements as of December 31, 2024 and 2023
- Appendix B: Interim Financial Statements as of March 31, 2025
- Appendix C: Summary of Comprehensive Actuarial Study as of December 31, 2024
- Appendix D: Contracts and Agreements.
  - Early Acceptance Agreement
  - Residence and Services Agreement Following Early Acceptance
  - Residence and Services Agreement
- Appendix E: Consolidated Financial Projection (With Independent Accountants' Compilation Report Thereon) For Each of the Five Years Ending December 31, 2029

## **ORGANIZATION INTRODUCTION AND INFORMATION**

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### **Description of the Organization and its Operation**

Organized by a group of local citizens who recognized the need for a quality retirement center in Chapel Hill, The Chapel Hill Residential Retirement Center, Inc. was incorporated in July 1972 as a non-profit corporation. The community includes a single campus located at 750 Weaver Dairy Road in Chapel Hill, North Carolina. The corporation generally uses the registered name Carol Woods when doing business.

Carol Woods is a charitable, non-profit corporation and is governed by a volunteer Board of Directors. Carol Woods is a 501(c)(3) organization, which exempts the organization from corporate income taxes and allows Carol Woods to receive charitable contributions that may be tax deductible by the donor. Under IRS regulations, no earnings of the Corporation may be used for the benefit of or distributed to corporate directors, officers, or other individuals. All excess funds remain with Carol Woods for use in its programs and services, and for on-going financial stability.

In 2012, Carol Woods received licensure from the North Carolina Department of Insurance to operate a continuing care service without lodging program pursuant to Chapter 64 Article 58 Paragraph 7. This program is referred to as "Early Acceptance".

### **Affiliations**

In 2006, Carol Woods created an affiliated corporate entity, naming it "The Carol Woods Charitable Fund, Inc." (the Charitable Fund). The Charitable Fund has been established as a separate 501(c)(3) charitable organization and has been organized as a supporting corporation to Carol Woods. Under its Articles of Incorporation and Bylaws, the purpose of the Charitable Fund is to:

- Support the facilities, grounds and services of Carol Woods to maintain its high quality and affordability.
- Support Carol Woods as a leader in research and development of innovative housing programs, health care services, technology applications, and other needed support services in order to help elderly people lead meaningful lives as they age.
- Support Carol Woods' leadership role in the community, identifying and addressing potential gaps in the service delivery system, financial issues and other barriers to seniors being able to access needed services.
- Support Carol Woods' assistance to elderly people during periods in which the aging process may lead to personal loss, supporting seniors as long as possible in desired living arrangements and achieving smooth transition to other settings as needed.
- Support Carol Woods in promoting the care and service to seniors as a fulfilling career choice for students at high school, college, graduate school and trade school levels, thereby increasing the supply of qualified and dedicated personnel available to serve seniors.
- Support Carol Woods in its cooperation and collaboration with other public agencies and non-profit corporations in the community, North Carolina and the United States in efforts to determine the most satisfying and fulfilling methods of providing living residences and supportive services for elderly people.

The Charitable Fund can accept charitable donations for which the donor may receive a tax deduction. All members of the Charitable Fund Board of Directors are appointed by the Carol Woods Board. A majority of the Charitable Fund Board must be current members of the Carol Woods Board -- including the Carol Woods President/CEO and CFO, who serve as ex-officio voting members of the Charitable Fund Board. This structure ensures cohesion between the two organizations.

The financial statements of the Charitable Fund are presented as part of a set of consolidated financial statements, providing residents and the public the same level of financial disclosure to which they have come to expect with Carol Woods (refer to Appendix A). The Charitable Fund is not part of the Obligated Group that Carol Woods created through a Master Trust Indenture relating to its long-term debt. Carol Woods remains the sole member of that Obligated Group.

Carol Woods is also a voting member of Unity Senior Care Group, LLC. (Unity Senior Care). Unity Senior Care is a limited liability corporation created to help financially strong, like-minded non-profit Continuing Care Retirement Communities in North Carolina and South Carolina renew insurance policies as a bigger group and share risk management best practices.

Pursuant to NCGS §58-64-20(a)(4), aside from its affiliation with the Carol Woods Charitable Fund, and its membership in Unity Senior Care -- and other than annual membership in several state and national associations such as LeadingAge -- Carol Woods has no formal affiliation with any other religious, charitable, other non-profit organization or any other organization. Carol Woods is solely responsible for all of the corporation's financial and contractual obligations.

### **Accreditation**

Carol Woods is accredited by the national Commission for Accreditation of Rehabilitation Facilities (CARF). The Commission is an independent entity and is the only accreditation body for communities like Carol Woods. Initial accreditation was granted in 1988. Carol Woods was reaccredited in 1993, 1998, 2003, 2008, 2013, 2019 and most recently in 2023. Each 5-year reaccreditation involves an intensive evaluation process and an on-site visit conducted by a team of experienced continuing care professionals. In achieving accreditation, the Commission finds that Carol Woods conforms to specific standards of excellence accepted by the continuing care industry.

### **Licensure**

Carol Woods is licensed to provide continuing care in North Carolina in accordance with State law. The license is issued by the North Carolina Department of Insurance.

Carol Woods is also licensed by the North Carolina Division of Health Service Regulation to operate 30 skilled nursing facility beds and 89 Adult Care Home beds (the latter comprise Carol Woods' Assisted Nursing and Assisted Living facilities). Collectively, the 119 beds are referred to Carol Woods' Higher Levels of Support (HLOS). The 30-bed skilled nursing center is certified to participate in the Medicare program, as are Carol Woods' primary care medical clinic and outpatient rehabilitation department.

Carol Woods also carries a home care license from the North Carolina Division of Health Service Regulation. Between its own home care license, and its referral relationship with other local home care providers, Carol Woods meets its obligation to offer home care services to its Early Acceptance residents under the Continuing Care Services without Lodging requirements of NCGS §58-64-7.

## **FACILITY INTRODUCTION AND INFORMATION**

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### **Physical Location and Capacity**

Carol Woods is located on 120 wooded acres in northern Chapel Hill, North Carolina. Its location is between two major universities, the University of North Carolina at Chapel Hill and Duke University. Carol Woods provides housing and services, including health care, to individuals of retirement age and currently consists of:

- 315 Independent Living Accommodations
- 30 Skilled Nursing Accommodations (all Medicare certified)
- 89 Assisted Living (Adult Care Home) Accommodations, of which 54 provide Assisted Nursing

As of March 31, 2025, Carol Woods had 487 residents living on campus, and 167 residents living off campus under the Early Acceptance program.

A variety of central buildings house common facilities (such as the dining hall, social hall, guest house, indoor heated pool, fitness center, library, assembly hall, computer room / business center, craft rooms / craft shop) and offices. The campus is accessed by vehicle from a single entrance on Weaver Dairy Road.

The Early Acceptance option is offered only to people who are on Carol Woods' priority list, and the admission process for Early Acceptance is identical to the admission process for people who are moving to campus. The Carol Woods Board determines the total number of people accepted to the Early Acceptance program, guided by the numbers of residents living on campus and the projected actuarial capacity of Carol Woods' Higher Levels of Support facilities. The 5-year financial projections in Appendix E present assumptions about average census in the Early Acceptance program over the next five years, and the financial implications.

### **Board of Directors**

Carol Woods is a private community-based not-for-profit corporation, governed by a Board of Directors, all of whom serve on a volunteer basis. There are 17 voting Board members and 3 non-voting ex-officio members -- of whom one is the President / CEO, and two are members of the elected Council of the Residents Association. The Board nominates and elects voting members to 3-year terms. Currently 2 residents serve as voting members of the Board. No paid staff members of Carol Woods serve as voting Board members. Each Board member may serve a maximum of two consecutive 3-year terms but then must rotate off the Board for at least one year.

Carol Woods certifies that none of its Board Members nor Management Staff have ever 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, for any matter involving fraud, embezzlement, fraudulent conveyance, or misappropriation of property. In addition, Carol Woods certifies that none of its Board Members nor Management Staff are currently subject to an injunctive or restrictive court order arising out of a related health care business activity in this or any other state. Finally, Carol Woods certifies that none of the Trustees or Management Staff have had any State or Federal license or permits suspended or revoked. No officer, director or trustee has any ownership or beneficial interest in Carol Woods.

Residents are free to have business relationships with Board members or with organizations they own, control, are employed by, or are otherwise affiliated. Carol Woods neither endorses nor encourages residents to do business with Board members nor related organizations and is not involved in establishing continuing business relationships between residents and Board members. Each Board member is asked each year to disclose whether they have business relationships with residents. Carol Woods has disclosed those Board members who do or may have business relationships with residents below.

The following is a listing of the members of the Board of Directors – indicating Board position, voting or non-voting, and whether any Board member might have business relations of any kind with Carol Woods or its residents.

<b>Board of Directors</b>	<b>Principal Business Affiliation</b>
Larry McManus Board Chair	Principal and Financial Advisor, Modern Wealth Management Modern Wealth Management may provide services to residents of Carol Woods, the anticipated cost of which cannot be estimated.
Jess Aylor Vice-Chair	Executive Director, Library Development at UNC
John (Jack) Evans Treasurer	Retired, Dean of the Kenan-Flagler Business School at UNC-CH
Margarete Sandelowski Resident	Retired, School of Nursing, UNC-CH
Susannah Smith Resident	Retired, Episcopal priest
Susan (Sue) Coppola	Clinical Professor, Division of Occupational Science and Occupational Therapy at UNC School of Medicine
Stephen Elkins-Williams	Retired, Former rector of The Chapel of the Cross, Chapel Hill, NC
John Hawkins	Architect, John B. Hawkins AIA Architect The firm may provide services to residents of Carol Woods, the anticipated cost of which cannot be estimated.
Charles House	Owner, University Florist University Florist may provide services to residents of Carol Woods, the anticipated cost of which cannot be estimated.
Allen Mask, MD	Retired, WRAL-TV Medical Report/Commentator
Tom Miller, MD	Retired, Professor of medicine in the Division of General Medicine and Clinical Epidemiology at UNC-CH

Kendall Page	Real estate attorney, Kendall Page Attorney Kendall Page Attorney may provide services to residents of Carol Woods, the anticipated cost of which cannot be estimated.
Will Perreault	President, Community Impact Investment Corporation Chief of Staff, Self-Help Credit Corporation
Ben Popkin	Attorney, Law Office of Maurice B. Popkin, Esquire, PLLC Law Office of Maurice B. Popkin, Esquire, PLLC, may provide services to residents of Carol Woods, the anticipated cost of which cannot be estimated.
Chris Taylor	Retired, North Carolina Medical Care Commission
Jeffery Simms	Director of Professional Development, Gillings School of Global Public Health UNC-CH
Mel Hurston	Former Sr. VP of Operations, UNC Medical Center
Rebecca Brent Ex-Officio, Resident Non-Voting	President of the Residents Association; Retired, Educator
Beth Schultz Ex-Officio, Resident Non-Voting	VP of the Residents Assoc.; Retired, Occupational Therapist.
Marianne Ratcliffe Ex-Officio Non-Voting	President & CEO, Carol Woods

Board membership may change between major updates of this disclosure statement.

### **Key Management Staff**

#### *Marianne Ratcliffe, President and Chief Executive Officer*

Ms. Ratcliffe is responsible for the overall management of the Corporation. She joined Carol Woods in 2021 after a career in senior health services, most recently with Piedmont Health Services, Inc. where she developed Piedmont Health SeniorCare, a Program of All-inclusive Care for the Elderly. PACE is a full-risk model of care providing frail seniors with comprehensive medical and social services needed to age safely in their community. Prior to Piedmont Health, Marianne worked as a program manager for the Blue Cross Blue Shield of North Carolina Foundation and was a program officer for the Kate B. Reynolds Charitable Trust in Winston-Salem, North Carolina. In both roles she focused on initiatives supporting healthcare access for vulnerable populations. Marianne is a graduate of Skidmore College and earned her master's



degree in healthcare administration from the University of North Carolina at Chapel Hill's Gillings School of Global Public Health. She is an adjunct professor at the UNC Gillings School of Public Health. She currently serves on the Board of Directors for LeadingAge NC and as a Deacon in her church.

*Tracy Biesecker, Chief Financial Officer*

Ms. Biesecker is responsible for securing, managing, and planning for the current and future financial resources necessary to fulfill the mission of Carol Woods. In her role, Ms. Biesecker provides oversight and support to the Finance Department. Ms. Biesecker began working as the CFO for Carol Woods in January 2025. Prior to joining Carol Woods, Ms. Biesecker served as CFO for Salemtowne in Winston-Salem, North Carolina for three years, and Messiah Lifeways and its affiliates in Mechanicsburg, Pennsylvania for four years. Previous industry experience includes serving as an Executive Director for a multi-site senior living provider for four years, Vice President of Operations and Technology and Director of Financial Services at another senior living community for an eleven-year tenure, and four-year tenure at the public accounting firm of PricewaterhouseCoopers where she audited clients in the senior living, healthcare, and banking industry. She holds a Bachelor of Science in Accounting and a minor in Information Systems from Pennsylvania State University and a Master of Business Administration from Shippensburg University. Ms. Biesecker holds a Nursing Home Administrators license in the states of Pennsylvania and North Carolina, and an inactive license as a CPA within Pennsylvania.

*Nicole Cooper, Vice President of Compliance and Risk*

Ms. Cooper serves as the Vice President of Compliance and Risk at Carol Woods where she oversees the organization's compliance and risk management programs. Since joining Carol Woods in 1998, she has played a pivotal role in driving initiatives that strengthen regulatory compliance, improve operational efficiency, and integrate innovative technologies across the organization. She holds an MBA from Elon University and a Bachelor of Arts in International Relations from The College of William and Mary. In addition to her role at Carol Woods, Ms. Cooper serves as a surveyor for the Commission on Accreditation of Rehabilitation Facilities (CARF) and is a Licensed Nursing Home Administrator in North Carolina. With extensive expertise in compliance standards, strategic leadership, and aging services, Ms. Cooper continues to be a vital force in advancing Carol Woods' mission of excellence and innovation in aging services.

*Liz Tomajko, Vice President of Human Resources and Staff Development*

Ms. Tomajko is the Vice President of Human Resources and Staff Development at Carol Woods. She brings decades of HR leadership experience and a strong commitment to fostering a positive and supportive workplace culture. Ms. Tomajko holds a Bachelor of Professional Studies degree with a major in Human Resources from Barry University. She has maintained her Professional in Human Resources (PHR) certification from HRCI since 2000 and earned the Certified Professional (SHRM-CP) credential from the Society for Human Resource Management in 2015. In addition to her professional work, Ms. Tomajko has demonstrated a commitment to community service, having served as a board member for Chapel Hill-Carrboro Meals on Wheels. She joined Carol Woods in 2008 and has since played a vital role in the development and well-being of staff across the organization.

### *Jen Wilson, Vice President of Well-Being*

Ms. Wilson is responsible for oversight of health and well-being services and program development that impacts residents across the continuum of support. Since joining the organization in 2008, Ms. Wilson's role at Carol Woods has grown and varied in its focus on resident well-being. Prior to Carol Woods, she coached North Carolina nursing homes through quality improvement efforts to implement person centered care and eliminate restraint use as a Project Manager with the Carolinas Center for Medical Excellence. Ms. Wilson holds a Master of Public Health from the University of North Carolina at Chapel Hill and a Bachelor of Arts in Sociology/Anthropology from Ohio Wesleyan University. She is a licensed Adult Care Home Administrator in North Carolina.

### *Tommy Best, Vice President of Campus Operations*

Mr. Best serves as Vice President of Campus Operations at Carol Woods, where he oversees day-to-day operations across Maintenance & Facilities, Landscaping & Grounds, and Housekeeping. Since joining Carol Woods in 2019 as Grounds Manager, Mr. Best has applied a rich and varied background to his leadership role. Before his tenure at Carol Woods, Mr. Best spent 12 years in commercial banking before transitioning into construction, with a specialization in landscape design and construction. His career includes key roles such as Site Manager at the North Carolina Museum of Art and Supervisor of Landscape Construction Services at NC State University. Mr. Best holds a double major in Biology and Economics from UNC-Chapel Hill. He is a Licensed Landscape Contractor and an ISA Certified Arborist, with additional certifications in Stormwater Control Measures and Project Management. Promoted to Vice President in 2023, Mr. Best brings a unique blend of financial expertise, operational management, and environmental design to ensure the Carol Woods campus remains a vibrant, sustainable, and well-maintained community.

### **Residents Association**

A vibrant quality of Carol Woods is the active involvement of residents in most aspects of the retirement community through membership in a Residents Association, with an elected Council and appointed Committee structure. The Residents Association is a separate non-profit corporation, independent of Carol Woods and the Charitable Fund corporations. All residents are members by virtue of being Residents of Carol Woods – both those living on campus and those in the Early Acceptance program. Association members elect representatives to the Residents' Council, which is the governing body of the Association. The Residents' Council generally meets monthly and is joined by the President/CEO of Carol Woods. The Council President appoints the chairs of a large number of standing committees, ranging in scope from Finance to Fitness -- Dining to Decorating. The President of the Residents Council and one other member of the Council (selected by the Council) serve as ex-officio, non-voting members of the Carol Woods Board of Directors.

Management works very closely with the residents through the Association, its Council, and its committees. Each department manager meets routinely with the appropriate resident advisory committees. Resident-initiated questions and issues relating to operations are directed to the committee level for clarification or discussion with management. Parameters for programming and policies are developed at this level. Programs and policies developed in this way generally are referred to the President/CEO of Carol Woods with consensus having been reached between the particular resident committee and manager. Similar support is sought and is usually reached at the Residents' Council level. The Board of Directors is thereby assured that policies

that it must consider, and policies that are within the purview of management to approve and implement, have had considerable and very real resident input.

### **Ongoing or Proposed Expansions or Developments**

Pursuant to NCGS §58-64-20(a)(14), this section discloses some ongoing capital expansions that are noteworthy.

In 2023 Carol Woods initiated a master planning process for the campus. The Board commissioned a master planning task force to oversee the process. The task force included 7 Board members (including 2 architects), 5 residents, and 4 members of Carol Woods' senior management staff. The task force engaged a market consulting firm (Love and Company) whose analysis suggests that there is sufficient demand in the market for Carol Woods to consider adding more independent living residences, and more licensed capacity in higher levels of support.

In early 2024 the task force engaged an architectural firm (SFCS) to guide master plan development.

Early Work Projects in 2025-2027: As the master planning process unfolded some projects emerged which the Board elected to accelerate as "Early Work" that is not likely to require a Special Use Permit. SFCS was engaged to do the design and build on the Early Work projects. A General Contractor (Blum Construction) and Civil Engineer (Thomas & Hutton) were also engaged to collaborate in the design phase and proceed to construction. The Early Work projects may include:

- Expanding the current main dining building, add additional storage space in the basement, additional dining space on the 1st floor, and additional kitchen and/or dining department office space. This project also includes rerouting and elevating the covered walkway from a 3-story apartment building to the expanded dining building, allowing expansion and reconfiguration of the loading dock area behind the kitchen.
- Constructing a 2-story heated corridor connector between two existing 2-story apartment buildings. The connector would create 2nd floor access to the single elevators in each building, giving 2nd floor residents access to two elevators.

In December 2024 Carol Woods closed on a 3-year term loan with Truist Bank for \$17M that will be used to finance the soft costs and construction costs for the Early Work projects. These Early Work projects and the draw-down on the 3-year loan are included in the 5-year financial forecast compilation in Appendix E of this Disclosure Statement.

The master planning task force presented its work to the Carol Woods Board in January 2025. At this time, no decisions have been made regarding the priority of elements of the Master Plan to be tackled in the first phase, which likely will run from 2026 through 2030, and will involve securing longer-term (30-year) financing in the 2026 – 2027 timeframe. This first phase will include construction of additional independent living residences on campus, and perhaps a handful of additional licensed adult care home units. Once plans become more definitive, Carol Woods will submit an updated disclosure statement and comply with the requirements of the development process under the Department of Insurance.

## **ADMISSION AND RESIDENCY REQUIREMENTS**

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Carol Woods offers two programs by which people can become Residents of Carol Woods:

1. If a cottage, apartment or townhome is available, one can reserve that residence, proceed through Carol Woods' admission process, take residency of the residence, and enjoy on-campus retirement living and related services, plus ensure access to future health care services as needed.
2. If a slot in Carol Woods' Early Acceptance program is available, one can reserve that slot, proceed through Carol Woods' admission process, become a Resident of Carol Woods with full access to the campus amenities, and ensure access to future health care services as needed. All Early Acceptance residents remain in their current home for the time being, while retaining their position on Carol Woods' Priority List for a potential future move to campus.

Whether living on campus or continuing to live in their current home, residents in each setting have the same financial protection and equal access to Carol Woods' Higher Levels of Support (HLOS) and other health care programs.

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

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

- Only people on Carol Woods' Priority List are offered available residences on campus and available slots in the Early Acceptance program.
- Once a member of the Priority List has reserved a residence or a slot in the Early Acceptance Program, the admission process is identical and includes financial analysis and health assessment.
- Once one becomes a Resident of Carol Woods, whether living on campus or through Early Acceptance, they have equal access to all common areas of campus, equal standing as members of the Residents Association, and equal access to Carol Woods' Higher Levels of Support and shared health care benefits.

To emphasize the wide array of similarities between the two programs, the next sections on Admission and Residency Requirements and Services will intersperse information related to both programs.

## **Admission Requirements**

The admission requirements for the Early Acceptance program and for residence at Carol Woods are non-discriminatory with respect to race, creed, religion, gender, sexual orientation or gender expression. Carol Woods is open to both couples (married or unmarried) and singles.

Carol Woods maintains an active Priority List for people interested in the Early Acceptance program, and in possibly moving to Carol Woods at a future date. The Priority List secures the option for people to go through the admissions process at a later date but does not guarantee admission to Carol Woods. As residences on campus become available, people who have indicated interest in the available unit type are contacted from the Priority List in order by the date that their original deposit was made and offered the option of reserving the residence at that time.

As slots for Early Acceptance become available, people from the Priority List who live in the local geographic area, and who have expressed interest in the Early Acceptance program, are contacted and offered the option of becoming a Carol Woods resident under the Early Acceptance program. The geographic area that is served through the Early Acceptance program must be close enough driving distance to be convenient for Early Acceptance Residents to come to Carol Woods and for Carol Woods' care management staff to conduct periodic in-home visits. The service area includes southern and central Orange County, NC and portions of surrounding counties that are within appropriate driving distance. People considering joining the Priority List and interested in Early Acceptance will be informed as to whether they live close enough to qualify for Early Acceptance so that they can factor that into their decision to join the Priority List.

A person/couple may defer becoming a resident, and that decision will not change one's position on the Priority List. Their position is set based upon the date that they made their original priority list deposit. Likewise, those who become Carol Woods' residents under the Early Acceptance program remain on the Priority List and retain their original Priority List Date. They will continue to be offered the opportunity to move to a residence on campus as residences of their choice become available and based upon their original Priority List Date.

A Reservation Agreement or Early Acceptance Reservation Agreement is signed when a person on the Priority List decides to enter the Admissions process. In this Agreement, Carol Woods agrees to take the available residence or early acceptance slot off the market while the person goes through the admission process. The Reservation Agreement also establishes the amount of the Entry Fee to be paid upon acceptance.

The Board of Directors, guided by actuarial considerations and senior management input, determines the number of Early Acceptance contracts that Carol Woods may offer. Prospective residents who elect to proceed through the Early Acceptance admission process shall be subject to the same requirements as the traditional admission process, including signing an Early Acceptance Reservation Agreement and providing timely health and financial information. The admissions criteria for Early Acceptance are the same as those used for on-campus admissions to Carol Woods, as outlined in the following sections.

## **Health Criteria**

Carol Woods is a continuing care retirement community with a fee structure and reserves that are actuarially based and insurance-like in nature. The community's financial projections are based upon the assumption that every resident accepted through Carol Woods' admission

process can live independently and have a reasonable expectation of an active lifestyle for participation in the community for a minimum of three to five years.

All prospective residents are required to submit a Personal Health History within 30 days of executing the Reservation Agreement or Early Acceptance Reservation Agreement. The prospective resident is also asked to have his/her personal physician complete a Physician's History and Physical Examination Report and, if appropriate, personal interviews are scheduled.

The Carol Woods' Admissions Committee reviews the medical information provided by the applicant and their physician, and information received in personal interviews, and makes an admission determination. All decisions by the Admissions Committee are binding.

### **Financial and Insurance Criteria**

Residents must have assets and income sufficient to meet their financial obligations under the Agreement and to cover other ordinary living expenses, under foreseeable circumstances. Carol Woods requires completion of a Confidential Financial Statement within 30 days of executing the Reservation Agreement or Early Acceptance Reservation Agreement and may request that the resident furnish updated financial information periodically after acceptance.

The Carol Woods' CFO uses the financial information provided to assess the ability of the applicant to meet their financial obligations over one's lifetime. That assessment is reviewed by the President & CEO. All financial decisions are binding.

All residents must also carry Medicare A and B, a Medicare supplemental policy, or Medicare Advantage policy that meets Carol Woods' requirements. At a minimum, Carol Woods expects that, since it participates in Medicare, neither one's Medicare, Medicare Advantage, nor one's supplemental policy would exclude Carol Woods as a health care provider. Policies also are reviewed to the extent that they cover the following:

- Deductibles and co-insurance for all Medicare-allowed hospital care;
- Daily co-insurance for all Medicare-allowed skilled nursing care;
- Co-insurance for all Medicare-allowed medical visits and outpatient services.

Carol Woods provides Medicare-certified skilled nursing, outpatient rehabilitation, and primary medical care services. Carol Woods also accepts Medicare Assignment, which means that it will bill each resident's Medicare, Medicare Advantage, and supplemental insurance policies for Medicare-covered services that Carol Woods provides and will accept as full payment the amount that Medicare or Medicare Advantage plans establish as "allowable."

To the extent that a resident's Medicare, Medicare Advantage, and supplemental medical insurance policies do not cover Medicare's allowable amount entirely, Carol Woods will bill the resident the remaining deductible or co-insurance amounts allowed by the resident's Medicare, co-insurance or Medicare Advantage plans.

### **Age Requirements**

Admission to either Carol Woods' Early Acceptance or on-campus programs is restricted to people 62 years of age or older, except a co-applicant may be 55 years of age or older.

## **EARLY ACCEPTANCE AND RESIDENCE & SERVICES AGREEMENTS**

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Appendix D includes copies of the Early Acceptance Agreement, Residence and Services Agreement, and Residence and Services Agreement Following Early Acceptance.

**Early Acceptance Agreement.** At the time that an applicant is accepted for admission under Carol Woods' Early Acceptance program, the applicant is notified in writing and has 10 days to sign an Early Acceptance Agreement and to pay the applicable entry fee in full. 4% of this fee is considered an Acceptance Fee, which has bearing if the resident should seek a refund of the entry fee, as is outlined in the following section of this Disclosure Statement. The date that the agreement is signed constitutes the Date of Financial Responsibility for subsequent monthly service fees, and for commencing the statutory 30-day Rescission Period (explained in a following section).

**Residence & Services Agreements.** At the time that an applicant is accepted for admission to a residence on the Carol Woods campus, when there may still be up to 90 days before the actual Date of Financial Responsibility (the date when the Residence and Services Agreement is signed, which is also generally the move-in date to the on-campus residence), the applicant will be expected to pay 10% of their total Entry Fee, of which 4% is considered an Acceptance Fee. This payment will be required within 10 days of the applicant being notified in writing of acceptance to a Carol Woods residence.

The Entry Fee for a resident who is moving to campus after having been accepted previously as a Carol Woods resident under the Early Acceptance program shall be the prevailing Entry Fee for the residence to which the resident is moving, less the Entry Fee that the resident paid previously under the Early Acceptance program. The 10% deposit at the time of acceptance for Early Acceptance residents moving to campus shall be based upon the additional Entry Fee which they will pay upon taking residence on campus, and not upon the Entry Fee that they paid originally when becoming a Carol Woods resident under the Early Acceptance program.

The Residence and Services Agreement, and Residence and Services Agreement Following Early Acceptance, shall be signed not later than 90 days after the applicant is accepted for admission to the reserved residence. The remainder of the applicable entry fee shall be paid at the time that the Agreement is signed. The date that the agreement is signed also constitutes the Date of Financial Responsibility for subsequent monthly service fees, and for commencing the statutory 30-day Rescission Period.

### **Contract Cancellations / Terminations and Applicable Refunds**

This section outlines the terms and conditions under which a contract may be canceled by Carol Woods or the resident, and the conditions under which fees will be refunded.

**Cancellation of Priority List Agreement.** Applicants may terminate the Priority List Agreement and be removed from the Priority List. A \$1,000 deposit is refunded. The \$500 Priority List Administration Fee is forfeited.

**Cancellation During Admissions Process Due to Change in Applicant's Health Status.** Applicant or Carol Woods may terminate Reservation Agreement/Early Acceptance Reservation Agreement and Priority Agreement, with refund of \$1,000 Priority List deposit and other portions of Entry Fee already paid, excluding the 4% Acceptance Fee.

**Cancellation during Admission Process for Reasons Other than Change in Applicant's Health Status.** Applicant or Carol Woods may terminate Reservation Agreement/Early

Acceptance Reservation Agreement and Priority Agreement, with refund of \$1,000 Priority List deposit, and other portions of Entry Fee already paid, except the 4% Acceptance Fee.

**30-Day Contract Rescission Period.** There is a 30-day period following signing of Early Acceptance Agreement or Residence & Services Agreement when Resident has the right to terminate the Agreement. Residents are entitled to full refund of the entry fee paid, except the 4% Acceptance Fee, which is forfeited.

**Termination following 30-Day Rescission.** Residents may terminate Early Acceptance Agreement or the Residence & Services Agreement voluntarily at any time by giving 60-day written notice. Carol Woods may terminate Agreement if Resident failed to disclose pertinent health or financial information, or if Resident fails to abide by the terms of the Agreement, including refusing to receive health care services if that is determined by Carol Woods to be in the Resident's best interest.

Carol Woods may terminate if Resident refuses to move to higher levels of support or obtain sufficient health care support at home if determined by Carol Woods' health care team to be in the Resident's best interest.

For Early Acceptance, the portion of Entry Fee that is refundable declines at a rate of 4% per month for 25 months. After 25 months, no portion of the Entry Fee is refundable. Resident is responsible for payment of the Monthly Service Fee through the date that the Early Acceptance Agreement is terminated.

For On-Campus Living under the Residence & Services Agreement, The portion of Entry Fee that is refundable declines at a rate of 2% per month for 50 months. After 50 months no portion of the Entry Fee is refundable. Resident is responsible for payment of the Monthly Service Fee through the date that the Residence and Services Agreement is terminated, and the residence is cleared of the Resident's belongings and trash.

If the Residence and Services Agreement Following Early Acceptance is terminated, the Early Acceptance Agreement that had been in effect prior to the resident's move to campus shall be reestablished, unless the reason for terminating the on-campus agreement is due to factors that would preclude the resident from returning to an early acceptance relationship with Carol Woods.

**Residence & Services Agreement Following Early Acceptance.** After the 30-day rescission, the resident may terminate the Residence and Services Agreement Following Early Acceptance at any time by giving Carol Woods 60 days advance, written notice of such termination. For a Residence and Services Agreement that follows a period in which the person has been a resident of Carol Woods under the Early Acceptance program, the refund period of the additional Entry Fee paid for residence on campus will be set to ensure that the resident receives a full 50-month period of overall refund ability. Up to 25 months may have already been used by the resident under the Early Acceptance Agreement. However, if the resident signed the Early Acceptance Agreement less than 25 months earlier, the remaining months from the previous Early Acceptance Agreement will be added to the additional 25 months provided upon moving to a Carol Woods residence to establish the period during which portions of the resident's Entry Fee may be refundable. The remaining period of refund ability and rate of refund amortization will be specified for each resident in an Exhibit to the Residence and Services Agreement Following Early Acceptance.



The resident shall be responsible for payment of the monthly service fees and other periodic fees accrued through the date that the Residence & Services Agreement Following Early Acceptance is terminated, or the date the residence is cleared by the resident, whichever is later.

Payment of any Entry Fee refund related to vacating a Carol Woods residence may be made only when the vacated residence has been covered by receipt of an Entry Fee by a subsequent resident.

**Termination Upon Death of a Single Resident.** In the event that a single resident dies at any time after the Date of Financial Responsibility, who was covered under the terms of an individual Early Acceptance Agreement, Residence and Services Agreement, or Residence and Services Agreement Following Early Acceptance, the applicable Agreement will terminate upon the date of death or the date the residence is vacated, if applicable, whichever is later. The resident's estate will be entitled to a pro-rated refund of the Entry Fee in the same manner as stated in the Voluntary Termination in the preceding paragraphs.

The resident shall be responsible for payment of the monthly service fees and other periodic fees accrued through the date that the applicable Agreement is terminated, or the date the residence is cleared by the resident's family, whichever is later.

**Termination By One Of Two Residents Co-Signing an Agreement.** In the event that two residents are each party to the terms of a joint Early Acceptance Agreement, Residence and Services Agreement, or Residence and Services Agreement Following Early Acceptance, upon the permanent transfer to higher levels of support, or the death of one such resident, or in the event of the termination of the applicable Agreement with respect to one such resident, the Agreement will continue in effect for the remaining or surviving resident, and there will be no refund of any portion of the Entry Fee.

**Termination by Carol Woods.** Carol Woods may terminate the Early Acceptance Agreement, Residence and Services Agreement, or Residence and Services Agreement Following Early Acceptance at any time if there has been any material misrepresentation or omission made on the part of the resident in the application forms; if a material change in the resident's health takes place before the Date of Financial Responsibility; or if the resident fails to make payment to Carol Woods within 30 days after receiving the monthly statement. In the latter situation, Carol Woods shall give written notice to the resident, who must make payment within 15 days after receiving such written notice. In such events, the resident is entitled to a pro-rated refund of the Entry Fee as described in Voluntary Termination, if applicable.

Carol Woods also reserves the right to terminate the applicable Agreement if the resident fails to abide by Carol Woods' policies and procedures; if there is a breach in the terms of the applicable Agreement; or if the resident's continued presence is considered by Carol Woods to be a serious disruption or threat to the life, health, or safety of others. Carol Woods also may terminate the applicable Agreement if the resident refuses to move to higher levels of support, or to obtain sufficient health care services at home, if such services are determined by Carol Woods' health care team to be in the resident's best interests. Carol Woods will provide timely advance written notice of termination in compliance with prevailing laws, regulations and Carol Woods' policies, and will pay any refund due within 60 days of contract termination.

The resident shall be responsible for payment of the monthly service fees and other periodic fees accrued through the date that the applicable Agreement is terminated, or the date the residence is cleared of all personal belongings and trash by the resident, whichever is later.

## **Moves**

All moves between Carol Woods' residences are at Carol Woods' discretion. Moves are subject to availability, date at which one joined Carol Woods' Priority List, and legal requirements. All decisions regarding the resident's permanent transfer to higher levels of support, a special care facility, or to a hospital will be made in consultation with the resident and, when appropriate, the Health Care Power of Attorney. Ultimately, Carol Woods' decision is binding.

If a resident requests an internal move on campus, either from Early Acceptance or from one independent living residence to another, Carol Woods differentiates between need-based, and preference moves. If the requested internal move is due to a significant change in the resident's circumstances (such as loss of a spouse, change in health or change in financial situation), the move is considered to be need-based and Carol Woods will absorb many of the costs of the internal move. For any move that is considered need-based, it is presumed that time is of the essence for the resident to make the move. This presumption guides the following policies:

1. If the resident requesting a need-based move is positioned relatively low on Carol Woods' Priority List, such that the move enables them to move prematurely ahead of others, they will be limited to moves to smaller residences:
  - a. Single residents will be allowed to move only to units that are 860 sq ft or smaller.
  - b. Couples will be allowed to move only to residences that are 1,010 sq ft or smaller.
2. If the resident has been on Carol Woods' Priority List long enough that they would not move prematurely ahead of others, they still will be expected to accept the next available residence for the need-based move. Waiting for particular locations, floors, or views would not be consistent with the notion of a need-based move.

If the move is a preference move, the resident will not only be charged the monthly service fee for the new residence from the date that they make the move but also will be charged three (3) additional months' monthly service fee for the previous residence to cover the minimum additional months that the residence will be vacant; preparing for the next admission. For preference moves made within the first 5 years that a resident is living at Carol Woods, the resident also will be expected to cover the refurbishing costs of preparing their previous residence for remarketing.

Preference moves are offered based solely upon a resident's position on the Carol Woods Priority List. If one's position on the Priority List would allow Carol Woods to offer the residence while adhering to its Priority List sequencing procedures, the resident can accept the offer as a preference move. Conversely, if a resident requests a need-based move independent of Priority List position, the resident must accept the first available residence that is offered by Carol Woods. Need-based moves imply a sense of urgency. Declining the residence offered indicates that the desired move is de facto not need-based.

Except in special circumstances, residents transferring between independent living residences will vacate their previous residence within ten (10) days, and when moving permanently to higher levels of support will vacate their previous residence within thirty (30) days of the move. For transfers between rooms in higher levels of support, the resident is expected to vacate the

previous room within two (2) days. The guiding principle for any internal move is to make the prior residence available as soon as possible for another resident.

**Resident “Preference” Moves to Campus, or to Another Apartment, Cottage or Townhome on Campus.** For a preference move, an Early Acceptance resident is offered an available residence based upon Priority List date. A Reservation Agreement Following Early Acceptance is signed, and health and financial updates are reviewed for appropriateness and affordability. Upon acceptance to the reserved residence, the resident follows the admission process related to a move to campus, signing a Residence and Services Agreement Following Early Acceptance.

Even after moving to campus, residents may request to remain on the Priority List for a potential preference move to other desired types of residence. For a preference move, a resident living on campus is offered an available residence based upon the date when the resident originally joined the Priority List.

Health and financial updates are reviewed to make sure that the move will not cause undue health issues, and that the new residence is affordable to the resident.

If a resident transfers to another residence, he or she is responsible for paying any difference in the Entry Fee, if the amount of the Entry Fee of the new residence is greater than the original Entry Fee paid for the previous residence to be vacated. If the Entry Fee for the new residence is less than the Entry Fee for the previous residence to be vacated, no refund will be paid for the difference. Either the Single or Two Person Entry Fees will be applied in the calculations depending upon the number of people that are party to this Agreement at the date of the move. The Resident will pay the applicable Monthly Fee for the new residence effective the date of the move.

The monthly service fee for the new residence takes effect on the date that the resident moves to the new residence. For a preference move, the resident is also charged three (3) additional months' monthly service fees for the residence that is being vacated to cover the community's costs for the preference move.

**Moving to Higher Levels of Support from an On-Campus Residence.** If one member of a couple transfers to higher levels of support, the Monthly Service Fee continues to reflect the two-person rate of the independent living residence in which the other member of the couple remains. For single residents or both members of a couple who transfer to a higher level of support, and who have released their independent living residence for re-marketing, the Monthly Service Fee will be reduced to a level rate as presented in Carol Woods' prevailing monthly fee schedule.

If Carol Woods subsequently determines that a resident can resume occupancy in a comparable residence as had been occupied prior to such transfer, the resident will have priority to such residence as soon as one becomes available.

**Moving to Higher Levels of Support from Off Campus Under Early Acceptance.** In the event that a single person or one member of a couple who is living off campus under Carol Woods' Early Acceptance program moves permanently to higher levels of support, the Monthly Service Fee of the individual who is making the move to the higher level will increase to the prevailing 1st Person Monthly Service Fee of an on-campus resident. For both members of a couple who had been living off campus under Early Acceptance, and who both transfer to higher levels of

support, the Monthly Service Fee will be increased to a rate comparable to on-campus couples as presented in Carol Woods' prevailing monthly fee schedule.

Upon the death of one resident, the surviving resident will pay the applicable single-person rate.

### **Marriages / New Second Occupants**

If a non-resident is planning to join a resident in a residence at Carol Woods or under the Early Acceptance program, he/she first must apply and be approved for acceptance as a resident. The new person seeking to live at Carol Woods must meet Carol Woods' health care criteria and must have sufficient financial resources to afford to live at Carol Woods. If approved, an additional Entry Fee is charged, calculated as the difference in the amount actually paid by the resident for the current Agreement and the total Entry Fee due for the amended Agreement at the double occupancy rate effective at the time the joint coverage commences.

If the non-resident does not meet all admission criteria, Carol Woods may grant admission subject to limited financial and service responsibilities on the part of Carol Woods. Carol Woods, however, is under no obligation to accept a new occupant simply because they wish to live with a current Carol Woods resident.

If one Carol Woods resident marries another Carol Woods resident it is presumed that one may wish to move into the current living residence of the other. On the date that the other living residence is cleared and the key returned to Carol Woods, the monthly service fee shall change to the two-person monthly fee related to the residence in which the couple now resides. If the couple elects to remain in their two separate residences, each will continue to be charged the single person monthly service fee for the residence in which each continues to reside.

Since both residents had been admitted to Carol Woods previously under separate contracts, each contract will remain in effect separately. There shall be no refund of any balance remaining on either entry fee paid previously, as long as the particular contract related to that entry fee remains in effect. Should the contract of one or another of the people subsequently be terminated, any potential refund of the entry fee shall be provided as outlined previously.

### **Inability to Pay**

If the sole reason for non-payment of financial obligations to Carol Woods is insufficient funds or other circumstances beyond the resident's control, Carol Woods will review the matter with the resident. If special financial consideration is determined to be necessary, Carol Woods may subsidize the fees partially or wholly, provided such subsidy will not impair Carol Woods' sound financial position and maintenance of the quality of services provided. Carol Woods may request that the resident make every effort to obtain assistance from all available resources both private and public.

When a resident dies, Carol Woods will make a claim on the resident's estate for the full amount of the subsidy provided by Carol Woods and seek written attestation from the estate executor if the estate is unable to repay the amount subsidized in full.

This policy applies equally to all Carol Woods residents, whether residing on campus or living off campus under the Early Acceptance program.

## SERVICES

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Carol Woods is a full-service continuing care retirement community, with many of the available services supported through the Entry Fee and Monthly Service Fee pricing structure. There are also other services available to residents on campus for an additional charge. The contracts provided in Appendix D outline the general residential and health care services provided by Carol Woods; and whether they are covered by entry fees and monthly fees, or available for an additional charge. In the spirit of full disclosure, the following sections help outline the terms of those contracts.

### **General Services Supported with Entry Fees and Monthly Fees**

The following services are available to all residents of Carol Woods (those living on campus as well as those in the Early Acceptance program) and are supported by Monthly Service Fees and amortization of initial Entry Fees.

- Membership in Carol Woods' Residents Association
- Equal participation in all social, educational, recreational and cultural activities offered at Carol Woods and/or to other off-campus activities or events sponsored by Carol Woods or the Residents Association
- Parking and use of all Carol Woods' common areas, meeting rooms, classrooms, and private dining rooms
- Free use of Carol Woods' campus amenities, including:
  - Fitness Center and Indoor Pool
  - Library
  - Craft / Woodworking Shop and Art Studio
  - Business Center
  - Access to CW Online Resident Web Portal
  - Dog Park
  - Labyrinth
  - Croquet Court
  - Bocce Court
  - Natural Walking Trails
- Higher Levels of Support "Free Days" – 15 days per person accrue per year and accumulate over time
- Discounts on prevailing per diem charges in Higher Levels of Support
- On-campus clinic visits for preventative / health promotion purposes
- Social work services
- Activities and programs

### **On-Campus Living Services**

The following residential living services are available to all residents of Carol Woods who reside on Carol Woods' campus (not available to those residents in the Early Acceptance program), and are supported by Monthly Service Fees and amortization of initial Entry Fees.

- Monthly Meal Credits per resident equal in number to the number of days in the month
- One (1) housekeeping visit per week
- Utilities, including trash removal, electricity, natural gas, water/sewer, standard TV, and high-speed broadband wireless
- One (1) local telephone line if resident chooses to use Carol Woods' telephone system
- Twenty-four-hour security coverage, with central monitoring of emergency call bells installed in every cottage and apartment, and emergency response from Carol Woods' security and nursing staff
- Routine landscaping around campus
- Maintenance of Carol Woods' property
- General liability and property insurance coverage of Carol Woods' property
- Operation of a local bus service (in operation 20 to 25 hours per week)
- Free temporary Clinic Authorized Meal Delivery to one's residence, when approved by Clinic staff
- County property taxes & fees

### **Carol Woods Services Available at Extra Charge**

The following services are provided, arranged, or referred by Carol Woods' staff. They are available to residents in Early Acceptance and residents of Carol Woods who reside on Carol Woods' campus at an additional charge.

- Extra meals taken at Carol Woods
- Guest Meals
- On Campus Guest House Residences

The following services are provided, arranged, or referred by Carol Woods' staff. They are available to residents of Carol Woods who reside on Carol Woods' campus only at an additional charge.

- Special requests for maintenance of resident's personal property
- Special requests for landscaping services around resident's residence
- Special modifications made to resident's residence
- Concierge and other Home Services such as Private Duty Gardening, Closet Reorganizing, Deep Cleaning, Pet Sitting, IT Support, Etc.

- Medical Transportation charges (Costs of driver and mileage for round-trip medical appointments). NOTE: Medical Transportation is included in the charge for residents in higher levels of support; but Medical Accompaniment is charged separately.
- Medical Accompaniment (Costs of additional staff person accompanying resident to the medical appointment).

### **Personal Services**

The following services are available on-campus to Carol Woods' residents.

- US Postal Service post office boxes
- Gift Shop operated by residents
- Access to the Barber / Beauty Salon
- Integrative Health Therapies (massage, healing touch) provided by licensed therapists
- Medical specialty services (podiatry, audiology, counseling) provided by independent licensed practitioners in the Carol Woods clinic as a convenience to Residents
- Pick up and drop off services of a local dry-cleaning service

### **FEES**

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#### **Priority List Deposit / Administration Fee**

Carol Woods maintains an active Priority List for people seeking the opportunity to apply for admission at a future date. Registering for the Priority List requires payment of \$1,500. Within this amount there is a \$500 non-refundable Priority Agreement Administration Fee. The remaining \$1,000 is applied to one's initial Entry Fee at the time one proceeds with the application and admission process or is refunded upon written request to withdraw from the Priority List.

#### **Entry Fees and Monthly Fees – Early Acceptance and Independent Living**

**Early Acceptance Agreement.** Upon approval of the Admissions Committee and within ten days of notification of acceptance, a prospective Early Acceptance resident is required to sign the Early Acceptance Agreement and make payment of the established Entry Fee. The Entry Fee is the amount established at the start of the admissions process and stipulated in the Early Acceptance Reservation Agreement. 4% of this fee is considered an Acceptance Fee, which has bearing if the resident should seek a refund of the entry fee, as is outlined in the Policies section of this Disclosure Statement.

**Residence and Services Agreement.** Upon approval of the Admissions Committee and within ten days of written notification of acceptance, a prospective resident is required to make payment of 10% of the established Entry Fee; which includes a 4% Acceptance Fee. The Entry Fee amount is the amount established at the start of the admissions process and stipulated in the Reservation Agreement. The balance of the Entry Fee (90%) is due upon signing a Residence and Services Agreement, payment of which establishes the Date of Financial Responsibility, which should occur within a 90-day period after approval. One thousand dollars of the Priority Deposit will be applied toward this 90% amount. The potential refund of the entry fee is outlined in the Policies section of this Disclosure Statement.

**Residence and Services Agreement Following Early Acceptance.** Upon approval of the move to campus, and within ten days of notification of acceptance, a prospective resident is required to make payment of 10% of the established Entry Fee; which includes a 4% Acceptance Fee. The 10% Entry Fee is the amount established at the start of the admissions process and stipulated in the Reservation Agreement. It shall reflect the prevailing entry fee for the reserved residence, less the unamortized amount that the resident paid previously as an Early Acceptance entry fee. The balance of the Entry Fee (90%) is due upon signing a Residence and Services Agreement Following Early Acceptance, payment of which establishes the new Date of Financial Responsibility, which should occur within a 90-day period after approval. Potential refund of the entry fee is outlined in the [Contract Cancellations / Terminations and Applicable Refunds](#) section.

The following table shows Entry Fees and Monthly Fees related to Early Acceptance and to residency at Carol Woods by residence type. The fees shown are effective as of April 1, 2025.

<b>Independent Living and Early Acceptance Entry Fees and Monthly Fees</b>					
	<b>Square</b>	<b>Entry Fee</b>		<b>Monthly Fees</b>	
	<b>Footage <sup>(1)</sup></b>	<b>1st Person</b>	<b>2nd Person</b>	<b>1st Person</b>	<b>2nd Person</b>
<b>Early Acceptance</b>					
Each Person	N/A	\$44,200	\$44,200	\$1,129	\$1,129
<b>Central Apartments</b>					
Studio	507	\$106,000	N/A	\$2,787	\$1,481
1-Bedroom	671-758	\$185,000 - \$221,700	\$44,200	\$3,660 - \$3,968	\$1,481
2-Bedroom	910-1,160	\$275,600 - \$354,600	\$44,200	\$4,814 - \$5,312	\$1,481
2-Bedroom & Den	1,292 - 1,390	\$404,400 - \$428,200	\$44,200	\$5,622 - \$5,845	\$1,481
<b>Garden Cottages <sup>(2)</sup></b>					
1-Bedroom	678	\$190,700	\$44,200	\$3,775	\$1,481
1-Bedroom & Den	801	\$237,500	\$44,200	\$4,116	\$1,481
1-Bedroom Duplex	1,343	\$409,100	\$44,200	\$5,684	\$1,481
1-Bedroom, Den & Carolina Room	1,006	\$302,300	\$44,200	\$4,984	\$1,481
2-Bedroom	957	\$286,400	\$44,200	\$4,741	\$1,481
2-Bedroom & Carolina Room	1,149	\$348,500	\$44,200	\$5,281	\$1,481
2-Bedroom & Den	1,078	\$328,700	\$44,200	\$5,173	\$1,481
2-Bedroom Duplex	1,538	\$475,900	\$44,200	\$5,954	\$1,481
2-Bedroom Duplex & Sunroom	1,855	\$578,200	\$44,200	\$6,439	\$1,481
2-Bedroom, Den & Carolina Room	1,280	\$391,400	\$44,200	\$5,549	\$1,481
<b>Townhomes</b>	1,159 - 1,894	\$339,300 - \$610,600	\$44,200	\$5,204 - \$6,439	\$1,481

**NOTES:**

<sup>(1)</sup> Square footage figures are approximate based upon the particular floor plan. Actual square footage may vary.

<sup>(2)</sup> Cottages with an expansion to the base unit have the additional monthly fee based upon expansion square footage.

**Fees in Higher Levels of Support**



When a Carol Woods resident vacates their independent living residence to move permanently to higher levels of support, their monthly service fee to the current HLOS monthly fee. In addition to the lower monthly service fee, the Carol Woods resident is charged a per diem that is discounted from the prevailing “market” or “private pay” per diem.

Each Carol Woods resident also accrues Free Days at a rate of 15 per year, which they can accumulate over time to apply to the daily per diem. When a Carol Woods resident uses a Free Day, the daily per diem is written off to \$0, leaving only the HLOS monthly fee.

The following table shows monthly fees and daily room charges for higher levels of support (HLOS) effective January 1, 2025. HLOS daily fees are charged only for those days that a person occupies a room in an applicable level of support; while monthly fees are charged for the full month.

Higher Level of Service Monthly Fees and Daily Per Diem Fees					
	Room Type	Carol Woods Entry Fee Residents			Non-Carol Woods Entry Fee Residents
		Monthly Fee <sup>(1)</sup> Per Person	Daily Per Diem <sup>(2)</sup> 1st Person 2nd Person		Daily Per Diem <sup>(3)</sup> Per Person
<b>Assisted Living</b>					
Central Assisted Living	Type 1	\$2,657	\$96	N/A	\$257
Central Assisted Living	Type 2	\$2,657	\$98	N/A	\$257
Central Assisted Living	Type 3	\$2,657	\$102	N/A	\$257
Central Assisted Living	Type 4	\$2,657	\$106	\$102	\$257
Central Assisted Living	Type 5	\$2,657	\$108	\$102	\$257
Garden Assisted Living	Private	\$2,657	\$102	N/A	\$257
<b>Assisted Nursing</b>					
Central Assisted Living	Semi-Private	\$2,657	\$112		\$385
Central Assisted Living	Private	\$2,657	\$122		\$400
Garden Assisted Living	Private	\$2,657	\$122		\$400
<b>Skilled Nursing</b>					
Skilled Nursing	Semi-Private	\$2,657	\$122		\$428
Skilled Nursing	Private	\$2,657	\$132		\$443

**NOTES:**

<sup>(1)</sup> CW residents who move to higher levels of support continue to pay a monthly fee, but it is lower than the monthly fees of all IL residences on campus.

<sup>(2)</sup> In addition to the monthly service fee, Carol Woods' residents are charged a per diem, which under the Type B contract is significantly discounted from prevailing private per diems across all higher levels of support.

<sup>(3)</sup> This column presents the non-discounted per diem charges for comparison to Carol Woods' discounted daily charges.

Carol Woods' residents receive a discount from per diem rates in higher levels of support as a part of their Early Acceptance Agreement or Residence and Services Agreement. Residents may elect to apply "Free" Days from remaining balances in their individual accumulated reserve to cover the additional per diem rate. A resident may elect to defer use of Free Days to a later time, but there is no refund for unused Free Days.

Per Diem charges for all Higher Levels of Support include 3 meals per day and all the necessary nursing/personal care on a 24-hour basis appropriate for each particular level of support. The 24/7 nursing/personal care, however, is shared among all residents living in a particular facility on a particular day. If a resident or family needs or wishes to receive 1-on-1 services for an extended period, Companionship service can be arranged on an individual basis, and the resident is charged on an hourly basis for the 1-on-1 services that are provided per prevailing rates. The Companionship hourly charges are in addition to the discounted per diem charge. Depending upon staff availability, services are arranged by Carol Woods but may be from another local provider. If services are provided by another agency, the resident is billed directly from that provider, and the hourly rates may be different.

The per diems for Assisted Nursing and Skilled Nursing also include many ancillary items of daily care, including medical and personal need supplies, non-prescription medications, nutritional supplements, and oxygen as needed. Prescription medications, physician services, customized medical equipment, and rehabilitation services are NOT included in the above per diem charges and may be billed separately. Likewise, any prescription pick-up or delivery charges from other local pharmacies are NOT included in the per diem charges and will be billed separately if provided by Carol Woods staff.

### **Fee Change Policies**

Carol Woods' fees are changed generally once annually but may be changed at any time. At least thirty days' written notice is provided to residents before new entry fees, monthly service fees and per diem charges take effect (sixty days for Skilled Nursing residents). The objective in setting fees is to keep them at the lowest feasible rates consistent with sound fiscal practices and maintenance of high-quality service. Balanced with the goal is to set fees that are sufficient to cover residents' current needs as well as projected future needs.

### **Historic Changes in Major Fees**

The following table shows the average dollar increase in the monthly service fees and HLOS daily charges over time.

	Independent Living - One Occupant		Independent Living - Two Occupants		Skilled Nursing - CW Discounted Rate		Assisted Living - CW Discounted Rate	
Effective Date	% Per Month (Average)	\$ Per Month (Average)	% Per Month (Average)	\$ Per Month (Average)	% Per Day (Average)	\$ Per Day (Average)	% Per Day (Average)	\$ Per Day (Average)
1/1/2021	1.5%	\$59	1.5%	\$77	0.0%	\$0	0.0%	\$ -
1/1/2022	2.9%	\$119	2.9%	\$156	3.2%	\$3	3.2%	\$ 4
1/1/2023	4.5%	\$190	4.5%	\$241	3.6%	\$4	3.6%	\$ 4
1/1/2024	4.0%	\$176	4.0%	\$224	5.2%	\$6	5.2%	\$ 6
1/1/2025	4.0%	\$183	4.0%	\$233	4.1%	\$5	4.1%	\$ 5

## **FINANCIAL INFORMATION**

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Due to the lifetime commitment that has been made to each resident, Carol Woods uses actuarial planning and forecasting tools in addition to more traditional budgeting and accounting methods.

### **Amortization of Entry Fees**

Entry Fees are prepaid fees used to help cover the costs of providing services to a resident over one's lifetime. As such, rather than record the Entry Fee as revenue only in the year it is paid, Carol Woods elects to "defer" most of the Entry Fee of a new entrant and recognize a portion of the fee as income each year that one remains a resident of Carol Woods. Each new Entry Fee is recorded as "Deferred Revenue" on Carol Woods' balance sheet. Each year, including the first year, the appropriate amount is reclassified from deferred income to actual income, based on an actuarially derived schedule specific to the age and gender of the particular single resident or couple.

The actuarial model that Carol Woods uses to derive amortized Entry Fees contains life expectancy tables that are reviewed and updated by an independent Certified Actuary. In addition, changes in individual residents' living situations are updated annually, so that amounts amortized for each resident may be adjusted annually. The rate at which one's entry fee is amortized is sensitive to whether one is living independently, in assisted living or in nursing; and whether it is for a single person or two people. By accounting for Entry Fee revenue in this way, Carol Woods spreads its income from one's Entry Fee over one's lifetime, enabling some of the future costs of service to be covered every year with income from the initial Entry Fee.

### **Reserves, Escrows and Trusts**

As of December 31, 2025, Carol Woods has restricted \$8,599,000 as the operating reserve fund required by N.C. General Statute 58-64-33 and expects to continue to meet the requirement into the future. The operating reserve is held within the overall Investment Portfolio of the organization. Investment of funds is currently in interest-bearing checking accounts and professionally managed mutual funds, money market accounts, stocks and bonds. Future investment strategies will, of course, depend upon future market conditions and demands for funds. Overall policies and decisions relating to reserve funds and investments are under the direction of the Finance Committee of the Board of Directors.

### **Other Material Information, As Applicable**

Carol Woods is not the subject of any bankruptcy filing, receivership, liquidation or the like. Carol Woods is not involved in any legal proceedings.

### **Tax Consequences**

NO INFORMATION IS PROVIDED HEREIN WITH RESPECT TO THE TAX CONSEQUENCES OF ENTERING INTO A RESIDENCE AND SERVICES AGREEMENT UNDER APPLICABLE FEDERAL, STATE OR LOCAL LAWS. THE DECISION BY A RESIDENT TO ENTER INTO A RESIDENCE AND SERVICES AGREEMENT MAY HAVE MATERIAL TAX CONSEQUENCES TO THE RESIDENT. EACH RESIDENT IS URGED TO CONSULT HIS OR HER OWN TAX ADVISOR WITH RESPECT TO ANY TAX CONSEQUENCES OF ENTERING INTO A RESIDENCE AND SERVICES AGREEMENT.

## **Explanations of Material Differences**

Following is an explanation of material differences between (i) the forecasted financial statements of projected revenue and expenses and cash flows of Carol Woods for 2024 contained as part of the Disclosure Statement dated as of May 1, 2024, filed with the North Carolina Department of Insurance and (ii) the actual results of operations for the fiscal year 2024 as shown in the audited financial statements of Carol Woods contained at the end of this section.

Material differences are defined as +/- 5% or greater of the forecasted amount, and +/- \$500,000. Set forth below is a comparison of such information. Explanation of variances that are greater than \$500,000 but less than 5%; or less than \$500,000 but greater than 5% may be included if they are deemed noteworthy to prospective residents.

Note: Due to rounding to “thousands”, there may be slight differences in the statements below and the actual statements issued.

Carol Woods					
Balance Sheet Variance Analysis - December 31, 2024					
	Forecast (000)s 2024	Audit (000)s 2024	Differences		Notes
			\$	%	
ASSETS					
Current Assets Limited as to Use	1,913	2,013	100	5.2%	
Long-Term Assets Limited as to Use	8,058	8,599	541	6.7%	A
Total Assets Limited as to Use (AWUIL)	9,971	10,612	641		
Cash and Temporary Investments	3,234	5,221	1,987	61.4%	B
Long-Term Investments	41,484	44,464	2,980	7.2%	C
Total Cash and Investments Not Limited as to Use	44,718	49,685	4,967		
Property and Equipment, net	63,535	66,498	2,963	4.7%	D
Interest Rate Swap Agreement	608	885	277	45.6%	
Other Assets	2,355	2,767	412	17.5%	
Total Other Assets	66,498	70,150	3,652		
TOTAL ASSETS	121,187	130,447	9,260		
LIABILITIES					
Line of Credit	0	7,215	7,215		E
Net Long-Term Debt, including Current Maturities	26,221	26,434	213	0.8%	
Deferred Advance Fee Revenue	52,346	53,612	1,266	2.4%	
Other Current & Long-Term Liabilities	6,026	5,164	(862)	-14.3%	F
Total Liabilities	84,593	92,425	7,832		
NET ASSETS					
Net Assets Without Donor Restrictions	34,838	36,133	1,295	3.7%	
Net Assets With Donor Restrictions	1,756	1,889	133	7.6%	
Total Net Assets	36,594	38,022	1,428		
TOTAL LIABILITIES & NET ASSETS	121,187	130,447	9,260		

Carol Woods					
Statement of Operations Variance Analysis - December 31, 2024					
	Forecast (000)s 2024	Audit (000)s 2024	Differences		
			\$	%	Notes
<b>REVENUE:</b>					
Resident Monthly Fees - On Campus	20,994	20,640	(354)	-1.7%	G
Resident Monthly Fees - Early Acceptance	1,866	1,929	63	3.4%	G
Amortization of Advance Fees - On Campus	4,905	5,086	181	3.7%	
Amortization of Advance Fees - Early Acceptance	427	563	136	31.9%	
Health Services, Net of Contractual Allowances	5,786	4,901	(885)	-15.3%	G
Guest Meals & Lodging	220	249	29	13.2%	
Investment Income	1,751	2,644	893	51.0%	C
Miscellaneous Operating Revenue	365	355	(10)	-2.7%	
Net Assets Released from Restrictions for Operations	38	294	256	673.7%	
<b>Total Revenue</b>	<b>36,352</b>	<b>36,661</b>	<b>309</b>		
<b>EXPENSES:</b>					
Health Services	10,656	10,267	389	3.7%	
Dietary Services	5,745	5,891	(146)	-2.5%	
Facility Services	7,679	7,707	(28)	-0.4%	
Early Acceptance	144	149	(5)	-3.5%	
Administration	6,620	6,840	(220)	-3.3%	
Depreciation & Amortization	4,354	4,355	(1)	0.0%	
Interest Expense	867	855	12	1.4%	
<b>Total Expenses</b>	<b>36,065</b>	<b>36,064</b>	<b>1</b>		
<b>Operating Income (Loss)</b>	<b>287</b>	<b>597</b>	<b>310</b>		
<b>NONOPERATING INCOME (LOSS)</b>					
Net Realized Gains on Sale of Investments	817	4,312	(3,495)	-427.8%	C
Net Unrealized Losses on Investments and AWUIL		(3,163)	3,163		C
Unrealized Gain (Loss) on Interest Rate Swaps		278	(278)		
Loss / (Gain) on Retirement of Fixed Assets	(638)	(263)	(375)	58.8%	
Undesignated Contributions		3	(3)		
<b>Excess of Revenues, Gains, and Other Support Over Expenses and Changes in Net Assets Without Donor Restrictions</b>	<b>466</b>	<b>1,764</b>			
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>					
Contributions		386			
Net Assets Released from Restrictions Used for Operation	(38)	(294)		0.0%	
<b>Total Change in Net Assets with Donor Restrictions</b>	<b>(38)</b>	<b>92</b>			
<b>CHANGE IN NET ASSETS</b>	<b>428</b>	<b>1,856</b>			

**Carol Woods**  
**Cash Flow Variance Analysis - December 31, 2024**

	Forecast (000)s 2024	Audit (000)s 2024	Differences		
			\$	%	Notes
<b>Cash Flows from Operating Activities</b>					
Change in Net Assets	428	1,856			
Net Proceeds from Advance Fees	6,428	7,968	1,540	24.0%	H
Amortization of Advance Fees	(5,332)	(5,649)	(317)	5.9%	
Depreciation Expense	4,354	4,355	1	0.0%	
Other Cash Flows from Operations	846	(2,187)	(3,033)	-358.5%	I
<b>Cash Flows Provided by Operating Activities</b>	6,724	6,343	(381)		
<b>Cash Flows from Investing Activities</b>					
Net Sale (Purchase) of Investments	4,923	633	(4,290)	-87.1%	C
Purchase of Property and Equipment	(6,545)	(9,135)	(2,590)	39.6%	D
<b>Cash Flows Used in Investing Activities</b>	(1,622)	(8,502)	(6,880)		
<b>Cash Flows from Financing Activities</b>					
Net Proceeds from Line of Credit	(2,652)	4,564	7,216	-272.1%	E
Principal Payments on Long-Term Debt	(2,450)	(2,450)	0	0.0%	
Net Proceeds from Issuance of Debt	0	213	213		
<b>Cash Flows Provided by/(Used in) Financing Activities</b>	(5,102)	2,327	7,429		
<b>NET CASH FLOW</b>	<b>0</b>	<b>168</b>	<b>168</b>		

A. Long-term Assets Limited to Use: This line represents the reserves required by the State of North Carolina to meet the operating reserve requirements. Carol Woods is currently subject to the threshold of reserving 25% of operating costs based on favorable occupancy within the campus levels of living. The variance reported between forecast and audit is due to the forecast being calculated on 2024 forecasted values, while the value on December 31, 2024, is based on the fiscal year 2025 values.

B. Cash and Temporary Investments: This line was favorable to forecast due to the favorable cash flow, which was primarily due to withdrawals on the line of credit.

C. Long-Term Investments, Net Unrealized Gains on Sale of Investments, Net Unrealized Losses on Investments and AWUIL, Net Sale (Purchase) of Investments: In its forecast process, Carol Woods conservatively assumes annual returns on its investments of 5.0%. Carol Woods' assumptions about investment income include forecasting the yield on its portfolio from interest on fixed income holdings, and dividends from equities, which tend to be more predictable. The other portion of the 5.0% forecasted returns, however, are unrealized versus realized gains on investments that are sold, and those are more unpredictable.

In 2024 Carol Woods' investment portfolio gained 6.2% which also adds to the positive variance in revenue on the income statement and the higher asset value on the balance sheet. In addition, CW changed investment managers in 2024, which caused a large portion of its portfolio to be liquidated in order to transfer assets to the new manager. This explains the sizeable variance in net sales of investments on the cash flow statement.

D. Property and Equipment, net, and Purchase of Property and Equipment: These lines varied from the forecast related to the previously mentioned plumbing project as well as

higher unit turnover costs than planned for. In addition, Carol Woods has been involved in a 2-year campus master planning process which has increased the amount of funds for marketing studies and architectural design work. These expenditures show up as construction-in-process under net property & equipment on the balance sheet, and higher capital expenditures on the statement of cash flows.

- E. Line of Credit and Proceeds from Line of Credit: As previously mentioned, Carol Woods utilized its Line of Credit to fund various capital projects rather than utilize investments. See D. above.
- F. Other Current & Long-Term Liabilities: Overall, the variance in this line relates to the change in Accounts Payable from the forecast to the audit. The forecast was prepared based on an estimate of payables and the variance is related to the timing and receipts of invoices, as well as the payment of invoices from the line of credit prior to the due dates, which decreases the days in Accounts Payable.
- G. Health Services, Net of Contractual Allowances: Underlying the variances in operating revenue, and in cash flow from operations, were variances in average census. A root cause of census variation, in turn, was the higher rate and timing of resident deaths in 2023 and 2024.

In 2023 Carol Woods experienced 41 deaths followed by 39 deaths in 2024. Long-term Carol Woods has averaged 31 deaths per year since 2000. 41 deaths and 39 deaths are the 2nd and 4th highest numbers of deaths experienced over that time span.

This explains the negative variances in monthly fee revenue on campus, and in net revenue in health services. It also explains the positive variance in revenue from amortization of advance fees on campus.

In response to the lower census on campus, Carol Woods has been increasing the numbers of residents through its off campus Early Acceptance (EA) program. In 2023 CW added 54 new residents to EA, and another 45 in 2024. In the same timeframe, 19 EA residents moved to campus in 2023, and another 25 moved to campus in 2024. This helped offset some of the negative variances in revenue on campus.

- H. Net Proceeds from Advance Fees: The variance to forecast is due to higher turnovers than projected which resulted in deposits of entrance fees, as well as an increase in admissions for Early Acceptance to counterbalance the drop in campus occupancy/revenue.
- I. Other Cash Flows from Operations: This line was lower than the forecast due to the following areas. First, Accounts Payable and Accrued Expenses were approximately \$963 thousand lower than forecast. Second, the net appreciation of investments was approximately \$331 thousand higher than forecast (which results in a reduction of operating cash flow). Third, the fair value of the swap increased approximately \$278 thousand, which was not included in the forecast (also results in a reduction of operating cash flow). And finally, Accounts Receivable increased approximately \$372 thousand, related to delays in claims processing by Medicare Advantage plans.

## **APPENDIX A**

Audited Financial Statements  
as of December 31, 2024 and 2023



**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2024 AND 2023**



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**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
TABLE OF CONTENTS  
YEARS ENDED DECEMBER 31, 2024 AND 2023**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
<b>CONSOLIDATED BALANCE SHEETS</b>	<b>4</b>
<b>CONSOLIDATED STATEMENTS OF OPERATIONS</b>	<b>6</b>
<b>CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS</b>	<b>7</b>
<b>CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES</b>	<b>8</b>
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>	<b>10</b>
<b>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>12</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>CONSOLIDATING BALANCE SHEET</b>	<b>34</b>
<b>CONSOLIDATING STATEMENTS OF OPERATIONS AND CHANGES IN     NET ASSETS</b>	<b>36</b>
<b>SCHEDULE OF PROPERTY AND EQUIPMENT</b>	<b>37</b>
<b>CONSOLIDATING STATEMENTS OF OPERATIONS AND CHANGES IN     NET ASSETS WITHOUT DONOR RESTRICTIONS INFORMATION     (ALTERNATIVE FORMAT)</b>	<b>38</b>



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The Chapel Hill Residential Retirement Center, Inc.  
dba: Carol Woods Retirement Community and  
The Carol Woods Charitable Fund, Inc.  
Chapel Hill, North Carolina

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of The Chapel Hill Residential Retirement Center, Inc. dba: Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc. (collectively the Center), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Center as of December 31, 2024 and 2023, and the results of their operations, changes in net assets, and their 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center 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 Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Board of Directors  
The Chapel Hill Residential Retirement Center, Inc.  
dba: Carol Woods Retirement Community and  
The Carol Woods Charitable Fund, Inc.

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 consolidated 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 Center'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center'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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Board of Directors  
The Chapel Hill Residential Retirement Center, Inc.  
dba: Carol Woods Retirement Community and  
The Carol Woods Charitable Fund, Inc.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 34-38 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
April 15, 2025

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,831,005	\$ 2,706,049
Temporary Investments	2,389,642	472,843
Assets Limited as to Use, Current Portion	2,012,585	1,968,049
Accounts Receivable, Net	1,670,985	1,465,103
Other Receivables	436,491	202,639
Prepaid Expenses and Inventory	554,275	534,470
Total Current Assets	<u>9,894,983</u>	<u>7,349,153</u>
<b>ASSETS LIMITED AS TO USE</b>		
Reserves Required by State Statute	8,599,000	8,075,000
Externally Restricted Under Bond Indenture Agreements	<u>2,012,585</u>	<u>1,968,049</u>
Subtotal	10,611,585	10,043,049
Less: Amounts Available for Current Liabilities	<u>(2,012,585)</u>	<u>(1,968,049)</u>
Total Assets Limited as to Use	8,599,000	8,075,000
<b>PROPERTY AND EQUIPMENT, NET</b>	66,498,433	61,981,172
<b>INVESTMENTS</b>	44,464,196	46,389,841
<b>INTEREST RATE SWAP AGREEMENT</b>	885,433	607,504
<b>OTHER LONG-TERM ASSETS</b>	<u>105,105</u>	<u>125,397</u>
Total Assets	<u><u>\$ 130,447,150</u></u>	<u><u>\$ 124,528,067</u></u>

See accompanying Notes to Consolidated Financial Statements.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
CONSOLIDATED BALANCE SHEETS (CONTINUED)  
DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Line of Credit	\$ 7,215,364	\$ 2,651,624
Current Maturities of Long-Term Debt	2,550,000	2,450,000
Accounts Payable	839,082	1,356,932
Accrued Expenses	<u>2,333,816</u>	<u>2,540,664</u>
Total Current Liabilities	12,938,262	8,999,220
 <b>LONG-TERM LIABILITIES, LESS CURRENT MATURITIES</b>	 23,884,091	 26,202,922
 <b>REFUNDABLE FEES</b>	 315,910	 233,826
 <b>DEFERRED REVENUE FROM ADVANCE FEES</b>	 53,295,893	 51,058,870
 <b>PRIORITY LIST DEPOSITS</b>	 <u>1,990,760</u>	 <u>1,866,890</u>
 Total Liabilities	 92,424,916	 88,361,728
 <b>NET ASSETS</b>		
Without Donor Restrictions	36,135,671	34,372,468
With Donor Restrictions	<u>1,886,563</u>	<u>1,793,871</u>
Total Net Assets	<u>38,022,234</u>	<u>36,166,339</u>
 Total Liabilities and Net Assets	 <u><u>\$ 130,447,150</u></u>	 <u><u>\$ 124,528,067</u></u>

See accompanying Notes to Consolidated Financial Statements.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>		
Resident Services:		
On Campus	\$ 20,640,038	\$ 20,006,315
Early Acceptance	1,929,138	1,500,903
Amortization of Advanced Fees:		
On Campus	5,085,722	4,826,490
Early Acceptance	563,194	377,088
Guests' Meals and Lodging	249,452	209,047
Health Center:		
Routine Services	4,204,165	3,618,905
Special Services	697,126	790,823
Total Resident Services	<u>33,368,835</u>	<u>31,329,571</u>
Miscellaneous	354,530	414,044
Investment Interest and Dividends	2,644,052	1,564,646
Net Assets Released from Restrictions Used for Operations	293,773	142,465
Total Revenue, Gains, and Other Support	<u>36,661,190</u>	<u>33,450,726</u>
<b>EXPENSES</b>		
Health Center	10,267,264	10,066,806
Dietary Services	5,890,763	5,536,609
Facility Services	7,706,559	7,038,798
Early Acceptance	149,268	117,045
Administration	6,840,293	6,407,477
Depreciation	4,355,220	4,131,830
Interest	855,200	936,662
Total Expenses	<u>36,064,567</u>	<u>34,235,227</u>
<b>OPERATING LOSS</b>	596,623	(784,501)
<b>NONOPERATING INCOME (LOSS)</b>		
Net Realized Gains on Sale of Investments	4,311,820	2,281,300
Net Unrealized Gains (Losses) on Investments and Assets		
Limited as to Use	(3,163,275)	3,916,298
Change in Fair Value of Interest Rate Swap Agreement	277,929	(180,844)
Loss on Disposal of Property and Equipment	(263,334)	(568,049)
Undesignated Contributions	3,440	5,040
Total Nonoperating Income (Loss)	<u>1,166,580</u>	<u>5,453,745</u>
<b>EXCESS OF REVENUES, GAINS, AND OTHER SUPPORT OVER EXPENSES AND CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>\$ 1,763,203</u>	<u>\$ 4,669,244</u>

See accompanying Notes to Consolidated Financial Statements.



**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Excess of Revenues, Gains, and Other Support Over Expenses and Changes in Net Assets Without Donor Restrictions	\$ 1,763,203	\$ 4,669,244
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions	386,465	391,654
Net Assets Released from Restrictions Used for Operations	<u>(293,773)</u>	<u>(142,465)</u>
Total Net Assets With Donor Restrictions	<u>92,692</u>	<u>249,189</u>
<b>CHANGE IN NET ASSETS</b>	1,855,895	4,918,433
Net Assets - Beginning of Year	<u>36,166,339</u>	<u>31,247,906</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 38,022,234</u></u>	<u><u>\$ 36,166,339</u></u>

*See accompanying Notes to Consolidated Financial Statements.*

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2024**

	Health Center	Early Acceptance	Dietary Services	Facility Services	Administration	Total
Salaries and Wages, Regular	\$ 7,581,573	\$ 149,268	\$ 2,779,004	\$ 3,442,684	\$ 2,158,168	\$ 16,110,697
Payroll Taxes and Employee Benefits	1,423,488	-	684,201	952,699	583,688	3,644,076
Retirement Benefits	249,828	-	85,523	133,445	81,980	550,776
Supplies	459,982	-	236,349	580,691	38,130	1,315,152
Purchased Services	21,745	-	5,626	490,926	196,143	714,440
Food Purchases	-	-	2,062,046	-	-	2,062,046
Professional Dues and Subscriptions	9,154	-	-	14,633	564,025	587,812
Professional and Consulting Fees	6,470	-	-	-	293,129	299,599
Maintenance and Repairs	33,969	-	-	817,036	107,253	958,258
Prescriptions	17,328	-	-	-	-	17,328
Oxygen	20,537	-	-	-	-	20,537
Equipment Purchases and Rentals	54,279	-	-	90,796	99,947	245,022
Physicians' Services	332,760	-	-	-	-	332,760
Laboratory	670	-	-	-	-	670
Property Taxes	-	-	-	-	196,947	196,947
Insurance	-	-	-	-	347,250	347,250
Telephone and Internet	-	-	-	-	229,875	229,875
Utilities	-	-	-	1,170,374	-	1,170,374
Advertising	-	-	-	-	56,203	56,203
Investment Fees	-	-	-	-	238,138	238,138
Gifts to Community	-	-	-	-	1,141,474	1,141,474
Depreciation	740,387	-	130,657	2,438,923	1,045,253	4,355,220
Interest	145,384	-	25,656	478,912	205,248	855,200
Miscellaneous	55,481	-	38,014	13,275	507,943	614,713
Total Functional Expenses	<u>\$ 11,153,035</u>	<u>\$ 149,268</u>	<u>\$ 6,047,076</u>	<u>\$ 10,624,394</u>	<u>\$ 8,090,794</u>	<u>\$ 36,064,567</u>

See accompanying Notes to Consolidated Financial Statements.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2023**

	Health Center	Early Acceptance	Dietary Services	Facility Services	Administration	Total
Salaries and Wages, Regular	\$ 7,268,290	\$ 117,045	\$ 2,471,317	\$ 3,284,316	\$ 1,918,669	\$ 15,059,637
Payroll Taxes and Employee Benefits	1,623,889	-	671,157	997,292	602,550	3,894,888
Retirement Benefits	195,296	-	51,474	93,910	53,031	393,711
Supplies	430,275	-	205,618	593,748	34,297	1,263,938
Purchased Services	18,238	-	2,027	333,778	170,351	524,394
Food Purchases	-	-	2,095,102	-	-	2,095,102
Professional Dues and Subscriptions	5,990	-	-	12,849	534,533	553,372
Professional and Consulting Fees	6,330	-	-	-	336,332	342,662
Maintenance and Repairs	42,721	-	-	660,829	114,997	818,547
Prescriptions	30,954	-	-	-	-	30,954
Oxygen	20,883	-	-	-	-	20,883
Equipment Purchases and Rentals	58,042	-	-	15,860	57,081	130,983
Physicians' Services	332,760	-	-	-	-	332,760
Laboratory	643	-	-	-	-	643
Property Taxes	-	-	-	-	196,053	196,053
Insurance	-	-	-	-	283,000	283,000
Telephone and Internet	-	-	-	-	342,836	342,836
Utilities	-	-	-	1,028,179	-	1,028,179
Advertising	-	-	-	-	56,368	56,368
Investment Fees	-	-	-	-	340,514	340,514
Gifts to Community	-	-	-	-	1,030,347	1,030,347
Depreciation	702,411	-	123,955	2,313,825	991,639	4,131,830
Interest	159,233	-	28,100	524,531	224,799	936,663
Miscellaneous	32,495	-	39,914	18,037	336,517	426,963
Total Functional Expenses	<u>\$ 10,928,450</u>	<u>\$ 117,045</u>	<u>\$ 5,688,664</u>	<u>\$ 9,877,154</u>	<u>\$ 7,623,914</u>	<u>\$ 34,235,227</u>

See accompanying Notes to Consolidated Financial Statements.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,855,895	\$ 4,918,433
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Proceeds from Advance Fees, Net of Refunds	7,968,023	7,322,094
Depreciation	4,355,220	4,131,830
Change in Allowance for Credit Losses	(20,000)	-
Amortization of Advance Fees	(5,648,916)	(5,203,578)
Amortization of Deferred Costs	18,062	18,062
Realized Gains on Sale of Investments	(4,311,820)	(2,281,300)
Loss on Disposal of Property and Equipment	263,334	568,049
Net Unrealized (Gains) Losses on Investments and Assets Limited as to Use	3,163,275	(3,916,298)
Change in Fair Value of Interest Rate Swaps	(277,929)	180,844
Change in Assets and Liabilities:		
Accounts Receivable	(185,882)	(415,512)
Other Receivables	(233,852)	1,892
Prepaid Expenses and Inventory	487	38,906
Accounts Payable	(517,850)	166,756
Accrued Expenses	(206,848)	(40,600)
Priority List Deposits	123,870	52,600
Net Cash Provided by Operating Activities	<u>6,345,069</u>	<u>5,542,178</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(9,135,815)	(8,601,684)
Proceeds from Investments and Assets Limited as to Use, Net	633,391	8,780,405
Net Cash Provided (Used) by Investing Activities	<u>(8,502,424)</u>	<u>178,721</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Issuance of Debt	346,674	-
Principal Payments on Long-Term Debt	(2,450,000)	(2,350,000)
Payments of Bond Issuance Costs	(133,567)	-
Proceeds from Line of Credit	61,043,059	51,606,762
Payments on Line of Credit	(56,479,319)	(54,876,812)
Net Cash Provided (Used) by Financing Activities	<u>2,326,847</u>	<u>(5,620,050)</u>
<b>NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	169,492	100,849
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>4,674,098</u>	<u>4,573,249</u>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	<u><u>\$ 4,843,590</u></u>	<u><u>\$ 4,674,098</u></u>

See accompanying Notes to Consolidated Financial Statements.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2024 AND 2023**

**RECONCILIATION OF CASH, CASH EQUIVALENTS  
AND RESTRICTED CASH**

	<u>2024</u>	<u>2023</u>
Cash and Cash Equivalents	\$ 2,831,005	\$ 2,706,049
Restricted Cash Included in Assets Limited as to Use	<u>2,012,585</u>	<u>1,968,049</u>
Total	<u><u>\$ 4,843,590</u></u>	<u><u>\$ 4,674,098</u></u>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Property and Equipment in Accounts Payable	<u>\$ -</u>	<u>\$ 240,084</u>
Cash Paid for Interest	<u><u>\$ 871,374</u></u>	<u><u>\$ 941,138</u></u>

*See accompanying Notes to Consolidated Financial Statements.*

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

**NOTE 1 DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Chapel Hill Residential Retirement Center, Inc. dba: Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc. (collectively, the Center), provides housing, health care and other related services to residents through the operation of a retirement community containing 149 apartments, 152 cottages, 14 townhomes, a 35-bed assisted living center, two 12-unit assisted living homes, and a 60-bed health center located in Chapel Hill, North Carolina.

In 2006, The Chapel Hill Residential Retirement Center, Inc. (Carol Woods) created an affiliated corporate entity, The Carol Woods Charitable Fund, Inc. (Charitable Fund). The Charitable Fund has been established as a separate 501(c)(3) charitable organization and has been organized as a “supporting” organization to Carol Woods. Under Internal Revenue Service (IRS) guidelines, a supporting organization is one that is treated as a charitable tax-exempt entity because its primary purpose is to support another charitable, tax-exempt entity. The Charitable Fund’s purpose as described in its Articles of Incorporation and Bylaws follows:

- Support the facilities, grounds, and services of Carol Woods to maintain its high quality and affordability.
- Support Carol Woods as a leader in research and development of innovative housing programs, health care services, technology applications and other needed support services in order to help elderly persons lead meaningful lives as they age.
- Support Carol Woods’ leadership role in the community, identifying and addressing potential gaps in the service delivery system, financial issues and other barriers to seniors being able to access needed services.
- Support Carol Woods’ assistance to elderly persons during periods in which the aging process may lead to personal loss, supporting seniors as long as possible in desired living arrangements and achieving smooth transition to other settings as needed.
- Support Carol Woods’ in promoting the care and service to seniors as a fulfilling career choice for students at high school, college, graduate school, and trade school levels, thereby, increasing the supply of qualified and dedicated personnel available to serve seniors.
- Support Carol Woods’ in its cooperation and collaboration with other public agencies and nonprofit corporations in the community, North Carolina, and the United States in efforts to determine the most satisfying and fulfilling methods of providing living accommodations and supportive services for elderly persons.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

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

**Organization (Continued)**

The Charitable Fund can accept charitable donations for which the donor may receive a tax deduction. To maintain sufficient control over the Charitable Fund, all members of the board of directors of the supporting organization are appointed by the Carol Woods Board, and a majority of the Charitable Fund Board must be current members of the Carol Woods Board; including the Center's President/CEO and Vice-President of Finance, who serve as ex-officio voting members of the Charitable Fund Board.

**Principles of Consolidation**

The consolidated financial statements include the accounts of The Chapel Hill Residential Retirement Center, Inc. dba: Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc. Significant intercompany balances and transactions between the consolidated entities have been eliminated.

**Early Acceptance Program**

In 2012, the Center received approval from the North Carolina Department of Insurance to offer a "continuing care without lodging" contract for persons to become residents of the Center while not taking residence at the Center initially. Under the Early Acceptance contract, residents who are living off-campus receive the same access to the Center's campus amenities and the same health care services and future benefits that are afforded residents who are living on campus. North Carolina General Assembly Statute § 58-64-7(c) stipulates that the Center must account for the revenue and expenses related to the Early Acceptance program separate from revenue and expenses for on-campus services on financial statements and five-year forecasts. The Center had 154 residents and 139 residents under contract in the Early Acceptance program as of December 31, 2024 and 2023, respectively.

**Use of Estimates**

The preparation of consolidated 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 reported amounts of consolidated assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents, excluding those classified as assets limited as to use, include investments with original maturities of three months or less when purchased. At December 31, 2024 and 2023, a portion of these funds were in excess of federal deposit insurance limits.

Restricted cash included in assets limited as to use represents funds held by the trustee for future principal payments as required under the Center's bond agreements.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

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

**Investments**

Investments include money market funds, common stock, an exchange-traded fund, mutual funds, debt, and obligation securities (including U.S. Treasury and government obligations, municipal obligations, corporate obligations, and asset-backed obligations), which are carried at fair value. Investment interest and dividends are included with revenue, gains, and other support and are included in operating loss. Net realized and unrealized gains and losses are reported as nonoperating income (loss), and are included in excess of revenues, gains, and other support over expenses. The cost of securities sold is based on the first in, first out cost method.

**Deferred Bond Issuance Costs**

Deferred bond issuance costs are being amortized on the straight-line basis, which approximates the effective interest method, over the life of long-term debt and other credit instruments issued.

**Assets Limited as to Use**

Assets limited as to use are reported at fair value. Assets limited as to use needed for current liabilities have been classified as current assets on the consolidated balance sheets. Assets limited as to use include assets set aside for the following purposes:

- *Current Assets Limited as to Use* – Current assets limited as to use include funds held by trustee that are held in accordance with the trust and loan agreements. Under the terms of the trust and loan agreements between the Center and the North Carolina Medical Care Commission, these funds are deposited with the trustee. The assets are current because they will be used to repay the current portion of the Center's long-term debt on April 1 of the upcoming year.
- *Reserves Required by State Statute* – Assets limited as to use related to reserves required by state statute include funds held totaling 25% of the current year's total budgeted operating costs set aside to meet the operating reserve requirements of North Carolina General Assembly Statutes – Chapter 58, Article 64.
- *By Board Designation* – Assets limited as to use include funds designated by the board of directors. The board retains control over these assets and may, at its discretion, subsequently re-designate them for other purposes. At December 31, 2024 and 2023, there are no board designated assets limited as to use.

**Property and Equipment, Net**

Property and equipment is reported at cost less accumulated depreciation and include assets costing greater than \$1,000. Contributed property is reported at the estimated fair value at the date of receipt. Depreciation is computed under the straight-line method and is based on estimated useful lives from 3 to 50 years. The costs of routine maintenance and repairs are expensed as incurred.



**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

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

**Property and Equipment, Net (Continued)**

The Center periodically assesses the realizable value of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of any asset may not be recoverable. Impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. For assets to be disposed of, impairment is determined to exist if the estimated net realizable value is less than the carrying amount. At December 31, 2024 and 2023, the Center has determined that no impairment indicators exist.

**Interest Rate Swap Agreements**

The Center entered into an interest rate swap agreement to limit the effect of increases in the interest rates of floating rate debt. The interest rate swap agreement is reported in the accompanying consolidated balance sheets at estimated fair value at December 31, 2024 and 2023. The Center does not hold derivative instruments for any purpose other than limiting the effects of interest rate fluctuations and does not hold interest rate swap agreements for speculative or investment purposes.

**Deferred Revenue from Advance Fees**

Fees paid by each resident upon entering into a continuing care contract are reported as deferred revenue and amortized into net resident services revenue using the straight-line method over the estimated remaining life expectancy of the resident, adjusted on an annual basis. When a contract is terminated, by death of last survivor or withdrawal, any unamortized advance fees, net of refundable amounts, are recognized as net resident services revenue. The total amount of deferred revenue from advance fees was \$53,295,893 and \$51,058,870 for the years ended December 31, 2024 and 2023, respectively.

**Obligation to Provide Future Services**

The Center enters into continuing care contracts with residents — both for those taking residence on campus and those becoming residents under the Early Acceptance program. A continuing care contract is an agreement between a resident and the Center specifying the services and facilities to be provided over the resident's remaining life. Under each contract, the Center has the ability to increase fees as deemed necessary. As of December 31 of each fiscal year, the Center calculates the present value of the estimated net cost of future services to be provided to current residents, including the cost of facilities, and compares the amount with the balance of deferred revenue from advance fees at that date. If the present value of the net cost of future services and use of facilities exceeds the balance of deferred revenue from advance fees, a liability (obligation to provide future services) is recorded. No liability has been recorded as of December 31, 2024 or 2023 because the present value of the estimated net costs of future services and use of facilities is less than the balance of deferred revenue from advance fees.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

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

**Net Assets**

The Center reports net assets using the following two classes: without donor restrictions, and with donor restrictions, depending on the presence and type of donor-imposed restrictions limiting the Center's ability to use or dispose of specific contributed assets or the economic benefits embodied in those assets. Net assets without donor restrictions include those whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Net assets with donor restrictions are those whose use by the Center has been limited by donors to a specific time period or purpose. The Center reports contributions of cash and other assets as restricted support 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 donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period as contributed are reflected as contributions without donor restrictions in the accompanying consolidated statements of operations and changes in net assets.

Net assets with donor restrictions also includes those net assets which have been restricted by donors to be maintained by the Center in perpetuity. At December 31, 2024 and 2023, the Center did not hold any net assets restricted by donors to be maintained in perpetuity.

The Center reports contributions of property and equipment (or other long-lived assets) as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used, and contributions of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long these assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**Excess of Revenues, Gains, and Other Support Over Expenses**

The consolidated statements of operations include excess of revenues, gains, and other support over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues, gains, and other support over expenses, consistent with industry practice, would include permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

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

**Income Tax Status**

Carol Woods and the Charitable Fund are nonprofit corporations exempt from federal and state income taxes under Internal Revenue Code (IRC) Section 501(c)(3). The Charitable Fund is exempt from federal and state income taxes by virtue of being organized and operated for the purpose of supporting the Center through its 501(c)(3) status.

Carol Woods and the Charitable Fund file as tax-exempt organizations. Management is not aware of any activities that would jeopardize the tax-exempt status of Carol Woods or the Charitable Fund. Management is not aware of any significant activities that are subject to tax on unrelated business income or excise or other taxes for Carol Woods or the Charitable Fund.

**Community Benefit**

The Center provides various outreach programs and volunteer services to the community in addition to direct financial support. The recorded benefit for these services is based on management's assessment of the fair market value of services provided.

**Concentration of Credit Risk**

Concentrations of credit risk with respect to resident accounts receivable are limited due to the formalized agreements with third-party payors. The Center has significant accounts receivable (approximately 55% and 57% in 2024 and in 2023, respectively) whose collectability or realizability is dependent upon the performance of Medicare. Management does not believe there is significant credit risks associated with Medicare.

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of operations. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and interest, which are allocated on a square footage basis.

**Accounts Receivable**

Accounts receivable are reported net of an allowance for credit losses to represent the Center's estimate of expected losses at the consolidated balance sheet date. The adequacy of the Center's allowance for credit losses is reviewed on an ongoing basis, using historical payment trends, write-off experience, analyses of receivable portfolios by payor source and aging of receivables, a review of specific accounts, as well as expected future economic conditions and market trends, and adjustments are made to the allowance as necessary. At December 31, 2024 and 2023, the allowance recorded for credit losses was \$110,000 and \$90,000, respectively.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

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

**Advertising Costs**

Advertising costs are expensed as incurred. Advertising costs were approximately \$56,000 for the years ended December 31, 2024 and 2023, respectively.

**Subsequent Events**

The Center evaluated the effect subsequent events would have on the consolidated financial statements through April 15, 2025, the date the consolidated financial statements were available to be issued.

**NOTE 2 RESIDENT SERVICE REVENUE**

Resident service revenue is reported at the amount that reflects the consideration to which the Center expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Center bills the residents and third-party payors several days after the services are performed. Service fees paid by residents for maintenance, meals, and other services are charged monthly and are recognized as revenue in the period when services are rendered. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Center. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Center believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facilities receiving skilled nursing services or housing residents receiving services in the facilities.

The Center considers daily services provided to residents of the skilled nursing facilities, and monthly rental for residential services as a separate performance obligation and measures this on a monthly basis, or upon move-out within the month, whichever is shorter. Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement similar to the output method.

Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to residents and customers in a retail setting (for example, gift shop and cafeteria meals) and the Center does not believe it is required to provide additional goods or services related to that sale.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

**NOTE 2 RESIDENT SERVICE REVENUE (CONTINUED)**

Because all of its performance obligations relate to contracts with a duration of less than one year, the Center has elected to apply the optional exemption provided in Financial Accounting Standards Board *Accounting Standards Codification* 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

The Center determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Center's policy, and/or implicit price concessions provided to residents. The Center determines its estimates of contractual adjustments based on contractual agreements, its policy, and historical experience. The Center determines its estimate of implicit price concessions based on its historical collection experience.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare

The Center's licensed nursing facility participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). On October 1, 2019, CMS finalized the Patient Driven Payment Model (PDPM) which replaced the Medicare Prospective Payment System (PPS), a per diem price-based system. Under PDPM, therapy minutes were removed as the primary basis for payment and instead the underlying complexity and clinical needs of a patient are used as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

Nursing facilities licensed for participation in the Medicare program are subject to annual licensure renewal. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance. Such a payment ban would have a negative impact on the revenues of the licensed nursing facility.

Other

Payment agreements with certain commercial insurance carriers provide for payment using prospectively determined daily rates.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

**NOTE 2 RESIDENT SERVICE REVENUE (CONTINUED)**

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care.

These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Center's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant in 2024 or 2023.

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Center estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to resident service revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended December 31, 2024 and 2023. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as allowance for credit losses.

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

The composition of resident service revenue by primary payor for the years ended December 31 is as follows:

	2024	2023
Medicare	\$ 1,100,342	\$ 1,212,251
Medicare Advantage	364,554	370,436
Private	31,903,939	29,746,884
Total	<u>\$ 33,368,835</u>	<u>\$ 31,329,571</u>

Revenue from resident's deductibles and coinsurance are included in the categories presented above based on the primary payor.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

**NOTE 2 RESIDENT SERVICE REVENUE (CONTINUED)**

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

	2024	2023
Service Lines:		
Independent Living	\$ 22,801,102	\$ 21,702,876
Assisted Living	923,236	1,045,252
Healthcare	3,995,581	3,377,865
Amortization of Advance Fees	5,648,916	5,203,578
Total	<u>\$ 33,368,835</u>	<u>\$ 31,329,571</u>
Method of Reimbursement:		
Monthly Service Fees	\$ 22,602,954	\$ 21,541,145
Amortization of Advance Fees	5,648,916	5,203,578
Fee for Service	5,116,965	4,584,848
Total	<u>\$ 33,368,835</u>	<u>\$ 31,329,571</u>
Timing of Revenue and Recognition:		
Health Care Services Transferred Over Time	<u>\$ 33,368,835</u>	<u>\$ 31,329,571</u>

**Financing Component**

The Center has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents for the effects of a significant financing component due to its expectation that the period between the time the service is provided to a resident and the time that the resident pays for that service will be one year or less. However, The Center does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

The opening and closing contract balances were as follows:

	Accounts Receivable	Deferred Revenue From Advance Fees
Balance - December 31, 2022	\$ 1,049,591	\$ 48,957,280
Balance - December 31, 2023	1,465,103	51,058,870
Balance - December 31, 2024	1,670,985	53,295,893

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

**NOTE 3 INVESTMENTS AND ASSETS LIMITED AS TO USE**

The Center allocates its investment portfolios between investments and various categories of assets limited as to use. The allocation between assets limited as to use and investments is set forth in the following table at December 31:

	2024	2023
Assets Limited as to Use:		
Reserves Required by State Statute	\$ 8,599,000	\$ 8,075,000
Contractual Agreement, Including Current Portion	2,012,585	1,968,049
Total Assets Limited as to Use	10,611,585	10,043,049
Investments:		
Temporary Investments	2,389,642	472,843
Investments	44,464,196	46,389,841
Total	<u>\$ 57,465,423</u>	<u>\$ 56,905,733</u>

Investments and assets whose use is limited are summarized as follows as of December 31:

	2024	2023
Investments and Assets Limited as to Use:		
Cash and Short-Term Investments	\$ 2,012,585	\$ 1,968,049
Money Market Funds	2,389,667	472,843
Common Stock	29,447,913	27,079,951
Mutual Funds	23,615,258	14,041,538
Debt and Obligation Securities	-	13,343,352
Total	<u>\$ 57,465,423</u>	<u>\$ 56,905,733</u>

Investment income, net of fees, consists of the following for the years ended December 31:

	2024	2023
Investment Interest and Dividends	\$ 2,644,052	\$ 1,564,646
Net Realized Gain on Sale of Investments	4,311,820	2,281,300
Net Unrealized Gain (Loss)	(3,163,275)	3,916,298
Total Investment Income (Loss)	<u>\$ 3,792,597</u>	<u>\$ 7,762,244</u>



**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

**NOTE 4 PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31:

	2024	2023
Land	\$ 4,453,189	\$ 4,453,189
Land Improvements	7,373,284	6,784,721
Buildings	96,156,734	93,037,284
Furniture and Fixtures	3,642,493	3,336,245
Equipment	11,765,319	10,578,202
Construction in Progress	6,697,966	3,868,845
Total	130,088,985	122,058,486
Less: Accumulated Depreciation	(63,590,552)	(60,077,314)
Property and Equipment, Net	<u>\$ 66,498,433</u>	<u>\$ 61,981,172</u>

Depreciation expense was \$4,355,220 and \$4,131,830 for the years ended December 31, 2024 and 2023, respectively. Construction in progress at December 31, 2024 and 2023 is related to apartment renovations, master planning for a new project, and other general improvement projects.

**NOTE 5 LONG-TERM DEBT AND LINE OF CREDIT**

Long-term debt consists of the following at December 31:

<u>Description</u>	<u>2024</u>	<u>2023</u>
2018 North Carolina Medical Care Commission Tax-Exempt Variable Rate Non-Bank-Qualified Bonds; payable on a predetermined payment schedule with payments through 2033.	\$ 26,370,000	\$ 28,820,000
2024 Draw-Down Construction Term Loan with a financial institution; payable on a predetermined payment schedule with payments through 2027	346,674	-
Total Long-Term Debt	26,716,674	28,820,000
Unamortized Deferred Bond Issuance Costs	(282,583)	(167,078)
Less: Current Maturities of Long-Term Debt	(2,550,000)	(2,450,000)
Total Long-Term Debt, Less: Current Maturities	<u>\$ 23,884,091</u>	<u>\$ 26,202,922</u>

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

**NOTE 5 LONG-TERM DEBT AND LINE OF CREDIT (CONTINUED)**

Maturities of long-term debt computed under the 2018 Trust Agreement as of December 31, 2024 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2025	\$ 2,550,000
2026	2,650,000
2027	3,096,674
2028	2,850,000
2029	2,950,000
Thereafter	12,620,000
Long-Term Debt as of December 31, 2023	<u>\$ 26,716,674</u>

**2018 Series Bonds**

On June 1, 2018, the Center entered into a debt agreement with the North Carolina Medical Care Commission (the Commission) pursuant to the Commission's \$39,570,000 bond offering (Series 2018 Bonds) for the purpose of refinancing the \$22,470,000 outstanding Series 2010 Bonds and the \$17,100,000 outstanding Series 2012 Bonds. Proceeds from this offering were placed in trust and distributed to pay off the existing debt. The Center's 2010 and 2012 bonds were retired on June 12, 2018. The Series 2018 Bonds are held by Branch Banking & Trust Company, now Truist Bank (Truist), under a Continuing Covenants Agreement dated June 1, 2018. Since Truist holds the Series 2018 Bonds, the Bonds are not remarketed in bond markets and credit enhancement of the Series 2018 Bonds is not required. In connection with the retirement of the Series 2010 and 2012 Bonds, the Center recognized a loss on extinguishment of approximately \$538,000 in 2018 related to the write-off of certain deferred costs.

Under the Continuing Covenants Agreement, Master Trust Indenture, and the Supplemental Indentures, the Center is required to comply with various covenants including, but not limited to, making monthly payments of interest to The Bank of New York Mellon Trust Company, (the Trustee) on behalf of Truist, making monthly payments to a Trustee-held bond sinking fund of one-twelfth of the annual scheduled bond principal amount, meeting minimum reporting requirements and limitations on incurrence of additional indebtedness and maintaining particular financial ratios at specified reporting dates. According to these agreements, the Center has the ability to remedy any covenant violation within thirty days after receiving written notification from the Commission without accelerating the debt payments. Security for the 2018 Series Bonds consists of a pledge and assignment to the Trustee of all rights, title, and interest in and to the Center's deed of trust dated July 2, 2001, which evidences the Center's obligation to repay the loan issued by the Commission. Under the deed of trust, the Commission assigned its rights as beneficiary to the Trustee, which granted the Trustee first priority deed of trust on the site and any buildings or improvements and assigned its rights as secured party with respect to its security interest. As of the year ended December 31, 2024, management is not aware of any covenant violations.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

**NOTE 5 LONG-TERM DEBT AND LINE OF CREDIT (CONTINUED)**

**2018 Series Bonds (Continued)**

The Series 2018 Bonds are scheduled to amortize over a period of 15 years through April 1, 2033. For the full fifteen years, the bonds carry a blended fixed and variable interest rate of .6478% plus 79% of one-month London Interbank Offer Rate (LIBOR). The fixed portion of .6478% is fixed through April 1, 2033, which is the date when the last of the bonds will be redeemed. Since the interest paid to the bank is exempt from corporate income tax, the .6478% plus 79% of LIBOR rate was priced based upon the bank's corporate tax rate at the time of 21%. Should the corporate tax rate ever change within the 15 years of the term of the bonds, the rate is subject to change. However, the rate established with the 2018 interest rate swap, described in Note 6, would change as well, leaving the effective rate of 3.08% unchanged.

The Center's series 2018 bond agreements have LIBOR as a reference rate; however, the bond agreements also refer to an alternative reference rate that would be substituted should LIBOR be discontinued during the terms of the original bond agreement. During 2023, LIBOR was discontinued, and the bond agreement substituted LIBOR with the Secured Overnight Financing Rate (SOFR) as the new reference rate. No other changes were made to the original bonds as a result of this transaction.

The Center elected the practical expedient to account for the change as if the modification was not substantial (continuation of the current contract) and not as an extinguishment. This election did not have an impact on the consolidated balance sheets, statements of operations and changes in net assets, nor the statements of cash flows.

**2024 Draw-Down Construction Term Loan**

On December 12, 2024, the Center entered into a three year draw-down construction term loan (Construction Loan). This Construction Loan is a draw down loan with a maximum principal amount of \$17,000,000. Payments are interest only and are made monthly commencing January 1, 2025 through 2026. Commencing January 1, 2027, monthly payment of principle and interest will be made, with all amounts due at the maturity date of December 12, 2027. Interest is variable and calculated using the SOFR rate for the period plus 1.4% per annum, 5.89% at December 31, 2024. As of December 31, 2024, approximately \$347,000 of principal was drawn down and outstanding as of year end.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

**NOTE 5 LONG-TERM DEBT AND LINE OF CREDIT (CONTINUED)**

**Line of Credit**

On July 11, 2019, the Center entered into a revolving line of credit with Truist with a maximum limit of \$3,000,000 and maturity date of July 11, 2021. On June 1, 2021, this was renewed with a new maturity date of July 11, 2023. Interest is variable and calculated using the SOFR rate for the period plus 1.35% per annum, which was 5.67% as of December 31, 2023. During 2022, the revolving line of credit was amended to increase the maximum borrowing limit to \$10,000,000. During 2023, the agreement was extended with a new maturity date of July 11, 2024. During 2024, the agreement was amended to reduce the amount available from \$10,000,000 to \$7,500,000 and to extend the maturity date to July 11, 2025. The funds are used for short-term working capital needs. There was \$7,215,364 and \$2,651,624 outstanding on the line of credit as of December 31, 2024 and 2023, respectively.

**NOTE 6 INTEREST RATE SWAP AGREEMENT**

On June 12, 2018, as part of the refinancing of the Series 2010 and Series 2012 Bonds, the Center terminated its two interest rate swaps that had been in place as hedges for the 2010 and 2012 bonds. On June 13, 2018, the Center entered into a new interest swap rate agreement with Truist as a counter party to reduce the volatility of interest rates on the variable rate 2018 bonds. The rates on the 2018 bonds and 2018 swap are such that they achieve an effective rate of 3.08% for the full 15-year term of the bonds. Should the corporate income tax rate change at any time during the 15-year period, the documents of both the bonds and the swap stipulate complementary changes in the bond and swap rates, such that the effective rate of 3.08% would remain. The difference between the fixed and floating rates for the 2018 interest rate swap is accrued monthly and recorded as interest expense in the accompanying consolidated statements of operations. The fair value of the swap agreement is recorded on the consolidated balance sheets as a long-term asset at December 31, 2024 and 2023.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

**NOTE 6 INTEREST RATE SWAP AGREEMENT (CONTINUED)**

The following schedule outlines the terms and fair market value of the derivative instrument on December 31:

	Truist Bank Swap
Notional Amount - Original	\$ 39,570,000
Notional Amount - December 31, 2024	26,370,000
Trade Date	6/12/2018
Effective Date	6/12/2018
Termination Date	4/1/2033
Fixed Rate	3.08 %
Floating Rate (Percentage of SOFR)	79 %
Fair Value - December 31, 2022	\$ 788,348
Unrealized Losses	<u>(180,844)</u>
Fair Value - December 31, 2023	607,504
Unrealized Gains	<u>277,929</u>
Fair Value - December 31, 2024	<u><u>\$ 885,433</u></u>

By using an interest rate swap to hedge exposure to change in interest rates, the Center exposes itself to credit risk and market risk. Credit risk is the failure of the counter party to perform under the terms of the derivative contract. Market risk is the adverse effect on the value of the financial instrument that results from a change in interest rates. The market risk associated with an interest rate swap is managed by establishing and monitoring parameters that limit the types and degrees of market risk that may be undertaken. An analysis on the effectiveness of the swap was performed, causing the change in the fair value of the interest rate swap to be included within other changes in net assets without donor restrictions.

The Center's interest rate swap agreement has LIBOR as a reference rate; however, the interest rate swap agreement also refers to an alternative reference rate that would be substituted should LIBOR be discontinued during the terms of the original interest rate swap agreement. During 2023, LIBOR was discontinued, and the interest rate swap agreement substituted LIBOR with the Secured Overnight Financing Rate (SOFR) as the new reference rate. No other changes were made to the original interest rate swap as a result of this transaction.

The Center elected the practical expedient to account for the change as if the modification was not substantial (continuation of the current contract) and not as an extinguishment or termination. This election did not have an impact on the consolidated balance sheets, statements of operations and changes in net assets, nor the statements of cash flows.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

**NOTE 7 NET ASSETS**

Net assets with donor restrictions are available for the following purposes at December 31:

	2024	2023
Subject to Expenditure for a Specific Purpose:		
Resident Assistance	\$ 905,508	\$ 842,072
Employee Development	322,725	210,192
Resident Life	179,637	175,282
Campus Enhancement	147,375	190,939
Community Mission Development	246,994	251,188
Employee Hardship	84,324	85,180
Other	-	39,018
Total Net Assets With Donor Restrictions	<u>\$ 1,886,563</u>	<u>\$ 1,793,871</u>

During the years ended December 31, 2024 and 2023, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

	2024	2023
Donor Restrictions Accomplished:		
Resident Assistance	\$ 25,000	\$ -
Employee Development	47,921	23,501
Resident Life	87,511	60,000
Campus Enhancement	81,658	10,590
Employee Hardship	13,177	8,774
Operations	38,506	-
Community Mission Development	-	39,600
Total Net Assets Released from Restrictions	<u>\$ 293,773</u>	<u>\$ 142,465</u>

**NOTE 8 REFUNDABLE FEES**

Any resident who takes residency on the Center's campus, and subsequently withdraws before the expiration of the first 90 days of residency is entitled to a full refund of their advance fee. After the first 90 days of residency, the amount refundable upon withdrawal or death declines by 2% per month over the first 50 months of residency. Anyone who becomes a resident under the Early Acceptance program, which does not involve residency initially, the amount of their advance fee that is refundable upon death or withdrawal declines by 4% per month for the first 25 months of the Early Acceptance contract. If an Early Acceptance resident should subsequently move to an independent living unit on the Center's campus, which would involve payment of an additional advance fee for the unit, they would receive an additional 25 months added to any balance of months remaining from the original 25 months allotted during their time in Early Acceptance. The total number of months any advance fees would be refundable for an Early Acceptance resident is 50 months.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

**NOTE 8 REFUNDABLE FEES (CONTINUED)**

The estimated aggregate amount of advance fees that are expected to be refunded is derived actuarially, and shown on the consolidated balance sheets as refundable fees, totaling \$315,910 and \$233,826 at December 31, 2024 and 2023, respectively. The total amount of contractual refund obligations under existing non-refundable contracts (that is, if all residents with a contractually refundable balance were to have withdrawn) totaled \$14,508,985 and \$12,727,882 at December 31, 2024 and 2023, respectively, and is included in deferred revenue from advance fees on the consolidated balance sheets. There were approximately \$134,600 and \$156,300 of refunds as of December 31, 2024 and 2023, respectively.

**NOTE 9 FAIR VALUE OF ASSETS AND LIABILITIES**

**Fair Value Measurement**

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Center emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy.

The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

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

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

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

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

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

**NOTE 9 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)**

**Fair Value Measurement (Continued)**

Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange. In addition, Level 1 inputs include securities that are traded by dealers or brokers in active over-the-counter markets, such as U.S. Treasury and other U.S. government and agency mortgage-backed securities, municipal bonds, and corporate bonds. Assets and liabilities valued using Level 2 inputs include the interest rate swap agreement. The Center does not have any assets valued using Level 3 inputs.

The Fair Value Option Standard for Financial Assets and Financial Liabilities allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for eligible financial assets and liabilities on an instrument-by-instrument basis. The Center has not elected to measure any existing financial assets or financial liabilities at fair value under this option.

The Center uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The following table presents the fair value hierarchy for the consolidated balances of the assets of the Center measured at fair value on a recurring basis as of December 31, 2024 and 2023:

	2024			
	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>				
Common Stock:				
Large Cap	\$ 18,825,671	\$ -	\$ -	\$ 18,825,671
Mid Cap	3,722,691	-	-	3,722,691
Small Cap	2,802,642	-	-	2,802,642
International	4,096,909	-	-	4,096,909
Total Common Stock	29,447,913	-	-	29,447,913
Mutual Funds:				
Global Allocation	5,322,911	-	-	5,322,911
Fixed Income	18,292,347	-	-	18,292,347
Total Mutual Funds	23,615,258	-	-	23,615,258
Money Market Funds	2,389,667	-	-	2,389,667
Interest Rate Swap Agreements	-	885,433	-	885,433
Total Assets	<u>\$ 55,452,838</u>	<u>\$ 885,433</u>	<u>\$ -</u>	<u>\$ 56,338,271</u>

The Center had \$2,012,585 of cash and cash equivalents included with investments and assets limited as to use as of December 31, 2024 which are not included in the fair value hierarchy.



**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

**NOTE 9 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)**

**Fair Value Measurement (Continued)**

	2023			
	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>				
Common Stock:				
Large Cap	\$ 13,427,941	\$ -	\$ -	\$ 13,427,941
Mid Cap	2,642,121	-	-	2,642,121
Small Cap	2,766,026	-	-	2,766,026
International	8,243,863	-	-	8,243,863
Total Common Stock	27,079,951	-	-	27,079,951
Mutual Funds:				
Global Allocation	5,458,974	-	-	5,458,974
Fixed Income	8,582,564	-	-	8,582,564
Total Mutual Funds	14,041,538	-	-	14,041,538
Debt and Obligation Securities:				
U.S. Treasury and				
Government	3,593,180	-	-	3,593,180
Municipal	2,075,216	-	-	2,075,216
Corporate	3,398,204	-	-	3,398,204
Asset-Backed	4,276,752	-	-	4,276,752
Total Debt and Obligation				
Securities	13,343,352	-	-	13,343,352
Money Market Funds	472,843	-	-	472,843
Interest Rate Swap Agreements	-	607,504	-	607,504
Total Assets	<u>\$ 54,937,684</u>	<u>\$ 607,504</u>	<u>\$ -</u>	<u>\$ 55,545,188</u>

The Center had \$1,968,049 of cash and cash equivalents included with investments and assets limited as to use as of December 31, 2023 which are not included in the fair value hierarchy.

**NOTE 10 CHARITY CARE AND COMMUNITY BENEFITS**

The Center provides assistance to its residents who can no longer afford to provide for themselves financially. Assistance is provided in the form of subsidizing the resident's monthly fee due to the Center. The Center is also involved in the community through participation in various community outreach and educational programs, direct financial support, donated volunteer services and voluntary payments to government agencies. Charity care and community benefits, at cost, for the years ended December 31, 2024 and 2023 are as follows:

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

**NOTE 10 CHARITY CARE AND COMMUNITY BENEFITS (CONTINUED)**

	2024	2023
Resident Assistance/Charitable Care	\$ 25,000	\$ -
Community Benefits:		
Community Benefit	80,720	97,663
Charitable Donations	917,873	992,207
Donated Volunteer Services	15,691	18,646
Unreimbursed Health Care	130,164	11,945
Total Community Benefits	<u>1,144,448</u>	<u>1,120,461</u>
 Total Support	 <u>\$ 1,169,448</u>	 <u>\$ 1,120,461</u>

In addition to direct resident assistance and community charitable donations, the Center participates in the Medicare program, which provides payment based on established reimbursement guidelines rather than the Center's established fee for services. Participation in this program has resulted in unreimbursed costs averaging approximately \$400,000 annually in recent years.

**NOTE 11 RETIREMENT PLANS**

The Center sponsors retirement plans under IRC Section 401(a) and 403(b). The plan under IRC Section 401(a) provides for employer-only discretionary contributions for eligible employees. Employees are eligible if they are hired into a position that would normally work 1,000 hours during the plan year or worked at least 1,000 hours during the plan year and are still employed on December 31. The Center's discretionary contribution was based on 4% of eligible compensation for 2024 and 2023. Employees become fully vested after three years of service. Employer contributions to the plan were \$550,776 and \$393,711 for the years ended December 31, 2024 and 2023, respectively.

The plan under IRC Section 403(b) provides for employee-only contributions in accordance with IRS guidelines with employee balances being fully vested at all times.

**NOTE 12 COMMITMENTS AND CONTINGENCIES**

The Center has occurrence-based insurance coverage for possible litigation in the ordinary course of business related to general and professional liability claims. Management believes that claims, if asserted, would be settled within the limits of coverage, with limits of \$1,000,000 per claim and \$3,000,000 in the aggregate.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

**NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

On August 1, 2016, the Center changed from a fully insured health insurance plan for its employees to a self-insured arrangement. From the employee perspective, the elements of the self-insured plan are identical to what had been in place under the fully insured plan, but the risk for payment of all claims is now borne by the Center rather than an insurance company. The Center has engaged Blue Cross Blue Shield of North Carolina (BCBSNC) as Third-Party Administrator, giving employees access to the BCBSNC network and negotiated provider fees. The Center also has purchased specific stop loss protection from BCBSNC of \$125,000, and aggregate stop loss protection of 125% of expected losses.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, requirements for participation in governmental health care programs, reimbursement for patient services and Medicare fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management 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 13 LIQUIDITY**

The Center invests cash in excess of short-term requirements in short-term investments. In addition, the Center has long-term fixed income and equity investments which are liquid within one week. In addition, the Center has an available line of credit in which funds may be drawn for general expenditures. The Center's financial assets available within one year of the consolidated balance sheet date for general expenditures are as follows:

	2024	2023
Cash and Cash Equivalents	\$ 2,831,005	\$ 2,706,049
Money Market Funds	2,389,667	472,843
Common Stock	29,447,913	27,079,951
Mutual Funds	23,615,258	14,041,538
Debt and Obligation Securities	-	13,343,352
Total	58,283,843	57,643,733
Accounts Receivable	1,670,985	1,465,103
Less: Net Assets With Donor Restrictions	(1,886,563)	(1,793,871)
Total Financial Assets Available to Meet Liquidity Needs	<u>\$ 58,068,265</u>	<u>\$ 57,314,965</u>

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
CONSOLIDATING BALANCE SHEET  
DECEMBER 31, 2024**

	<u>Carol Woods Retirement Community</u>	<u>The Carol Woods Charitable Fund, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 177,386	\$ 2,653,619	\$ -	\$ 2,831,005
Temporary Investments	2,389,642	-	-	2,389,642
Assets Limited as to Use, Current Portion	2,012,585	-	-	2,012,585
Accounts Receivable, Net	1,670,985	-	-	1,670,985
Other Receivables	436,491	-	-	436,491
Prepaid Expenses and Inventory	554,275	-	-	554,275
Total Current Assets	<u>7,241,364</u>	<u>2,653,619</u>	<u>-</u>	<u>9,894,983</u>
<b>ASSETS LIMITED AS TO USE</b>				
Reserves Required by State Statute	8,599,000	-	-	8,599,000
Externally Restricted Under Bond Indenture Agreements	2,012,585	-	-	2,012,585
Subtotal	10,611,585	-	-	10,611,585
Less: Amounts Available for Current Liabilities	(2,012,585)	-	-	(2,012,585)
Total Assets Limited as to Use	<u>8,599,000</u>	<u>-</u>	<u>-</u>	<u>8,599,000</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	66,498,433	-	-	66,498,433
<b>INVESTMENTS</b>	44,464,196	-	-	44,464,196
<b>INTEREST RATE SWAP AGREEMENT</b>	885,433	-	-	885,433
<b>OTHER LONG-TERM ASSETS</b>	<u>105,105</u>	<u>-</u>	<u>-</u>	<u>105,105</u>
Total Assets	<u><u>\$ 127,793,531</u></u>	<u><u>\$ 2,653,619</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 130,447,150</u></u>

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
CONSOLIDATING BALANCE SHEET (CONTINUED)  
DECEMBER 31, 2024**

	<u>Carol Woods Retirement Community</u>	<u>The Carol Woods Charitable Fund, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Line of Credit	\$ 7,215,364	\$ -	\$ -	\$ 7,215,364
Current Maturities of Long-Term Debt	2,550,000	-	-	2,550,000
Accounts Payable	839,082	-	-	839,082
Accrued Expenses	2,333,816	-	-	2,333,816
Total Current Liabilities	<u>12,938,262</u>	<u>-</u>	<u>-</u>	<u>12,938,262</u>
<b>LONG-TERM LIABILITIES, LESS CURRENT MATURITIES</b>	23,884,091	-	-	23,884,091
<b>REFUNDABLE FEES</b>	315,910	-	-	315,910
<b>DEFERRED REVENUE FROM ADVANCE FEES</b>	53,295,893	-	-	53,295,893
<b>PRIORITY LIST DEPOSITS</b>	<u>1,990,760</u>	<u>-</u>	<u>-</u>	<u>1,990,760</u>
Total Liabilities	92,424,916	-	-	92,424,916
<b>NET ASSETS</b>				
Without Donor Restrictions	35,354,865	780,806	-	36,135,671
With Donor Restrictions	13,750	1,872,813	-	1,886,563
Total Net Assets	<u>35,368,615</u>	<u>2,653,619</u>	<u>-</u>	<u>38,022,234</u>
Total Liabilities and Net Assets	<u>\$ 127,793,531</u>	<u>\$ 2,653,619</u>	<u>\$ -</u>	<u>\$ 130,447,150</u>

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
CONSOLIDATING STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS  
YEAR ENDED DECEMBER 31, 2024**

	Carol Woods Retirement Community	The Carol Woods Charitable Fund, Inc.	Eliminations	Consolidated
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>				
Resident Services:				
On Campus	\$ 20,640,038	\$ -	\$ -	\$ 20,640,038
Early Acceptance	1,929,138	-	-	1,929,138
Amortization of Advanced Fees:				
On Campus	5,085,722	-	-	5,085,722
Early Acceptance	563,194	-	-	563,194
Guests' Meals and Lodging	249,452	-	-	249,452
Health Center:				
Routine Services	4,204,165	-	-	4,204,165
Special Services	697,126	-	-	697,126
Resident Service Revenue	33,368,835	-	-	33,368,835
Miscellaneous	354,530	-	-	354,530
Investment Interest and Dividends	2,644,024	28	-	2,644,052
Net Assets Released from Restrictions				
Used for Operations	206,262	87,511	-	293,773
Total Revenue, Gains, and Other Support	36,573,651	87,539	-	36,661,190
<b>EXPENSES</b>				
Health Center	10,267,264	-	-	10,267,264
Dietary Services	5,890,763	-	-	5,890,763
Facility Services	7,706,559	-	-	7,706,559
Early Acceptance	149,268	-	-	149,268
Administration	6,745,619	94,674	-	6,840,293
Depreciation	4,355,220	-	-	4,355,220
Interest	855,200	-	-	855,200
Total Expenses	35,969,893	94,674	-	36,064,567
<b>OPERATING LOSS</b>	603,758	(7,135)	-	596,623
<b>NONOPERATING INCOME (LOSS)</b>				
Net Realized Gains on Sale of Investments	4,311,820	-	-	4,311,820
Net Unrealized Losses on Investments and Assets Limited as to Use	(3,163,275)	-	-	(3,163,275)
Change in Fair Value of Interest Rate Swap Agreement	277,929	-	-	277,929
Loss on Disposal of Property and Equipment	(263,334)	-	-	(263,334)
Undesignated Contributions	-	3,440	-	3,440
Total Nonoperating Income (Loss)	1,163,140	3,440	-	1,166,580
<b>EXCESS (DEFICIT) OF REVENUES, GAINS, AND OTHER SUPPORT OVER (UNDER) EXPENSES AND CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>\$ 1,766,898</u>	<u>\$ (3,695)</u>	<u>\$ -</u>	<u>\$ 1,763,203</u>

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
SCHEDULE OF PROPERTY AND EQUIPMENT  
YEAR ENDED DECEMBER 31, 2024**

	Assets, at Cost				Balance December 31, 2024
	Balance December 31, 2023	Acquisitions	Retirements	Transfers	
Land	\$ 4,453,189	\$ -	\$ -	\$ -	\$ 4,453,189
Land Improvements	6,784,721	-	-	588,563	7,373,284
Buildings	93,037,284	42,886	(448,948)	3,525,512	96,156,734
Furniture and Fixtures	3,336,245	104,232	(216,916)	418,932	3,642,493
Equipment	10,578,202	850,550	(439,452)	776,019	11,765,319
Construction in Progress	3,868,845	8,138,147	-	(5,309,026)	6,697,966
Total	<u>\$ 122,058,486</u>	<u>\$ 9,135,815</u>	<u>\$ (1,105,316)</u>	<u>\$ -</u>	<u>\$ 130,088,985</u>

  

	Accumulated Depreciation			Depreciated Cost December 31, 2024
	Balance December 31, 2023	Depreciation	Retirements	
Accumulated Depreciation	<u>\$ (60,077,314)</u>	<u>\$ (4,355,220)</u>	<u>\$ 841,982</u>	<u>\$ 66,498,433</u>

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
DBA: CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.  
CONSOLIDATING STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS  
WITHOUT DONOR RESTRICTIONS INFORMATION (ALTERNATIVE FORMAT)  
YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>REVENUE</b>		
Resident Services	\$ 22,569,176	\$ 21,507,218
Guests' Meals and Lodging	249,452	209,047
Health Center:		
Routine Services	4,204,165	3,618,905
Special Services	<u>697,126</u>	<u>790,823</u>
Total Resident Services Revenue	27,719,919	26,125,993
Miscellaneous	354,530	414,044
Investment Interest and Dividends	2,644,052	1,564,646
Net Assets Released from Restrictions Used for Operations	<u>293,773</u>	<u>142,465</u>
Total Revenue	<u>31,012,274</u>	<u>28,247,148</u>
<b>EXPENSES</b>		
Health Center	10,267,264	10,066,806
Dietary Services	5,890,763	5,536,609
Facility Services	7,706,559	7,038,798
Early Acceptance	149,268	117,045
Administration	6,840,293	6,407,477
Interest	<u>855,200</u>	<u>936,662</u>
Total Expenses	<u>31,709,347</u>	<u>30,103,397</u>
<b>DECREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE AMORTIZATION OF ADVANCE FEES, INVESTMENT INCOME, DEPRECIATION, AND CHANGE IN FAIR VALUE OF INTEREST RATE SWAP AGREEMENT</b>	(697,073)	(1,856,249)
Amortization of Advance Fees	5,648,916	5,203,578
Undesignated Contributions	3,440	5,040
Investment Income (Loss):		
Net Realized Gains on Sales of Investments	4,311,820	2,281,300
Net Unrealized Gains (Losses) on Investments	<u>(3,163,275)</u>	<u>3,916,298</u>
Total Investment Income (Loss)	1,148,545	6,197,598
Depreciation	(4,355,220)	(4,131,830)
Change in Fair Value of Interest Rate Swap Agreement	277,929	(180,844)
Loss on Disposal of Property and Equipment	<u>(263,334)</u>	<u>(568,049)</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>\$ 1,763,203</u>	<u>\$ 4,669,244</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Entrance Fee Proceeds, Net of Refunds	<u>\$ 7,968,023</u>	<u>\$ 7,322,094</u>
Capital Expenditures	<u>\$ 9,135,815</u>	<u>\$ 8,601,684</u>





## **APPENDIX B**

Interim Financial Statements as of March 31, 2025

**Carol Woods Retirement Community & Charitable Fund**  
**Consolidated Balance Sheet (Unaudited)**  
**As of March 31, 2025, and December 31, 2024**

	Carol Woods Retirement Community	Carol Woods Charitable Fund	Consolidated 3/31/2025	Consolidated 12/31/2024
<b>Assets</b>				
<i>Current Assets</i>				
Cash & Cash Equivalents	135,775	2,546,493	2,682,268	2,831,005
AWUIL - Bond Trustee Funds	2,645,021		2,645,021	2,012,585
Accounts Receivable, Net	1,372,594		1,372,594	1,670,985
Other Receivables	317,372	325,998	643,370	436,491
Prepaid Expenses, Inventory & Other	574,155		574,155	554,275
<i>Total Current Assets</i>	5,044,917	2,872,491	7,917,408	7,505,341
Reserves Required by State Statute	8,599,000		8,599,000	8,599,000
Long-Term Investments	45,301,881		45,301,881	46,853,838
Property and Equipment, Net	67,685,157		67,685,157	66,498,433
Interest Rate Swap Agreement	575,666		575,666	885,433
Other Assets	100,032		100,032	105,105
<b>Total Assets</b>	<b>127,306,653</b>	<b>2,872,491</b>	<b>130,179,144</b>	<b>130,447,150</b>
<b>Liabilities</b>				
<i>Current Liabilities</i>				
Line of Credit	7,289,077		7,289,077	7,215,364
Current Maturities on LT Debt	2,550,000		2,550,000	2,550,000
Accounts Payable	566,244		566,244	839,082
Accrued Expenses	2,525,488		2,525,488	2,271,796
Accrued Interest Payable	60,907		60,907	62,020
<i>Total Current Liabilities</i>	12,991,716	-	12,991,716	12,938,262
Long-term Debt, Net of Issuance Costs	24,193,103		24,193,103	23,884,091
Deferred Entry Fees - EA	5,422,589		5,422,589	4,870,888
Deferred Entry Fees - Campus	48,767,514		48,767,514	48,740,915
Priority List Deposits	1,866,640		1,866,640	1,990,760
<b>Total Liabilities</b>	<b>93,241,562</b>	<b>-</b>	<b>93,241,562</b>	<b>92,424,916</b>
<b>Net Assets</b>				
Without Donor Restrictions	34,051,341	979,193	35,030,534	36,135,671
With Donor Restrictions	13,750	1,893,298	1,907,048	1,886,563
<b>Total Net Assets</b>	<b>34,065,091</b>	<b>2,872,491</b>	<b>36,937,582</b>	<b>38,022,234</b>
<b>Total Liabilities and Net Assets</b>	<b>127,306,653</b>	<b>2,872,491</b>	<b>130,179,144</b>	<b>130,447,150</b>

**Carol Woods Retirement Community & Charitable Fund**  
**Consolidated Statement Of Activities And Changes In Net Assets (Unaudited)**  
**For the Year to Date Ending March 31, 2025**

	Carol Woods Retirement Community	Carol Woods Charitable Fund	Year-to-Date (YTD)			
			Consolidated		Consolidated	
			Actual	Budget	Variance	% Var
<b>Revenue Without Donor Restrictions</b>						
Carol Woods Campus						
Independent Living						
Monthly Service Fees	5,436,862	-	5,436,862	5,443,044	(6,182)	(0%)
Amortization of Entrance Fees	1,418,958	-	1,418,958	1,409,954	9,004	1%
Higher Levels of Support	950,772	-	950,772	1,163,644	(212,872)	(18%)
Clinic, Rehab, and In Home Services	152,591	-	152,591	243,955	(91,364)	(37%)
Early Acceptance			0			
Monthly Service Fees	550,878	-	550,878	550,952	(74)	(0%)
Amortization of Entrance Fees	167,742	-	167,742	150,353	17,389	12%
Other Revenue	266,177		266,177	131,768	134,409	102%
Interest & Dividend Income	216,715	-	216,715	321,799	(105,084)	(33%)
Contributions and Net Assets Released from Restriction	76,095	198,387	274,482	28,303	246,179	870%
<b>Total Operating Revenue</b>	<b>9,236,790</b>	<b>198,387</b>	<b>9,435,177</b>	<b>9,443,772</b>	<b>(8,595)</b>	<b>(0%)</b>
<b>Operating Expenses</b>						
Early Acceptance	43,736	-	43,736	42,944	(792)	(2%)
In-Home Services / Private Duty	28,645	-	28,645	45,710	17,065	37%
Higher Levels of Support	1,910,890	-	1,910,890	2,110,457	199,567	9%
Clinic, Rehab & Well-Being	780,111	-	780,111	783,789	3,678	0%
Dining Services	1,605,274	-	1,605,274	1,618,086	12,812	1%
Housekeeping & Laundry	546,373	-	546,373	572,712	26,339	5%
Maintenance, Grounds, Security & Transportation	1,357,146	-	1,357,146	1,591,861	234,715	15%
Administration	1,497,336	-	1,497,336	1,424,209	(73,127)	(5%)
Directed Charitable & Community Bene	286,498	-	286,498	316,215	29,717	9%
Investment Fees & Bank Charges	98,349	-	98,349	62,403	(35,946)	(58%)
Interest and Amortization Expense	225,027	-	225,027	242,916	17,889	7%
Depreciation Expense	1,119,302	-	1,119,302	1,146,249	26,947	2%
<b>Total Operating Expenses</b>	<b>9,498,687</b>	<b>-</b>	<b>9,498,687</b>	<b>9,957,551</b>	<b>458,864</b>	<b>5%</b>
<b>Net Operating Income / (Loss)</b>	<b>(261,897)</b>	<b>198,387</b>	<b>(63,510)</b>	<b>(513,779)</b>	<b>450,269</b>	<b>88%</b>
<b>Non-Operating Gains (Losses)</b>						
Investment Realized Gains / (Losses)	192,375	-	192,375	203,250	(10,875)	
Investment Unrealized Gains/(Losses)	(924,235)	-	(924,235)	203,250	(1,127,485)	
Unrealized Gains / (Losses) on Swaps	(309,767)	-	(309,767)	(6,430)	(303,337)	
Loss from Retirement of Fixed Assets	-	-	-	(150,000)	150,000	
<b>Net Non-Operating Gains (Losses)</b>	<b>(1,041,627)</b>	<b>-</b>	<b>(1,041,627)</b>	<b>250,070</b>	<b>(1,291,697)</b>	
<b>Revenues in excess of (less than) expenses</b>	<b>(1,303,524)</b>	<b>198,387</b>	<b>(1,105,137)</b>	<b>(263,709)</b>	<b>(841,428)</b>	
<b>Net Assets With Donor Restrictions</b>						
Contributions	-	108,234	108,234	-	108,234	
Net assets released from restriction used for operations	-	(87,749)	(87,749)	13,750	(101,499)	
<b>Change in net assets with donor restrictions</b>	<b>-</b>	<b>20,485</b>	<b>20,485</b>	<b>13,750</b>	<b>6,735</b>	
<b>Change in net assets</b>	<b>(1,303,524)</b>	<b>218,872</b>	<b>(1,084,652)</b>	<b>(249,959)</b>	<b>(834,693)</b>	
Net Assets, Beginning	35,368,615	2,653,619	38,022,234			
Net Assets, Ending	34,065,091	2,872,491	36,937,582			

**Carol Woods Retirement Community & Charitable Fund**  
**Consolidated Statement of Cash Flows (Unaudited)**  
**For the Three Months Ending March 31, 2025**

**Cash Flows from Operations**

Change in net assets	(1,084,652)
Adjustments to reconcile change in net assets to net cash from operations:	
Proceeds from entrance fees and entrance fee deposits	2,042,880
Depreciation expense	1,119,302
Amortization of entrance fees	(1,586,700)
Amortization of deferred costs	16,397
Realized gain/(loss) on disposal of property and equipment	-
Net realized and unrealized (gains)/losses on investments	731,860
Unrealized (gain)/loss on interest rate swap	309,767
Changes in assets and liabilities:	
Accounts receivable, resident and other	91,512
Prepaid expenses and other current assets	(19,880)
Other assets	5,073
Accounts payable, trade	(272,838)
Accrued interest payable	(1,113)
Accrued expenses	253,692
<b>Net cash provided by/(used in) operating activities</b>	<b>1,605,300</b>

**Cash Flows from Investing Activities**

Net (purchases)/sales of assets whose use is limited and investments	820,097
Purchase of property and equipment	(2,306,026)
<b>Net cash provided by/(used) in investing activities</b>	<b>(1,485,929)</b>

**Cash Flows from Financing Activities**

Proceeds from line of credit	14,489,764
Payment on line of credit	(14,416,051)
Proceeds from construction loan	292,615
Proceeds from refundable priority list deposits, net of revenue recognized	17,000
Refunds of entrance fees and priority deposits	(19,000)
<b>Net cash provided by/(used in) financing activities</b>	<b>364,328</b>

**Net increase / (decrease)** 483,699

<b>Cash and Cash Equivalents, and Restricted Cash and Cash Equivalents, Beginning</b>	<b>4,843,590</b>
<b>Cash and Cash Equivalents, and Restricted Cash and Cash Equivalents, Ending</b>	<b>5,327,289</b>

**Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents**

Cash and cash equivalents	2,682,268
Assets whose use is limited	2,645,021
<b>Total Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents</b>	<b>5,327,289</b>

## **APPENDIX C**

Summary of Comprehensive Actuarial Study  
as of December 31, 2024

## **Summary of Actuarial Analysis for Carol Woods Consolidated (Carol Woods On-Campus & Early Acceptance Program)**

The Board and management of Carol Woods Consolidated have adopted the financial management philosophy to set fees and maintain reserves that are actuarially sound in accordance with Actuarial Standards of Practice No. 3 (ASOP#3). ASOP#3 defines three conditions to evaluate the financial solvency of a CCRC: (1) fully funded status for actuarial reserves associated with current residents; (2) sufficient margins for fees charged to new entrants; and (3) long-term cash flows that are positive and meet bond covenants. If all three conditions are met, then Carol Woods Consolidated is considered to be in satisfactory actuarial balance (SAB). Many in the CCRC space consider the goal of reaching satisfactory actuarial balance a “best practice” since ASOP#3 requirements go beyond simply meeting or exceeding only the third condition that confirms positive cash flows and/or payment of outstanding debt.

Each year Carol Woods Consolidated engages A. V. Powell & Associates LLC, a nationally recognized actuarial firm, to update our assumptions and test our status in regard to the Board’s objective to comply with ASOP#3. The most recent update as of December 31, 2024, does not show Carol Woods Consolidated to be in satisfactory actuarial balance. Carol Woods Consolidated did not pass any of the three ASOP#3 Conditions. (i.e. Condition 1 for adequate reserves, Condition 2 for adequate fees for new entrants and Condition 3 with positive cash flows).

The fact that Carol Woods Consolidated was not found to be in satisfactory actuarial balance even though its actuarially-based cash flow projections meet bond covenants and cash balances are projected to be positive after fiscal 2033 is not uncommon for matured CCRCs, i.e., those in operation over 25 years. The A.V. Powell & Associates’ database of more than 155 clients reveals that this situation occurs over 50% of the time for matured CCRCs.

The anecdotal experience of A.V. Powell & Associates shows many clients in this situation will use the results of the actuarial analysis in conjunction with consideration of market acceptance of fees to develop pricing policies to achieve and maintain a fully funded actuarial status at some future year. The funded status for Carol Woods Consolidated has declined since the prior study and management has projected that fees will increase 2% higher than internal operating expense inflation over the next five years. Additionally, approximately \$26 million of new debt is projected to be issued in 2025 through 2027 to cover current facility renovations and capital expenditures. No estimate of when Carol Woods Consolidated will achieve 100% funded status is included in the current actuarial report because that task was beyond the scope of services.

**Source: Actuarial Study Report as of December 31, 2024, dated April 17, 2025**

Actuarial Criteria and Opinions	12.31.2024	12.31.2023	AVP Median	ASOP#3 Minimum
1. Funded Status	97.1%	101.1%	103.3%	100.0%
2. New Entrant Pricing				
Type 409 CW On-Campus	-0.9%	0.4%		
Type 1 CW Early Acceptance	8.3%	8.0%		
Weighted Average	-0.9%	0.4%	11.8%	0.0%
3. 10-Year Reserve Increase Factor	0.69	1.02	2.35	>\$0 balance
Unified Funded Status (Combines Criteria #1 and #2)	97.0%	124.9%	112.4%	100.0%
Satisfactory Actuarial Balance?	No	Yes, with qualification		
AVP Seal?	No	No		
Health Care Capacity Adequate?	Yes	Yes		

The reader should be aware of the following baseline assumptions that were used to prepare the actuarial study and were developed based on reaching a consensus with the management of Carol Woods Consolidated, who agreed such assumptions were reasonable.

1. Average annual independent living unit occupancy remains constant at 96.5% throughout the projection period. During the prior three years, average independent living unit occupancy was 95.9%, 97.1%, and 97.3%.
2. Average annual assisted living occupancy increases from 51 units in fiscal 2025 to 53 units in fiscal year 2027 and remains constant thereafter at 91.4% and average annual assisted nursing care occupancy increases from 50 units in fiscal 2025 to 52 units in fiscal 2027 and remains constant thereafter at 85.3%.
3. In prior fiscal year, average occupancy for independent living unit was 95.9%; for assisted living was 84.2%; and for assisted nursing care was 76.4%.
4. Entry fees for CCRC residents moving into independent living units are assumed to increase 5% for fiscal year 2025 through 2029 and thereafter annually at 3%.
5. Monthly and per diem rate increases for independent living, assisted living and assisted nursing care are assumed to be 2% above average expense increases through 2029, thereafter annually at 3% matching operating expense increases. Budgeted operating expenses excluding interest and depreciation for fiscal year 2025 were 6.25% over audited operating expenses for fiscal year 2024 and are assumed to increase by 3% annually.



6. Residents are assumed to be able to pay projected monthly fees, and assessment of this capability was beyond the scope of the actuarial study engagement. Management believes this assumption is valid or that other funds not accounted for in the actuarial study will be sufficient to cover any shortfall.
7. The difference between interest earnings/discount rate and expense inflation (“real rate-of-return”) is 2.0% through 2029, thereafter annually at 1.5%.
8. Projected capital expenditures are adequate to maintain the market position of the community and total \$95.1 million during the next 10 years. This projection includes approximately \$26 million in a two-floor connecting corridor between the Center’s existing building, an expansion of the Center’s existing main dining building and other various capital improvements on the Center’s campus.
9. Projected accumulated cash balances are all available for the exclusive benefit of contractholders and all cash outflows have been reflected in the report to the best of our knowledge.

It should be noted while unfavorable variation in these baseline assumptions will reduce the current and future funded status as well as erode the future new entrant pricing margin, it is possible if such variations occur Carol Woods Consolidated will still exceed the defined bond covenant debt service coverage ratio minimum threshold. Also, favorable experience variations associated with any of the assumptions used to prepare the actuarial analysis, such as lower operating expenses, lower health care utilization, or higher average occupancy may occur such that their impact will mitigate any adverse variation in previously listed baseline assumptions.

## **Caveats for Third-Party Readers of the Actuarial Analysis Summary for Carol Woods Consolidated (Carol Woods On-Campus & Early Acceptance Program)**

This summary is prepared for use as statutory disclosure of the actuarial study conducted on Carol Woods Consolidated as of December 31, 2024, and submitted to the Board of Carol Woods Consolidated on April 17, 2025. Any reader of this summary should be made aware that this actuarial summary was prepared for users of the report who are familiar with the proposed operations of Carol Woods Consolidated and the environment in which a CCRC operates. The consulting staff of A.V. Powell & Associates, LLC are available, at the reader's expense and with written permission from Carol Woods Consolidated, to further explain the assumptions, implications and appropriate interpretations of this summary. In particular, the reader is alerted to the context that the actuarial opinion is only valid for the unique and extensive set of actuarial, financial, demographic, operational, and new entrant assumptions that were used to prepare the actuarial report and content therein.

In accordance with Section 3.3 Special Circumstances in Actuarial Standards of Practice No. 41 for Actuarial Communications, all third-party readers should be aware that this actuarial summary was developed with constraint limitations on its content. This means that the content of this actuarial summary deviates from including all of the information suggested by the [Actuarial Standards of Practice No. 3 for CCRCs](#) and [Actuarial Standards of Practice No. 41 for Actuarial Communications](#). Such information is not included because it has been made available to the Board and management of Carol Woods Consolidated for whom the actuarial report was prepared.

Each third-party reader should recognize that this actuarial summary was based on results of a limited use actuarial study and will place no reliance on the actuarial summary nor any data contained herein which would result in the creation of any duty or liability by A.V. Powell & Associates, LLC to them or other parties using any report prepared by them.

## **APPENDIX C**

Contracts and Agreements:

Early Acceptance Agreement

Residence and Services Agreement Following Early Acceptance

Residence and Services Agreement

**EARLY ACCEPTANCE AGREEMENT  
CAROL WOODS RETIREMENT COMMUNITY  
CHAPEL HILL, NORTH CAROLINA**

This Early Acceptance Agreement (referred to as the "Agreement") is made this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ between The Chapel Hill Residential Retirement Center, Inc., d/b/a Carol Woods (referred to as "Carol Woods" or "We", "Our" or "Us"), a North Carolina nonprofit corporation, and \_\_\_\_\_ (referred to as "Resident", "You" or "Your"). If two persons sign this Agreement as Residents, the words "Resident", "You", and "Your" apply to both persons jointly and severally unless the context requires otherwise. You agree to take financial responsibility for this Agreement on the above date (the "Date of Early Acceptance").

**WHEREAS**, Carol Woods owns and operates a retirement community located at 750 Weaver Dairy Road, Chapel Hill, North Carolina; and

**WHEREAS**, the retirement community (referred to as the "Community") consists of independent living apartments in mid-rise buildings, single-story garden cottages, and two-story townhomes, a Community Center with common areas and amenities, and on-campus facilities for outpatient healthcare services and 24/7 assisted living and skilled nursing care ("Higher Levels of Support"); and

**WHEREAS**, Carol Woods has established a continuing care without lodging program known as the Early Acceptance Program (the "Early Acceptance Program" or "Program") which allows for its residents to remain in their private residences not on the campus of the Community while enjoying some of the traditional benefits of a continuing care retirement community until a residence becomes available to You;

**WHEREAS**, You desire to enter into this Agreement for acceptance as a resident of the Community ("Resident") without lodging to access some of the services provided by Carol Woods in the Early Acceptance Program.

**NOW THEREFORE**, subject to the terms and conditions set forth in this Agreement, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, You and Carol Woods agree as follows:

**I. EARLY ACCEPTANCE AS CAROL WOODS RESIDENT**

- A. **General.** You have gone through the admission process, and Carol Woods has accepted You as a Resident of Carol Woods. As a Resident of Carol Woods, You are hereby entitled to the general services provided on the Carol Woods campus, as outlined in this Agreement. If there is a fee related to particular services provided to You as a Resident, You will be charged the fee that corresponds to being a Resident of Carol Woods rather than a guest.

During the time that You are a Carol Woods Resident, but not yet residing on campus, You will reside in Your own private residence not on the campus of the Community, and Carol Woods will provide an opportunity for an annual check-in with Carol Woods staff either on campus or in Your home. If more frequent in-home visits are required of Carol Woods' staff, those visits will be provided to You on a fee-for-service basis.

As a Resident of Carol Woods, You will remain on Our Priority List. Your Priority List Date will remain \_\_\_\_\_, which is the date on which You joined Our Priority List originally. As a member of Our Priority List, You will have the same rights as other members of Our Priority List and will be offered on-campus accommodations as described in the then current Carol Woods' Priority List Policy.

At the time You choose to reserve an apartment, cottage, or townhome on Carol Woods' campus, although having already been accepted as a Carol Woods Resident, Carol Woods reserves the right to seek updated medical, cognitive and financial information in order to determine Your ability to live independently and to afford the additional entry fee and higher monthly service fees required for residency in the particular reserved unit. We reserve the right to decline Your admission to the Community for residency on our campus if Your medical and financial circumstances have changed so that You are not able to live independently or are not able to afford the additional entry fee and higher monthly fees required for residency in the particular unit.

- B. **Execution of the Residence and Services Agreement Following Early Acceptance.** Prior to taking occupancy and financial responsibility for a particular residential unit on Carol Woods' campus, You agree to execute the Residence and Services Agreement Following Early Acceptance then in effect. Your occupancy of a residence shall be expressly conditioned upon Your execution of such agreement. The executed Residence and Services Agreement Following Early Acceptance shall supersede and replace this Agreement in its entirety.

If the Residence and Services Agreement Following Early Acceptance is subsequently terminated, as outlined in that Agreement, this Early Acceptance Agreement may be re-executed upon mutual written agreement of the parties, allowing You to remain a Resident of Carol Woods who does not reside on campus -- as long as the reason for termination of the Residence and Services Agreement Following Early Acceptance does not preclude continuation of a contractual relationship.

## II. **GENERAL SERVICES PROVIDED ON CAMPUS**

- A. **Services and Amenities Included in Monthly Fees.** Carol Woods will provide You the following services and facilities upon the Date of Early

Acceptance. Unless otherwise specified in this Agreement, there will be no additional charge made for any of these services and facilities other than payment of the Entry Fee and Monthly Fees, each of which is described in this Agreement.

1. **Community Common Areas and Amenities.** We will provide common areas and amenities for the use and benefit of all Residents. These facilities currently include the main dining room, private dining rooms, lobbies, assembly hall, library, social, and recreational facilities (indoor and outdoor), and craft facilities. Some common areas may require advance reservation, and such use shall be subject to change or restriction from time to time at the sole discretion of Carol Woods. All common areas are smoke free environments.
2. **Health Care and Higher Levels of Support.** Carol Woods will provide or arrange admission to the facilities necessary for the health care and support services specified in this Agreement. In this Agreement, the term "Higher Levels of Support" includes care provided in all of Carol Woods' 24/7 licensed health care facilities. Carol Woods is a restraint-free, dementia-inclusive community and does not embrace the concept of a segregated unit for residents with dementia. Residents living in all levels of support are welcome to dine throughout campus and participate in all events and activities.
3. **Parking.** Carol Woods will provide and maintain unassigned parking areas for Residents and guests.
4. **Activities.** Social, recreational, educational, and cultural activities are provided through an active Resident-directed program. Additional charges may be incurred for some programs.
5. **Meals.** You may eat in the Carol Woods dining rooms and will be charged the prevailing Resident additional meal charge and will be billed monthly.
6. **Security.** We will use reasonable care in providing security on the premises of Carol Woods. Carol Woods will provide twenty-four (24) hour security staffing on-site in the Community. You are responsible for taking appropriate security measures to protect Yourself and Your personal property in the Community. We are not responsible for providing security to You in Your home nor for theft, loss or damage to Your personal property.

### **III. HEALTH CARE SERVICES**

- A. **Health Care Services Included in Monthly Service Fees and Health Care Per Diems.** Subject to the provisions set forth in this Agreement, the

following health care services are available to You and covered in Your monthly fees or per diem charges.

1. Medical services provided by primary care physicians and geriatric-trained nurse practitioners who are part of Carol Woods' group practice, and who see You at the Carol Woods' on-site clinic; and which are billable to Your Medicare or Medicare Advantage insurance except that You shall be responsible for all deductibles, co-pays and costs for any non-covered service Your insurer imposes (see Section III.B.1).
2. Physical, Occupational, and Speech Therapy when provided at Carol Woods Outpatient Rehabilitation department or in an inpatient setting in Higher Levels of Support; which are billable to Your Medicare or Medicare Advantage insurance except that You shall be responsible for all deductibles, co-pays and costs for any non-covered service Your insurer imposes (see Section III.B.2).
3. Assisted Living, Assisted Nursing and Skilled nursing care are provided in Carol Woods' licensed 24/7 Higher Levels of Support. For every day that You are admitted to one of Carol Woods' accommodations in Higher Levels of Support, You shall be charged a per diem according to the level of support needed, and the type of accommodation. The per diem is charged in addition to Your prevailing Monthly Fee. Your per diem shall be discounted from the prevailing market rate per diem, as established through written per diem schedules, by virtue of You being a Carol Woods Resident, pursuant to Section VI.C. The following outlines the services and supplies provided in Higher Levels of Support that are included in Your discounted per diem charge.
  - a. Support from Resident Life Specialists for assistance that You need in Your personal care and Activities of Daily Living. If one-on-one support is needed for extended periods of time, that support is arranged on a fee-for-service basis as outlined in Section III.B.4.
  - b. Support from certified Medication Technicians and licensed nursing staff for administration of prescribed medications.
  - c. Support from licensed Registered Nurses for treatments and other services within their Scope of Practice provided in properly licensed facilities.
  - d. Three meals per day in the facility in which You reside. Nutritional snacks provided between meals.
  - e. Private or semi-private furnished accommodations, all utilities, with regular housekeeping, and regular maintenance.

- f. In Assisted Nursing and Skilled Nursing levels of support, the applicable per diem includes most (but not all) routine “ancillary” supplies provided by Carol Woods’ purchasing department, including personal care items, incontinence products, other routine and non-routine medical supplies, non-prescription medications, and minor pieces of medical equipment such as standard wheelchairs and walkers (In Assisted Living, these ancillaries are billed to You).
4. General nursing and personal care provided in a similarly licensed nursing facility when space is not available at Carol Woods, and when coordinated by Carol Woods’ medical and other care management staff. While at another facility, Carol Woods shall be responsible for paying for Your care and charge You Carol Woods’ prevailing Monthly Fees and discounted per diems.

**B. Health Care Services Available for an Additional Charge.** Carol Woods shall provide other health care services which are NOT included in Your Monthly Fees or discounted per diems, which shall be available to You for an additional charge. Fee schedules shall be made available to You and updated from time to time as the services and fees may change. The following provides a non-exhaustive, illustrative list of health care services available on a fee-for-service basis.

1. Medical services provided by primary care physicians and licensed nurse practitioners who are part of Carol Woods’ group practice, for services that are covered by Your Medicare or Medicare Advantage insurance, shall be billed by Carol Woods to Your Insurer. If Carol Woods has established a contract with your Insurer, Carol Woods shall accept the allowable rate established with your Insurer, and shall bill You whatever deductibles, co-payments and costs for any non-covered service Your Insurer imposes. If Carol Woods does not have a contract with Your Insurer, Carol Woods will accept the Medicare allowable reimbursement rate for the service, and you may receive a bill for the difference between what Your Insurer pays and the Medicare allowable reimbursement rate.
2. Physical, Occupational, and Speech Therapy when provided at Carol Woods Outpatient Rehabilitation department or in an inpatient setting in Higher Levels of Support, that are covered by Your Medicare or Medicare Advantage insurance, shall be billed by Carol Woods to Your Insurer. If Carol Woods has established a contract with your Insurer, Carol Woods shall accept the allowable rate established with your Insurer, and shall bill You whatever deductibles, co-payments and costs for any non-covered service Your Insurer imposes. If Carol Woods does not have a contract with Your Insurer, Carol Woods will accept the Medicare allowable reimbursement rate for the service, and you may receive a bill for the difference between what Your Insurer pays and the allowable reimbursement rate.



3. Other services provided or offered by other Practitioners in Carol Woods' Clinic and Higher Levels of Support include Podiatry and Audiology services, Integrative Health, Massage Therapy, and others from time to time.
4. Personal shopping services and one-on-one companionship services provided in Carol Woods' 24/7 Higher Levels of Support, since those are beyond what is covered in the discounted per diem charges.

For those services provided by Carol Woods that are covered by Medicare, We will accept Medicare Assignment, billing Medicare first and accepting Medicare's allowable reimbursement rates as payment in full. You shall be responsible for amounts allowed by Medicare that are treated as deductibles, co-payments or other cost-sharing amounts imposed by Medicare or Your supplemental insurance.

- C. **Community Physicians.** Carol Woods will appoint a Medical Director and physicians as needed as determined by Carol Woods. They will be responsible for Your medical care, including office visits, medical review, visits in Higher Levels of Support, and referral to hospitalist and other specialists.
  - D. **Hospitalization.** When one of Carol Woods' physicians determines that it has become necessary to hospitalize You, the physician will have the authority to arrange such hospitalization. When the conditions necessitating such hospitalization no longer exist, the physician will have the authority to arrange for Your discharge and transfer or return to Your home, or to Higher Levels of Support at Carol Woods if that is needed.
  - E. **Medical Referrals.** Carol Woods will be responsible for coordinating and following Your medical, surgical and other health care services when such services either (i) are provided by Carol Woods, or (ii) are provided by licensed outside providers to whom You have been referred in writing by one of Carol Woods' physicians for treatment or consultation. Such responsibility will be limited to the specific condition for which the referral was made. Carol Woods will not be responsible for secondary referrals or follow-up visits unless approved in advance by one of Carol Woods' physicians.
- Carol Woods cannot be responsible for filing for insurance reimbursement for services provided by other providers of Your choice. However, Carol Woods will supply the referral provider with Your policy information upon request.
- F. **Service Navigation.** Carol Woods shall furnish services to You by qualified staff to assist in decisions related to transfers to Carol Woods' Higher Levels of Support, a Special Service Facility, or a Hospital. Staff members may assist with the following "Services":

1. annual check-ins with You on Carol Woods' campus or in Your home if Carol Woods requests to conduct a visit in Your home;
2. home visits between annual check-ins if Carol Woods determines there is a need to assess the adequacy of support in Your home environment;
3. on-campus or home visits at a frequency determined by Carol Woods' staff to assess safety and functional abilities;
4. needs assessment;
5. identification of services and resources that may be available through Carol Woods that may meet Your needs;
6. assistance to identify reputable providers in the area outside of Carol Woods to whom You can be referred for services to meet those needs; and
7. follow up to ensure that those services are meeting Your needs.

You are responsible for participating in annual check-ins with Carol Woods' staff or other periodic visits deemed necessary by Carol Woods whether on Carol Woods' campus or in Your home to enable Carol Woods to assess Your needs, and for cooperating with Carol Woods' staff in the provision of Services to You.

You hereby acknowledge and agree that Carol Woods is not responsible for furnishing You or causing to be furnished to You care management, care arrangement, care coordination, and medical or other personal care services in Your home. All decisions regarding Services, including the prospect of Your need for support services in Your home, temporary or permanent transfer to Carol Woods' Higher Levels of Support, a special service facility, or to a hospital will be made in consultation with You and, when appropriate, with Your Health Care Power of Attorney.

If it is determined by Carol Woods' staff that Your needs require temporary or permanent transfer to Carol Woods' Higher Levels of Support, and if You choose not to make the move to those facilities, then You must agree to sufficient services to provide for appropriate care and safety in Your home. If, in Our sole judgment, the services You elect to receive are insufficient for appropriate care and safety in Your home, You must move to an appropriate level of support at Carol Woods, or We will have the right to terminate this Agreement. Carol Woods' decision will be binding.

You (and Your Health Care Power of Attorney, as appropriate) are ultimately responsible for Your care and safety, including, but not limited to, Your care

and safety in Your home, Your care management, care arrangement, care coordination and medical or other personal care services.

No Entry Fee adjustment is made with permanent transfer from Your home to Carol Woods' Higher Levels of Support or to another special service facility. If You are a member of a couple, and the other Resident remains in Your home, the Monthly Fee for the Resident remaining in the home will continue to reflect the single rate, and the Monthly Fee for the Resident making the permanent move shall reflect the prevailing 1<sup>st</sup> Person Monthly Fee for Residents who have made a permanent move to Higher Levels of Support. For single Residents, or when both members of a couple make a permanent transfer, the Monthly Fee shall be charged at the prevailing rate comparable to other singles or couples who have made such a permanent transfer. The new Monthly Fee takes effect on the date that You make such a permanent transfer.

- G. **Health Care Insurance Requirements.** You shall be responsible for carrying, at Your expense, the maximum coverage available to You under both Medicare Part A and Medicare Part B or Medicare Advantage insurance coverage, or, if You are not eligible for such plans, a substitute policy approved in writing by Carol Woods. You shall also carry a supplemental insurance policy or equivalent insurance coverage, approved in writing by Carol Woods, which adequately covers the hospital, medical, prescriptions, and skilled nursing deductibles and co-payments required of Your primary insurance plan. Both Your primary and supplemental health insurance policies must recognize Carol Woods as a health care provider; or You assume the financial responsibility for services provided that otherwise could be covered.

You shall be responsible for ensuring that the health insurance coverage that was approved does not lapse, and You shall provide Carol Woods with evidence of such coverage upon request. If Your health insurance coverage should lapse, Carol Woods may require that You reapply for suitable coverage. If You are unable to obtain adequate new coverage, Carol Woods shall charge You for any costs of medical and other health care services provided to You that otherwise would have been covered by an approved policy. If You fail to arrange for or maintain health insurance coverage, Carol Woods may, in its sole discretion, terminate this Agreement. You shall furnish Carol Woods evidence of such health insurance coverage at any time upon request. All changes to Your health insurance must be submitted in writing to Carol Woods within 10 (ten) calendar days of such changes.

- H. **Carol Woods' Filing for and Rights to Insurance Benefits.** Carol Woods shall be responsible for filing reimbursement from Your Medicare, Medicare Advantage and supplemental health insurance plans for covered medical, skilled nursing, and outpatient therapy services when provided by Carol Woods. Carol Woods has a right to the benefits payable under the insurance

You carry for services provided by Carol Woods as required in this Agreement, except where costs of care were borne solely by You and not Carol Woods. You hereby authorize Carol Woods to file claims for benefits to which You are entitled under this Agreement and to execute all documents necessary to enable Carol Woods to collect or enforce such claims. If, for any reason, Carol Woods cannot apply directly for benefits payable under insurance required by this Agreement, You agree to make such application and to pay Carol Woods the proceeds received that are due for services provided by Carol Woods.

- I. **Automobile Accident Insurance.** If You are a licensed driver, You are responsible for maintaining automobile accident insurance to cover medical costs from automobile accidents causing injury.
- J. **Carol Woods' Rights in Case of Injury Caused by a Third Party.** You hereby grant Carol Woods an irrevocable power of attorney to act on Your behalf to recover any claims for compensation from injuries caused by a third party. After Carol Woods has been reimbursed for all costs, expenses and damages incurred by Carol Woods on Your behalf (including reasonable costs of care Carol Woods may furnish You because of such accident or injury), the balance of any amount recovered on Your behalf from all sources will be paid to You or credited to Your account; or, in the event of Your death, paid to Your estate.
- K. **Consent to Receive Health Care Services.** You hereby authorize Carol Woods to provide those health care-related services that are specifically set forth in this Agreement. You also hereby authorize Carol Woods to obtain all necessary clinical and/or financial information from Your attending physician, and any other health care providers treating You, including, but not limited to, any hospital or nursing facility from which You may be transferring from or may transfer to in the future and hereby authorize such health care provider(s) to provide such health care information to Carol Woods.

#### IV. **MEDICAL, HEALTHCARE, AND OTHER SERVICES EXCLUDED IN THIS AGREEMENT**

- A. **Use of Medical Practitioners and Facilities Not Referred by Carol Woods.** You may engage the services of primary care physicians other than those who are part of the Carol Woods practice, and seek care at other hospital, specialty medical, surgical or allied health services with whom Carol Woods' does not have referral relationships. However, if You do so, it is at Your own expense. Further, Carol Woods will not be liable for any subsequent expenses resulting from such care including, but not limited to, the cost of medical, surgical, hospital or nursing care provided, ordered, prescribed or occasioned by any such practitioner or such facilities.

In situations when Carol Woods' medical staff is not involved in the referral to a physician or other health care provider from whom You seek services, it is Your responsibility to require those providers to furnish Carol Woods, promptly in writing and in confidence, with medical information regarding Your condition, diagnosis, medications, and treatment.

You may not engage third parties for medical or other health-related services to be rendered at Carol Woods without prior notification to and written authorization by Carol Woods' management.

- B. **Psychiatric Illness, Dangerous Communicable Disease, Drug or Alcohol Abuse.** The Community's facilities and services are not designed to care for people who have an active psychiatric illness, who have a dangerous communicable disease or who are involved with drug or alcohol abuse. Should Carol Woods determine that Your physical or psychiatric illness, or that Your condition as a result of drug or alcohol abuse, is such that Your continued stay in Your home or use of the Community facilities is either dangerous or detrimental to Your life, health, safety or peace, or the life, health, safety, or peace of others in Your home or in the Community, then Carol Woods may transfer You to another facility of Your choosing. Carol Woods may terminate this Agreement if You refuse to make the recommended transfer.

Until a time at which this agreement is terminated, You will continue to be responsible for payment of the Monthly Fee as if You were at home. You will also be responsible for payment of any additional amount needed for Your care at any other such facility. Carol Woods will pay a portion of the cost of Your care in that facility up to an amount equal to Your Monthly Fee. You must pay Your Monthly Fee each month before Carol Woods will take responsibility for its share of the costs of Your care in the other facility.

- C. **Transportation.** Carol Woods will not be responsible for providing any type of transportation to You during this Agreement, including but not limited to any transportation to or from the Carol Woods campus and emergency transportation to any hospital or other health care facility.
- D. **Security.** Carol Woods will not be responsible for providing any type of security, staff emergency response, emergency call devices, smoke detectors or the like to Your home or personal residence during this Agreement.
- E. **Housekeeping and Grounds Keeping.** Carol Woods will not be responsible for providing any type of laundry or housekeeping services to Your home or personal residence during this Agreement. Carol Woods will not be responsible for providing any type of grounds keeping care to Your home or personal residence during this Agreement.

- F. **Utilities.** Carol Woods will not be responsible for furnishing any type of utilities, including but not limited to heating, air conditioning, water, electricity and/or gas, sewage disposal, trash removal, television service, internet service and telephone service, to You during this Agreement.
- G. **Taxes.** Carol Woods will not be responsible for paying any taxes owed by You, including, without limitation, any income taxes or personal or real property taxes assessed on Your personal or real property during this Agreement. You are solely responsible for all taxes, owed by You, including, without limitation, all personal income taxes and all taxes assessed on Your personal and real property.
- H. **Other Excluded Services.** Carol Woods will not be responsible for payment for any services not described in Section III.A. These excluded services include, but are not limited to prescription and non-prescription medications, refractions, eye-glasses, contact lenses, audiological tests, hearing aids, dentistry, dentures, dental inlays, incontinent and other personal hygiene supplies, orthopedic appliances, podiatry, chiropractic services, organ transplants, renal dialysis, treatment for alcohol and drug abuse, and diagnosis and therapy for psychiatric disorders.
- I. **Illness or Accident.** If You have an accident or if You are ill, We will have no responsibility to pay for costs resulting from such accident or illness until You become subject to the care of one of Carol Woods' physicians.

## **V. TERMS OF BEING A CAROL WOODS RESIDENT**

- A. **Rights of Resident.** As a Resident, You have the right to use and enjoy the common areas, amenities, programs, and services of Carol Woods, subject to and as provided in the terms of this Agreement, unless this Agreement is terminated as provided herein. It is understood that this Agreement does not transfer or grant any interest in the real or personal property owned by Carol Woods other than the rights and privileges described in this Agreement.
- B. **Policies and Procedures.** You understand and agree that: (i) in order for Carol Woods to operate in the best interests of the entire Community, it is essential that We have the cooperation of and compliance with applicable policies, rules, and regulations by You, Your family, guests, responsible party and others who may intervene, speak or act or purport to intervene, speak or act, for or on behalf of You or who may come on the premises of Carol Woods in any capacity or for any purpose in connection with or as a result of Your residency at Carol Woods; (ii) a continuing or repeated failure or refusal by any such persons to so cooperate and comply may result in a determination by Carol Woods that it is impracticable or impossible for Carol Woods to continue to accommodate You as a Resident; and (iii) upon such determination by Carol Woods, We shall have the right to terminate this Agreement. Carol Woods reserves the right to amend or change its policies,

rules, and regulations, including, without limitation, those pertaining to the Community, from time to time at its sole discretion. By signing this Agreement, You or Your responsible party acknowledges receipt of a copy of the Resident Handbook. Failure by You, Your representatives, family members or guests to abide by Carol Woods' policies and procedures may be cause for termination of this Agreement.

- C. **Relationships Between Residents and Staff.** Carol Woods will employ management and staff and/or agents to manage the operations of Carol Woods and its facilities. Carol Woods is built on mutual respect and instructs its staff to be cordial and helpful to You. The relationship is to remain professional. Employees must not be delayed or deterred by Residents in the performance of their duties. Management is solely responsible for the supervision of staff. Complaints or requests for special assistance must be made to the appropriate supervisor. Giving gratuities or bequests to employees or employees' families is not permitted. You will not employ Carol Woods' employees nor hire former Carol Woods' employees without the prior written consent of the management of Carol Woods.
- D. **Loss of Property.** Carol Woods will not be responsible for the loss of or damage to any property belonging to You due to theft, mysterious disappearance, vandalism, fire, employee accident, or any other cause. You shall also be responsible for any loss or damage that You or Your guests cause to property at Carol Woods, excluding ordinary wear and tear. You hereby agree to indemnify and reimburse Carol Woods for any loss or damage suffered by Carol Woods because of Your or Your guests' or invitee's acts or omissions. It is understood that You have the responsibility of providing any desired insurance protection covering any such loss.
- E. **Representations.** You affirm that the representations made in the Application for Admission, Personal Health History, and Confidential Financial Statement are true and correct and may be relied upon by Carol Woods as basis for entering into this Agreement. As one of those representations, You affirm that You are at least 65 years old and that Your spouse, if a party to this Agreement, is at least 55 years old. Carol Woods has accepted You as a Resident based on the information contained in Your Application for Admission, Personal Health History and Confidential Financial Statement and has agreed to enter into this Agreement based on such information. You hereby affirm that all the information provided in Your Application is true and correct to the best of the knowledge of each person who signs the Agreement, and each also acknowledges that any material misrepresentation or omission in Your Application for Admission, Personal Health History and Confidential Financial Statement shall render this Agreement voidable at the option of Carol Woods. You agree to provide updated copies of the information requested in the Application for Admission, Personal Health History and Confidential Financial Statement in a timely way when requested by Us from time to time during the term of this Agreement.

F. **Emergency.** You agree to provide Carol Woods with the following information prior to the Date of Early Acceptance, as well as any changes during the term of this Agreement:

1. Names, addresses, and phone numbers of persons to notify in an emergency (a minimum of two are required);
2. Names, addresses, and phone numbers of physician, lawyer and executor;
3. Names, addresses, and phone numbers of Healthcare and Durable Powers of Attorney; and
4. Names, addresses, and phone numbers for pet emergency contacts, if applicable.

## VI. **FINANCIAL ARRANGEMENTS**

A. **Entry Fee.** You agree to pay Carol Woods an entry fee in the amount of \$\_\_\_\_\_ as a condition for becoming a Resident. The Entry Fee is a lump sum payment and will not be increased or changed during the term of this Agreement, except for changes required by state or federal programs, execution of a subsequent Residence and Services Agreement Following Early Acceptance should You move to Carol Woods sometime in the future, marriage, or acceptance of another Resident as party to this Agreement. Your right to a refund of any portion of this Entry Fee is outlined in Section VIII.E. of this Agreement.

B. **Monthly Fee and Other Charges.** You agree to pay a Monthly Fee during the term of this Agreement. This fee will be payable before the fifth day of each month or within Five (5) Days of the date monthly statements are distributed. The current Monthly Fee associated with this Agreement is \$\_\_\_\_per month and an additional \$\_\_\_\_per month if a second person becomes a party to this Agreement. The Monthly Fee will commence at the Date of Early Acceptance. It will be paid on a prorated basis for any partial month.

You will be invoiced monthly for services and supplies which may be provided for You beyond that which is included in the Monthly Fee, and those invoices are to be paid by the fifth day of the month or within Five (5) Days of the date monthly statements are distributed. Carol Woods reserves the right, with Thirty (30) Days' notice, to change the billing date and the payment due date.

If You fail to make payment within Thirty (30) Days after receiving the monthly statement, Carol Woods may give You written notice that You must make payment within Fifteen (15) Days after receiving such notice. If You fail to comply, We may terminate this Agreement. Termination of this Agreement does not end the obligation of You or Your estate to pay all amounts due, no matter when incurred. Carol Woods reserves the right to apply late fees up to



the then-current legal maximum for any late payment. In the event We initiate any collection actions or legal proceedings to collect payments due from You under this Agreement, You and Your current and future responsible parties (i.e., power(s) of attorney, executor(s)) on Your behalf, from Your assets and income, shall be responsible to pay all costs and attorneys' fees incurred by Us in pursuing the enforcement of Your financial obligations under this Agreement.

- C. **Higher Level of Support Charges and Free Days.** If You need care in Carol Woods' 24/7 Higher Levels of Support facilities, You will be charged an additional daily fee (per diem) based on the level of support and type of accommodation. This fee is in addition to the Monthly Fee, which You will continue to be charged. The daily charge to You, however, will be discounted to reflect Your prepayment of health care costs in Your Entry Fee and Monthly Fees.

As part of the Entry Fee and Monthly Fee, each Resident accrues Fifteen (15) "Free Days" each year (prorated in the first calendar year of this Agreement), which may be used to cover the additional, discounted per diem charged to You; at either the semi-private or private rate, depending upon Your particular accommodation at the time. Unused Free Days may accumulate over time, with no limit. No credit, however, is provided for Free Days that are never used; nor can Free Days be transferred to another Resident.

- D. **Adjustments to the Monthly Fee and Other Charges.** Carol Woods may adjust the Monthly Fee, Per Diems in Higher Levels of Support, and other charges from time to time based on experience or to reflect changes in the cost of achieving the mission or purposes of Carol Woods. Carol Woods agrees that, in the exercise of its discretion, which will be binding on You, Carol Woods will endeavor to maintain all fees and charges at the lowest feasible amounts which, in the judgment of the Board of Directors of Carol Woods, is consistent with sound financial operation and maintenance of the quality of facilities, program and services provided. Carol Woods shall provide You written notice of changes in fees prior to the effective date of the change.

## **VII. FINANCIAL ASSISTANCE**

- A. **Carol Woods' Policy.** Carol Woods' policy is that, if the sole reason for non-payment of Your financial obligations to Carol Woods is insufficient funds or other circumstances beyond Your control, Carol Woods will review the matter with You, provided, however, this policy shall not change the right of Carol Woods to expect payment from You or to terminate this Agreement for Your failure to pay, under the terms of this Agreement.

If special financial consideration is determined by Carol Woods to be necessary, Carol Woods may, in its sole discretion, partly or wholly subsidize

Your fees provided that such subsidy will not impair Carol Woods' sound financial operation and maintenance of the quality of service provided. Carol Woods may request that You make every effort to obtain assistance from all available resources both private and public.

All determinations regarding financial assistance will be final and binding on You and will be handled as a confidential transaction except for reports required to financial institutions lending moneys to Carol Woods or to regulatory or governmental bodies.

- B. **Transfer of Property.** You hereby represent that You have not made and will not make any gift or other transfer of money or personal property, nor pledge Your money or personal property as collateral for another who is not party to this Agreement, to the degree to which the amount transferred or pledged would impair Your ability to satisfy financial obligations under this Agreement. If Your fees are subsidized by Carol Woods, You may not sell or otherwise transfer or pledge property without Carol Woods' prior written consent. Carol Woods may request updated financial information from time to time and/or copies of Your tax returns.
- C. **Recovery of Subsidies Provided by Carol Woods.** When You die, if Your fees have been subsidized wholly or partly by Us, Your estate, if any, will be liable to Carol Woods for the full amount of the subsidy You received for the entire time of this Agreement. This Agreement will operate as a lifetime assignment, transfer, and conveyance to Carol Woods of so much of Your property as is necessary to cover such liability. Any amount due Carol Woods under this paragraph may be deducted from any refund payable to You or to Your estate.

## **VIII. TERMINATION AND REFUNDS**

- A. **Voluntary Termination After Date of Early Acceptance.** This Agreement may be terminated by You at any time by providing Carol Woods at least Sixty (60) Days advanced written notice of such termination. Such termination will be effective Sixty (60) Days after Carol Woods' receipt of such written notice, or such other date agreed to in writing by You and Carol Woods. You may be entitled to a prorated refund of the Entry Fee pursuant to Section VIII.E.
- B. **Termination Upon Death.** In the event of Your death at any time after the Date of Early Acceptance, this Agreement will terminate upon the date of death. Your estate may be entitled to a Pro-rated Refund of the Entry Fee pursuant to Section VIII.E.
- C. **Termination by Carol Woods.** Carol Woods may terminate this Agreement at any time (i) pursuant to Section III.F, Section IV.B. or Section VIII.C of this Agreement, (ii) if there has been any material misrepresentation or omission

made by You during the application process or in the application forms, (iii) if You fail to make payment to Carol Woods and Carol Woods gives notice provided for in Section VI. B., (iv) if You fail to abide by Carol Woods' policies and procedures, or You fail to perform any of Your other obligations under this Agreement, (v) if You breach the terms and conditions of this Agreement, (vi) the termination is necessary for Your welfare and Your needs cannot be met by Carol Woods as documented by Your physician, physician assistant or nurse practitioner, or (vii) You engage in activities or conduct that is abusive or disruptive to the Community or is disruptive or is detrimental to Your health, safety or welfare or that of other Residents of the Community or to the Residents' peaceful enjoyment of the Community. In such events, You may be entitled to a Pro-rated Refund of the Entry Fee pursuant to Section VIII.E. Carol Woods will provide timely advance written notice of termination that is in compliance with prevailing laws, regulations and Carol Woods' policies.

You hereby acknowledge that it is the policy of Carol Woods to conduct sex offender screening for every prospective resident, regardless of independent status or level of care, at the time of application for admission for admission to the Early Acceptance program and again prior to entering into a Residence and Services Agreement. If the screening shows that the prospective resident is identified as a sex offender, Carol Woods will deny admission of the prospective resident on that basis and will not execute an Early Acceptance Agreement or a Residence and Services Agreement.

In addition, Resident hereby acknowledges and agrees that if, after Carol Woods and Resident have entered into this Agreement, Carol Woods becomes aware that Resident is listed on any sex offender registry, Carol Woods may terminate this Agreement with Resident.

Following termination of this Agreement pursuant to this Section VIII.C, You will be responsible for paying the Monthly Fee for the full notice period. Any refund of the Entry Fee due to You following voluntary termination of this Agreement by Carol Woods will be made in accordance with Section VIII.E.

Except in cases of the circumstances set forth in Section VIII.C.(vi) or (vii) or in cases of emergency, You will receive a notice of the termination by Carol Woods at least thirty (30) days prior to the effective date of termination. You may be entitled to appeal Carol Woods' decision to terminate this Agreement, and except in cases of emergency, Carol Woods will not discharge You from the Community before the final decision resulting from the appeal has been rendered.

- D. **Termination by One of Two Residents to the Agreement.** In the event that two (2) individuals are party to the terms of this Agreement, upon the termination of this Agreement for any reason with respect to one (1) of the individuals, the Agreement will continue in effect as to the remaining

individual, there will be no refund of any portion of the Entry Fee and the remaining individual will pay the single Monthly Fee.

- E. **Calculation for Pro-Rated Refunds.** If termination of this Agreement occurs during the first Twenty-Five (25) Months of this Agreement, You or Your estate will be entitled to a partial refund of the Entry Fee. You will receive a refund in the amount equal to: (i) the Entry Fee; less (ii) Four Percent (4%) for each month that this Agreement has been in effect for up to Twenty-Five (25) Months; less (iii) the 4% Acceptance Fee; less (iv) any amounts due to Carol Woods. After Twenty-Five (25) Months there is no refund of the Entry Fee. The Twenty-Five (25) Month period begins with the Date of Early Acceptance. In calculating amortization for purposes of this section, a period of more than fifteen (15) days will be considered a full month; fifteen (15) days or less will be disregarded for purposes of this calculation. Payment, if any, shall be made within Sixty (60) Days of written notice of termination.
- F. **Residency at Carol Woods.** If you choose to become a resident of Carol Woods and enter into a new agreement with Carol Woods for residency, your Entry Fee under this Agreement will be applied to the Entry Fee for Independent Living in an amount equal to the unamortized balance remaining at the time of occupancy. Residents that move directly into a higher level of service will not be charged an additional entry fee and will not receive a refund of this Entry Fee.

## **IX. RIGHT OF RESCISSION**

Notwithstanding anything herein to the contrary, this Agreement may be rescinded by You giving written notice of such rescission to Carol Woods within Thirty (30) Days following the later of the execution of this Agreement or the receipt of a disclosure statement that meets the requirements of Section 58-64-1 et. seq. of the North Carolina General Statutes. In the event of such rescission, if it is conditioned by a change in Your health status, You will receive a full refund of the Entry Fee, less the Application Fee. If the rescission is for a reason other than change in Your health status, You will receive a refund of the Entry Fee less an "Acceptance Fee" equal to four percent (4%) of the Entry Fee, which will be retained to cover the costs to Carol Woods of Your rescission following acceptance. Any such refund will be paid by Carol Woods within Sixty (60) Days following receipt of written notice of rescission pursuant to this Section.

## **X. GENERAL**

- A. **Assignment.** The rights and privileges for You under this Agreement to the common areas, amenities, and services and programs of Carol Woods are personal to You and may not be transferred or otherwise assigned by You.

- B. **Management of the Community; No Tenancy Interest or Management Rights.** The absolute rights of management are reserved by Carol Woods and its Board of Directors. You acknowledge the right of Carol Woods to contract for the various services as provided by this Agreement, including, but not limited to, management services for the Community. Carol Woods reserves the right to accept or reject any person as a Resident. Residents do not have the right to determine admission or terms of acceptance of any other Resident. Carol Woods reserves the right to amend, implement or terminate policies and/or guidelines related to the operation of the Community at its sole discretion. Subject to the terms and conditions of this Agreement, this Agreement gives Resident the right to receive or have access to the services and amenities described in this Agreement. Carol Woods retains the exclusive authority to make all management decisions with regard to the management of the Community, including decisions about admission and discharges, setting charges, Carol Woods' policies and procedures, and the scope of services offered by Carol Woods, consistent with state law and the terms of this Agreement.
- C. **Entire Agreement; Counterparts.** This Agreement constitutes the entire Agreement between Carol Woods and You. Carol Woods will not be liable or bound in any manner by any statements, representations, or promises made by any person representing or claiming to represent Carol Woods, unless such statements, representations, or promises are set forth in this Agreement, or in an amendment to this Agreement signed by a duly authorized representative of Carol Woods and by You. This Agreement may be executed in counterparts, each of which shall be deemed an original and together shall constitute one and the same agreement. This Agreement and any amendments hereto, to the extent signed and/or delivered by means of a facsimile machine, electronic mail or other electronic means, shall be treated in all manners and respects and for all purposes as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person.
- D. **Successors and Assigns.** Except as set forth herein, this Agreement will bind and inure to the benefit of the successors and assigns of Carol Woods and shall bind Your heirs, executors, trustees, responsible parties, powers of attorney and administrators.
- E. **Rights Subordinate to Mortgage.** Pursuant to the requirements of any lender, You agree that Your rights under this Agreement are subordinate to the right of the lender under any mortgage executed now or in the future by The Chapel Hill Residential Retirement Center, Inc.
- F. **Durable Power of Attorney, Will, Living Will, and Health Care Power of Attorney.** You agree to execute a Durable Power of Attorney designating some competent person as attorney-in-fact. You agree to execute a Will, Living Will, and designate a Durable Health Care Power of Attorney. Within

Ninety (90) Days of the Date of Early Acceptance, You will provide Carol Woods with copies of Your Durable Power of Attorney, Living Will, and Health Care Power of Attorney as well as the location of Your executed Will.

- G. **Resident Contracted Employees.** If You wish to privately employ Carol Woods employed staff, for whatever reason, all Carol Woods policies must be upheld, and You must obtain the prior written approval of Carol Woods to hire such individual. You agree to hold Carol Woods harmless for any claim, damages or other harm arising out of Resident's private employment or contracting with any individual(s) or otherwise related to the provisions of such outside services. Carol Woods has the right to require that the Resident terminate immediately the employment or contract with such a person at any time upon written notice to the Resident.
- H. **Uncontrollable Interruption of Services.** No breach of Carol Woods' obligations under this Agreement and no liability for injury to Resident or Resident's property shall result from an interruption of, or failure to provide, contracted services due to an act of God or other cause beyond the reasonable control of Carol Woods, specifically including strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood, earthquakes, inclement weather or acts of the Resident. Carol Woods shall make every effort to continue to provide the usual services in such an event.
- I. **Confidentiality.** Carol Woods has the responsibility to keep all of the personal, medical and financial information You have supplied confidential. You consent to the release of any of Your personal and medical records maintained by Carol Woods (i) to Carol Woods' employees, staff, and agents; (ii) to persons and organizations from whom You receive health care services; (iii) to third-party payors of health care services provided by Carol Woods or other organizations; and (iv) to others deemed reasonably necessary by Carol Woods for purposes of treatment, payment and operations of the Community, consistent with applicable state and federal health care privacy laws. You understand and agree that authorized agents of the state or federal government, including the Long-Term Care Ombudsman, may obtain Your records without Your written consent or authorization. Release of Your records for other purposes shall be made in accordance with applicable law, with specific authorization from You or Your legal representative where required.
- J. **Indemnity.** You agree to indemnify, defend and hold Carol Woods harmless from claims, damages or expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with Your negligent or intentional act or omission or those of Your guests, including private duty nurses, nursing assistants, companions or any other third party

service contracted by You. This Section X.J. shall survive termination of this Agreement.

K. **Affiliated Corporation.** In compliance with N.C.G.S. § 58-64-25(b)(8), Carol Woods hereby discloses that it has a close affiliation with The Carol Woods Charitable Fund, Inc. ("Charitable Fund"). The Charitable Fund was created by Carol Woods as a Supporting Corporation, whose purpose is to support Carol Woods in its charitable mission. The full Board of the Charitable Fund is appointed by the Board of Carol Woods, and at least half of the Charitable Fund Board is comprised of current members of the Carol Woods Board, as well as Carol Woods' President/CEO and CFO. The Charitable Fund has no responsibility for the financial and contractual obligations of this Agreement. Carol Woods is solely responsible for the financial and contractual obligations of this Agreement.

L. **Notice Provisions.** Any notices, consents, or other communications to Carol Woods hereunder (collectively "notices") will be in writing and addressed as follows:

Chief Executive Officer  
Carol Woods  
750 Weaver Dairy Road  
Chapel Hill, North Carolina 27514-1502

Your address for the purpose of giving notice is the address appearing after Your signature below.

M. **No Guarantee of Residence.** Carol Woods' execution of this Agreement does not guarantee that any apartment or cottage will become available for Your occupancy during Your lifetime or prior to the termination of this Agreement for any reason.

N. **Resident Handbook.** You will be given a current copy of the Resident Handbook as adopted by Carol Woods. You understand that these documents will change over time.

O. **Severability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.

P. **Limitation of Liability.** You understand and agree that the services provided by Carol Woods and others within the Community are not designed to protect You from the everyday, normal risks and responsibilities of living, including, but not limited to, such general accidents and situations such as falling, choking on food, and weight loss and/or dehydration resulting from Your failure to partake of food and drink. Additionally, You understand and agree that the services provided by the Community do not include one-on-one

monitoring of You and that Your expectations will be consistent with this understanding. Carol Woods shall exercise reasonable care toward You based on Your known condition. However, You agree that Carol Woods is not an insurer of Your welfare and safety. You agree that You will exercise due care to protect Yourself from harm.

- Q. **Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, trustee, agent, or employee of ours shall have any personal liability hereunder to You under any circumstances. If Resident is, or becomes, unable to understand or communicate his or her health care or financial decision, and is determined by Resident's attending physician to be incapacitated, then in the absence of Resident's prior designation of an authorized legal representative, or upon the unwillingness or inability of a designated legal representative to act, Carol Woods shall have the right to commence a legal proceeding to adjudicate Resident incapacitated and to have a court appoint a guardian for Resident. The cost of the legal proceedings, including attorneys' fees, shall be paid by the Resident or Resident's estate.
- R. **Tax Considerations.** You should consult with Your tax advisor regarding the tax considerations associated with this Agreement.
- S. **Amendments.** Generally, this Agreement can be changed only by mutual written consent. However, Carol Woods reserves the right, upon Thirty (30) Days prior written notice to Resident, to modify or amend this Agreement whenever doing so is necessary to correct errors, omissions, or inconsistencies, to provide clarification of intent, or to conform the documents to the requirements of local, state, or federal laws and regulations applicable to Carol Woods, in particular, or to residential life care communities, in general, or whenever doing so is deemed by Carol Woods to be in the best interest of the Community and the Residents in light of changes in health insurance laws and coverages and/or local, state or federal tax laws or regulations.
- T. **Behavior Deemed Harmful to Carol Woods.** If Resident is deemed competent and capable of controlling his or her behaviors and engages in behaviors deemed by the President/CEO of Carol Woods to be disruptive, hostile, illegal, or otherwise harmful to others or to Carol Woods, Carol Woods reserves the right to terminate this Agreement. If such a circumstance arises, Carol Woods will discuss the matter thoroughly with Resident to provide Resident with knowledge of the behaviors deemed intolerable by Carol Woods. Carol Woods will provide Resident with a written warning to desist from the behavior or any similarly disruptive, hostile, illegal, or harmful behavior. Upon determination that Resident is continuing to engage in the behaviors against which Resident has been warned, Carol Woods will have the right to terminate this Agreement.



- U. **Interpretation.** Headings are for convenience and reference purposes only and shall not affect the interpretation of any provision of this Agreement.
- V. **Waivers.** Neither the failure nor any delay on the part of any party to exercise any right, remedy, power, or privilege ("Right") under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any Right preclude any other or further exercise of the same or of any Right, nor shall any waiver of any Right with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.
- W. **Survival.** Those rights and obligations that have accrued as a result of the operation of this Agreement shall survive its termination, as shall those rights and obligations that by their terms survive termination and any provisions that must survive to give effect to their terms, as shall any obligation of Resident to pay costs or expenses of Resident's stay at Carol Woods that remain unpaid as of such termination.

## **XI. MEDIATION AND ADHERENCE TO GOVERNING LAW FOR DISPUTES**

- A. **Mediation.** You and Carol Woods hereby agree that any claim or dispute relating to this Agreement, or any other matters, disputes, or claims between the two parties shall be subject to non-binding mediation within Thirty (30) Days of either party making a request in writing to the other. The mediation sessions shall be held at a place agreed upon by both parties, or in the absence of such agreement, at Carol Woods, and shall be conducted according to the mediation rules of the National Arbitration Forum. This Section XI.A. shall survive termination of this Agreement.
- B. **Governing Law.** If the Parties cannot agree to the terms and conditions of private mediation, then the Parties can seek the appropriate remedy by filing a lawsuit in the jurisdiction specified in this Agreement. This Agreement shall be governed by, interpreted, construed and enforced in accordance with the internal laws of the State of North Carolina without regard to principles of conflict of laws or provisions that would cause the application of laws or any jurisdiction other than North Carolina. Any controversy or dispute arising out of or relating to this Agreement shall be brought and enforced exclusively in the courts (federal and state) situated in North Carolina, Orange County, and the Parties hereby irrevocably submit to the exclusive jurisdiction of such courts and irrevocably waive any objection that they may now or hereafter have to the laying of venue of any such action or proceeding in such courts. As a condition for filing a lawsuit to resolve any claims, a Party must first give Thirty (30) Days prior notice of such claim to the other Party in order to determine whether such matter can be resolved through private mediation.

This Section XI.B. shall survive termination of this Agreement.

BECAUSE THE AUTHORITY TO ENTER INTO CONTINUING CARE CONTRACTS GRANTED BY THE NORTH CAROLINA DEPARTMENT OF INSURANCE IS NEITHER A GUARANTEE OF PERFORMANCE BY THE PROVIDER NOR AN ENDORSEMENT OF ANY CONTINUING CARE CONTRACT PROVISIONS, PROSPECTIVE RESIDENTS MUST CAREFULLY CONSIDER THE RISKS, BENEFITS AND COSTS BEFORE SIGNING A CONTINUING CARE CONTRACT AND ARE STRONGLY ENCOURAGED TO SEEK FINANCIAL AND LEGAL ADVICE BEFORE DOING SO.

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

You understand this matter involves a financial commitment and associated risk as well as a legally binding contract. You were encouraged to consult with an attorney and/or financial advisor who could advise You concerning this Agreement.

You hereby acknowledge receipt of Carol Woods' current Disclosure Statement. You acknowledge that the Disclosure Statement was received prior to the execution of this Agreement or prior to or at the time of the transfer of any money or other property to Carol Woods, whichever occurred first.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate, as of the day and year first written above, one duplicate copy of this Agreement being retained by each party.

Your signature below certifies that you have read, understand and accept this Agreement as of this (*current date*) \_\_\_\_\_ day of \_\_\_\_\_, 2\_\_\_\_.

<b>Carol Woods</b>	<b>Resident(s)</b>
By (signature)	(signature)
Printed Name	(signature)
Title	Current Address: Street
	City, State, Zip Code
	Telephone

**RESIDENCE AND SERVICES AGREEMENT  
FOLLOWING EARLY ACCEPTANCE  
CAROL WOODS RETIREMENT COMMUNITY  
CHAPEL HILL, NORTH CAROLINA**

This Residence and Services Agreement Following Early Acceptance (referred to as the "Agreement") is made this \_\_\_\_\_ day of \_\_\_\_\_, 2\_\_\_\_ between The Chapel Hill Residential Retirement Center, Inc., d/b/a Carol Woods (referred to as "Carol Woods" or "We or "Us"), a North Carolina nonprofit corporation, and \_\_\_\_\_ (referred to as "Resident", "You" or "Your"). If two persons sign this Agreement as Residents, the words "Resident", "You", and "Your" apply to both persons jointly and severally unless the context requires otherwise. You agree to take financial responsibility for Your residence on the \_\_\_\_\_ day of \_\_\_\_\_, 2\_\_\_\_ (the "Date of Financial Responsibility").

**WHEREAS**, Carol Woods owns and operates a retirement community located at 750 Weaver Dairy Road, Chapel Hill, North Carolina; and

**WHEREAS**, the retirement community (referred to as the "Community") consists of independent living apartments in mid-rise buildings, single-story garden cottages, two-story townhomes, a Community Center with common areas and amenities, and on-campus facilities for outpatient healthcare services and 24/7 assisted living and skilled nursing care ("Higher Levels of Support"); and

**WHEREAS**, prior to entering into this Agreement, You and Carol Woods were party to that certain Early Acceptance Agreement dated \_\_\_\_\_, 2\_\_\_\_ (the "Early Acceptance Agreement"), pursuant to which You were a resident of the Community in Carol Woods' continuing care without lodging program known as the Early Acceptance Program; and

**WHEREAS**, this Agreement shall supersede the Early Acceptance Agreement.

**NOW THEREFORE**, subject to the terms and conditions set forth in this Agreement, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, You and Carol Woods agree as follows:

**I. RESIDENCE, COMMON AREAS, AND GENERAL SERVICES**

**A. Residential Services and Amenities Included in Monthly Fees.** Subject to the terms and conditions set forth in this Agreement, the following residential services and amenities shall be made available to You and are included in the monthly fees that You are charged pursuant to Section V.B. of this Agreement.

1. **Residence.** Subject to the terms and conditions set forth in this Agreement, Carol Woods agrees to provide You a personal, exclusive,

non-transferrable right to reside, use, and enjoy residence number \_\_\_\_\_  
a \_\_\_\_\_ type of residence  
located within Carol Woods, or such other residence or accommodation  
within Carol Woods to which You may be transferred in accordance with  
this Agreement (referred to as the “Residence”).

2. **Furnishings and Appliances.** Carol Woods will provide floor covering, window coverings, kitchen and laundry appliances, and other furnishings as described in the Community’s current literature. You will provide all other furnishings and decorations, which shall be purchased and maintained by You at Your risk.
3. **Maintenance and Repair Service.** Carol Woods will perform and provide repairs, maintenance, and replacement of property and equipment owned by Carol Woods. The maintenance, repair, and replacement of Your personal property is Your responsibility. Any change or replacement by You of the property or equipment provided by Carol Woods in Your Residence gives title in the changed or replaced property or equipment to Carol Woods unless otherwise agreed to in writing in advance. Carol Woods may decline to repair, maintain, or replace any property or equipment that You change, modify, or replace. You will be responsible for the cost of repairing any damage to property of Carol Woods caused by Your negligence and/or that of any guest of Yours, ordinary wear and tear excepted.
4. **Grounds.** Carol Woods will furnish basic grounds-keeping care, including lawn service and snow removal. With Carol Woods’ approval, You may elect to plant and maintain a specifically defined area adjacent to Your Residence. The cost and maintenance of these plantings will be at Your expense. Title to such plantings is vested in Carol Woods unless otherwise agreed to in writing.
5. **Meals.** Carol Woods will offer three meals a day, with a selective menu, in the dining rooms in accordance with the Carol Woods then current policy, which is subject to change from time to time.
6. **Clinic Authorized Meal Service.** Meal service will be provided to Your residence during short-term illness, when ordered by one of Carol Woods’ authorized health service personnel. When authorized, meal service includes the delivery and pick-up of selected meals to You at Your Residence.
7. **Community Common Areas and Amenities.** We will provide common areas and amenities for the use and benefit of all Residents. These facilities currently include the main dining room, private dining rooms, lobbies, assembly hall, library, social, and recreational facilities (indoor and outdoor), and craft facilities. Some common areas may require advance reservation. All common areas are tobacco-free environments.

8. **Health Care and Higher Levels of Support.** Carol Woods will provide or arrange admission to the facilities necessary for the health care and support services specified in this Agreement, subject to the terms and conditions of this Agreement. In this Agreement, the term “Higher Levels of Support” includes care provided in all of Carol Woods’ 24/7 licensed health care facilities. Carol Woods is a restraint-free, dementia-inclusive community and does not embrace the concept of a segregated unit for residents with dementia. Residents living in all levels of support are welcome to dine throughout campus and participate in all events and activities.
9. **Security.** We will use reasonable care in providing security on the premises of Carol Woods. Carol Woods will provide twenty-four (24) hour security staffing on-site in the community, as well as emergency call devices and smoke detectors in each residence. You are responsible for locking Your Residence and taking appropriate security measures to protect Yourself and Your personal property. We are not responsible for theft, loss or damage to Your personal property.
10. **Parking.** Carol Woods will provide and maintain parking areas for Residents and guests.
11. **Laundry & Housekeeping.** Carol Woods will also provide washers and dryers for Your personal laundry in each residence or apartment building as well as common laundry facilities in Higher Levels of Support. You are responsible for arranging and paying for dry cleaning services.

Carol Woods will provide housekeeping services on a regular basis to each residence. You must maintain Your Residence in a clean, safe and sanitary condition. If not, Carol Woods, after providing written notice to You, will maintain the Residence and charge such cost to You.
12. **Utilities.** Carol Woods will furnish heating, air conditioning, water, electricity and/or gas, as appropriate, sewage disposal, and garbage and trash removal from collection points. Carol Woods provides local telephone and internet service and supplies connection for standard television service. You will be responsible for the cost of long-distance telephone calls, which will be billed to You on a monthly basis. If You choose to arrange other television streaming, internet or telephone services beyond what is provided, You may do so at Your own expense and receive no credit.
13. **Local Transportation.** Carol Woods will provide limited local, scheduled transportation for Residents, subject to Carol Woods’ policies and procedures. Additional charges may be incurred for some transportation.
14. **Taxes.** Subject to any exemptions offered to Carol Woods, Carol Woods will pay all property taxes assessed on Carol Woods’ real property. You

will be responsible for all taxes owed by You, including, without limitation, all personal income taxes and taxes assessed on Your personal property.

15. **Storage.** Additional storage space is provided for each apartment in the central apartment buildings. Garden cottages and townhomes include additional storage areas inside and/or outside of each unit.

16. **Activities.** Social, recreational, educational, and cultural activities are provided through an active Resident-directed program. Additional charges may be incurred for some programs.

**B. Residential Services and Amenities Available for an Additional Charge.**

Carol Woods shall provide other residential services and amenities which are NOT included in Your monthly fees, which shall be available to You for an additional charge. Fee schedules for these services shall be made available to You and updated from time to time as the services and fees may change. The following provides a non-exhaustive, illustrative list of services available on a fee-for-service basis.

1. **Meals.** Residents who exhaust their monthly meal plans may purchase additional meals, which shall be billed on a monthly basis at prevailing resident additional meal charges. Guests are welcome in the dining room. Guest meals may be charged to You at guest meal rates.
2. **Personal Services.** Carol Woods offers a variety of personal services, including special requests for maintenance needs, private duty gardening, special home modifications, decluttering and deep cleaning, and personal computer & in-home technology support.

You may not engage third parties, including private duty nurses, nursing assistants, and companions, for services rendered on Carol Woods's campus without prior notification to and written authorization by Carol Woods' management. You agree to hold Carol Woods harmless for any claims, damages or other harm arising out of Resident's private employment or contracting with any individual(s) or otherwise related to the provisions of such outside services. At any point in time, Carol Woods may revoke its authorization for other services provided should Carol Woods determine such third party poses a risk to You or other residents, or such third party fails to comply with any applicable rule or policy issued by Carol Woods. Such revocation shall be in writing and effective immediately or as specified in the written notice.

**II. HEALTH CARE SERVICES**

- A. Health Care Services Included in Monthly Fees and Health Care Per Diems.** Subject to the provisions set forth in this Agreement, the following health care services are available to You and covered in Your monthly fees or per diem charges.

1. Medical services provided by primary care physicians and geriatric-trained nurse practitioners who are part of Carol Woods' group practice, and who see You at the Carol Woods' on-site clinic; and which are not billable to Your Medicare or Medicare Advantage insurance except that You shall be responsible for all deductibles, co-pays and costs for any non-covered service Your insurer imposes (see Section II.B.1).
2. Physical, Occupational, and Speech Therapy when provided at Carol Woods' Outpatient Rehabilitation department or in an inpatient setting in Higher Levels of Support; and which are not billable to Your Medicare or Medicare Advantage insurance except that You shall be responsible for all deductibles, co-pays and costs for any non-covered service Your insurer imposes (see Section II.B.2).
3. 24/7 availability of Carol Woods' Security and Nursing staff to respond in an emergency in Your Residence or elsewhere on campus.
4. Assisted Living, Assisted Nursing and Skilled Nursing care are provided in Carol Woods' licensed 24/7 Higher Levels of Support. For every day that You are admitted to one of Carol Woods' accommodations in Higher Levels of Support, You shall be charged a per diem according to the level of support needed, and the type of accommodation. The per diem is charged in addition to Your prevailing Monthly Fee. Your per diem shall be discounted from the prevailing market rate per diem, as established through written per diem fee schedules, by virtue of Your being a Carol Woods Resident, pursuant to Section V.C. The following outlines the services and supplies provided in Higher Levels of Support that are included in Your discounted per diem charge.
  - a. Support from certified Resident Life Specialists for assistance that You need in Your personal care and Activities of Daily Living. Carol Woods provides strong daily staffing levels for Residents in all Higher Levels of Support to provide this support. However, staff must be available to support various Residents over the course of each shift. If one-on-one support is needed for more extended periods of time, that support is arranged on a fee-for-service basis as outlined in Section II.B.5.
  - b. Support from certified Medication Technicians and licensed nursing staff for administration of prescribed medications.
  - c. Support from licensed Registered Nurses for treatments and other services within their professional Scope of Practice provided in properly licensed facilities.
  - d. Three meals per day in the facility in which You reside, or any other resident dining areas on campus. Nutritional snacks provided between meals.

- e. Private or semi-private furnished accommodations, all utilities, with regular housekeeping, and regular maintenance.
  - f. In Assisted Nursing and Skilled Nursing levels of support, the applicable per diem includes most (but not all) routine “ancillary” supplies provided by Carol Woods’ purchasing department, including personal care items, incontinence products, routine and non-routine medical supplies, non-prescription medications, and minor pieces of medical equipment such as standard manual wheelchairs and walkers (In Assisted Living, these ancillaries are billed to You).
5. General nursing and personal care provided in similarly licensed personal care and nursing facilities when space is not available at Carol Woods, and when coordinated by Carol Woods’ medical and nursing staff. Carol Woods shall arrange for Your return to an appropriate accommodation on campus as soon as one is available. While at another facility, Carol Woods shall be responsible to pay for Your care and charge You Carol Woods’ prevailing Monthly Fees and discounted per diems.

**B. Health Care Services Available for an Additional Charge.** Carol Woods shall provide other health care services which are NOT included in Your Monthly Fees or discounted per diems, which shall be available to You for an additional charge. Fee schedules for these services shall be made available to You and updated from time to time as the services and fees may change. The following provides a non-exhaustive, illustrative list of health care services available on a fee-for-service basis.

1. Medical services provided by primary care physicians and licensed nurse practitioners who are part of Carol Woods’ group practice, for services that are covered by Your Medicare or Medicare Advantage insurance, shall be billed by Carol Woods to Your Insurer. If Carol Woods has established a contract with your Insurer, Carol Woods shall accept the allowable rate established with your Insurer, and shall bill You whatever deductibles, co-payments and costs for any non-covered service Your Insurer imposes. If Carol Woods does not have a contract with Your Insurer, Carol Woods will accept the Medicare allowable reimbursement rate for the service and you may receive a bill for the difference between what Your Insurer pays and the Medicare allowable reimbursement rate.
2. Physical, Occupational, and Speech Therapy provided at Carol Woods’ Outpatient Rehabilitation department or in an inpatient setting in Higher Levels of Support, that are covered by Your Medicare or Medicare Advantage insurance, shall be billed by Carol Woods to Your Insurer. If Carol Woods has established a contract with your Insurer, Carol Woods shall accept the allowable rate established with your Insurer, and shall bill You whatever deductibles, co-payments and costs for any non-covered service Your Insurer imposes. If Carol Woods does not have a contract



with Your Insurer, Carol Woods will accept the Medicare allowable reimbursement rate for the service, and you may receive a bill for the difference between what Your Insurer pays and the Medicare allowable reimbursement rate.

3. Any non-emergency visit by a Registered Nurse to Your residence.
4. Other services provided or offered by other Practitioners in Carol Woods' Clinic and Higher Levels of Support include Podiatry and Audiology services, Integrative Health, Massage Therapy, and others from time to time.
5. Personal shopping services and one-on-one companionship services provided in Carol Woods 24/7 licensed Higher Levels of Service, since these are beyond what is covered in the discounted per diem charges.

**C. Community's Physicians.** Carol Woods will appoint a Medical Director and physicians as needed as determined by Carol Woods. If You choose to use Carol Woods' providers, they will be responsible for Your medical care, including office visits, medical review, visits in Higher Levels of Support, and referral to hospitalists and other specialists. If You choose a physician who is not part of Carol Woods' group practice, a Carol Woods physician will be responsible for Your care if You are admitted to Carol Woods' Higher Levels of Support.

**D. Hospitalization.** When one of Carol Woods' physicians determines that it has become necessary to hospitalize You, the physician will have the authority to arrange such hospitalization. When the conditions necessitating such hospitalization no longer exist, the physician will have the authority to arrange for Your discharge and transfer or return to Carol Woods.

**E. Medical Referrals.** Carol Woods will be responsible for coordinating and following Your medical, surgical and other health care services when such services either (i) are provided by Carol Woods, or (ii) are provided by licensed outside providers to whom You have been referred in writing by one of Carol Woods' physicians for treatment or consultation. Such responsibility will be limited to the specific condition for which the referral was made. Carol Woods will not be responsible for secondary referrals or for follow-up visits unless approved in advance in writing by one of Carol Woods' physicians.

Carol Woods cannot be responsible for filing insurance reimbursement for services provided by other providers of Your choice. However, Carol Woods will supply the referral provider with Your insurance policy information upon request and will assist You in overseeing that other providers are filing with Your insurance diligently, to help maximize Your Medicare and supplemental insurance benefits.

**F. Health Care Insurance Requirements.** You shall be responsible for carrying both Medicare Part A and Medicare Part B, or Medicare Advantage

insurance coverage, or a substitute policy approved in writing by Carol Woods. You shall also carry a supplemental insurance policy or equivalent insurance coverage, approved in writing by Carol Woods, which adequately covers the hospital, medical, prescriptions, and skilled nursing deductibles and co-payments required of Your primary insurance plan. Both Your primary and supplemental health insurance policies must recognize Carol Woods as a health care provider; or You assume the financial responsibility for services provided that otherwise could be covered.

You shall be responsible for ensuring that the health insurance coverage that was approved does not lapse, and You shall provide Carol Woods with evidence of such coverage upon request. If Your health insurance coverage should lapse, Carol Woods may require that You reapply for suitable coverage. If You are unable to obtain adequate new coverage, Carol Woods shall charge You for any costs of medical and other health care services provided that otherwise would have been covered by an approved policy.

**G. Carol Woods' Filing for and Rights to Insurance Benefits.** Carol Woods shall be responsible for filing reimbursement from Your Medicare, Medicare Advantage and supplemental health insurance plans for covered medical, skilled nursing, and outpatient therapy services when provided by Carol Woods. By law, the patient is responsible for payment of any deductible, co-payment, co-insurance and non-covered service. You are responsible for payment of all deductibles, co-payment, co-insurance and non-covered service billed by Carol Woods upon receipt of the bill. Payments received from Your insurance carrier for Medicare Part A co-insurance will be applied to Your monthly statement when received. Outpatient services (e.g., therapy) not paid by Your insurance carrier within Ninety (90) Days of the date of service will become due and payable by You unless the claim is subject to Medicare, Medicaid, or an insurance plan in which Carol Woods participates. In the event Your health insurance determines a service is "not covered," You will be responsible for payment. Carol Woods tries to inform Residents when services may not be covered; however, it is Your responsibility to understand Your policy limitations. Carol Woods has a right to the benefits payable under the insurance You carry for services provided by Carol Woods as required in this Agreement, except where costs of care were borne solely by You and not Carol Woods. You hereby authorize Carol Woods to file claims for benefits to which You are entitled under this Agreement and to execute all documents necessary to enable Carol Woods to collect or enforce such claims. If, for any reason, Carol Woods cannot apply directly for benefits payable under insurance required by this Agreement, You agree to make such application and to pay Carol Woods the proceeds received that are due for services provided by Carol Woods. Carol Woods reserves the right, in its discretion, to eliminate or change its participation with any and all insurance plans.

**H. Assignment of Benefits.** You will, from time to time, authorize any provider of medical and health services, including Carol Woods, to receive reimbursement as provided under Medicare/Medicaid, any or all Federal, State, and local benefits for which You may be eligible or entitled, and any

supplementary insurance programs. If requested by Carol Woods, You will, from time to time, make assignments to the provider of medical and other health services of all benefits otherwise accruing to You under Medicare/Medicaid or other programs and supplementary extended coverage plans to compensate for services rendered. You hereby irrevocably authorize Carol Woods to make claims and to take other actions to secure receipt by Carol Woods of all payments from a third-party payor to reimburse Carol Woods for its charges for Your stay and care.

- I. **Automobile Accident Insurance.** If You are a licensed driver, You are responsible for maintaining automobile accident insurance to cover medical costs from automobile accidents causing injury.
- J. **Carol Woods' Rights in Case of Injury Caused by a Third Party.** You hereby grant Carol Woods an irrevocable power of attorney to act on Your behalf to recover any claims for compensation from injuries caused by a third party.

After Carol Woods has been reimbursed for all costs, expenses, and damages incurred by Carol Woods on Your behalf (including reasonable costs of care Carol Woods may furnish You because of such accident or injury), the balance of any amount recovered on Your behalf from all sources will be paid to You or credited to Your account; or, in the event of Your death, will be paid to Your estate.

- K. **Consent to Receive Health Care Services.** You hereby authorize Carol Woods to provide those health care-related services that are specifically set forth in this Agreement. You also hereby authorize Carol Woods to obtain all necessary clinical and/or financial information from Your attending physician, and any other health care providers treating You, including, but not limited to, any hospital or nursing facility from which You may be transferring from or may transfer to in the future and hereby authorize such health care provider(s) to provide such health care information to Carol Woods.

### III. **MEDICAL AND OTHER HEALTHCARE SERVICES EXCLUDED IN THIS AGREEMENT**

- A. **Use of Medical Practitioners and Facilities Not Referred by Carol Woods.** You may engage the services of primary care physicians other than those who are part of the Carol Woods practice, and seek care at other hospital, specialty medical, surgical or allied health services with whom Carol Woods' does not have referral relationships. However, if You do so, it is at Your own expense. Further, Carol Woods will not be liable for any subsequent expenses resulting from such care including, but not limited to, the cost of medical, surgical, hospital or nursing care provided, ordered, prescribed or occasioned by any such practitioner or such facilities.

In situations when Carol Woods' medical staff is not involved in the referral to a physician or other health care provider from whom You seek services, it is

Your responsibility to require those providers to furnish Carol Woods, promptly in writing and in confidence, with medical information regarding Your condition, diagnosis, medications, and treatment.

You may not engage third parties for medical or other health-related services to be rendered at Carol Woods without prior notification to and written authorization by Carol Woods' management.

- B. Psychiatric Illness, Dangerous Communicable Disease, Drug or Alcohol Abuse.** The Community is not designed to care for persons who have an active psychiatric illness, who have a dangerous communicable disease, or who are involved with drug or alcohol abuse. Should Carol Woods determine that Your physical or psychiatric illness, or that Your condition as a result of drug or alcohol abuse, is such that Your continued presence is either dangerous or detrimental to Your life, health, safety or peace, or the life, health, safety, or peace of others in the Community, then Carol Woods may transfer You to another facility of Your choosing.

Until the time this agreement is terminated, You will continue to be responsible for payment of the Monthly Fee as if You were at Carol Woods. You will also be responsible for payment of any additional amount needed for Your care at any other such facility. Carol Woods will pay a portion of the cost of Your care in that facility up to an amount equal to Your Monthly Fee. You must pay Your Monthly Fee each month before Carol Woods will take responsibility for its share of the costs of Your care in the other facility.

- C. Other Excluded Services.** Carol Woods will not be responsible for any services not described in Section II.A. These excluded services include, but are not limited to payment for prescription and non-prescription medications, refractions, eye-glasses, contact lenses, audiological tests, hearing aids, dentistry, dentures, dental inlays, incontinent and other personal hygiene supplies, orthopedic appliances, podiatry, chiropractic services, organ transplants, renal dialysis, treatment for alcohol and drug abuse, and diagnosis and therapy for psychiatric disorders.
- D. Illness or Accident Away from the Community.** If You have an accident or are ill while You are away from Carol Woods, We will have no responsibility to pay for costs resulting from such accident or illness until You return to Carol Woods and become subject to the care of one of Carol Woods' physicians.

#### **IV. TERMS OF RESIDENCY**

- A. Rights of Resident.** If You are 65 years of age, and the second person who may be party to this Agreement is at least 55 years of age, You have the right during Your lifetime to occupy, use, and enjoy the Residence, common areas, amenities, programs, and services of Carol Woods, subject to and as provided in the terms of this Agreement, unless this Agreement is terminated as provided herein. It is understood that this Agreement does not transfer or

grant any interest in the real or personal property owned by Carol Woods other than the rights and privileges described in this Agreement.

- B. Policies and Procedures.** You understand and agree that: (i) in order for Carol Woods to operate in the best interests of the entire Community, it is essential that We have the cooperation of and compliance with applicable policies, rules, and regulations by You, Your family, guests, responsible party and others who may intervene, speak or act or purport to intervene, speak or act, for or on behalf of You or who may come on the premises of Carol Woods in any capacity or for any purpose in connection with or as a result of Your residency at Carol Woods; (ii) a continuing or repeated failure or refusal by any such persons to so cooperate and comply may result in a determination by Carol Woods that it is impracticable or impossible for Carol Woods to continue to accommodate You as a Resident; and (iii) upon such determination by Carol Woods, We shall have the right to terminate this Agreement. Carol Woods reserves the right to amend or change its policies, rules, and regulations, including, without limitation, those pertaining to the Community, from time to time at its sole discretion. By signing this Agreement, You or Your responsible party acknowledges receipt of a copy of the Resident Handbook. Failure by You, Your representatives, family members or guests to abide by Carol Woods' policies and procedures may be cause for termination of this Agreement.
- C. Relationships Between Residents and Staff.** Carol Woods will employ management and staff and/or agents to manage the operations of Carol Woods and its facilities. Carol Woods is built on mutual respect and instructs its staff to be cordial and helpful to You. The relationship is to remain professional. Employees must not be delayed or deterred by Residents in the performance of their duties. Management is solely responsible for the supervision of staff. Complaints or requests for special assistance must be made to the appropriate supervisor. Giving gratuities or bequests to employees or employees' families is not permitted. You will not employ Carol Woods' employees nor hire former Carol Woods' employees without the prior written consent of management.
- D. Modifications to Residence.** Modifications to any Residence by You will require prior written approval by Carol Woods of both the plans for the modifications and the firm or individual retained to make such modifications. The firm or individual retained to make the modifications shall be licensed appropriately and shall carry insurance that adequately protects Carol Woods against the risks of injury or liability occasioned by the work being done on Carol Woods' property. Such modifications will be at Your expense. Approval of such modifications may be conditioned upon Your payment to Carol Woods of a sum sufficient to restore the Residence to its original condition at a later date. All such modifications become the property of Carol Woods. You may also be responsible for the cost of repairing or replacing furnishes or appliances damaged as the result of extraordinary wear and tear.

- E. Changes in the Residence/Relocation.** Carol Woods has the right to change the Residence to meet requirements of any applicable statutes, law, regulation or ordinance. The Residence may not be used in any manner that violates any zoning ordinances or other governmental law or regulation. Carol Woods has the right to relocate You to another accommodation when deemed necessary for Carol Woods to fulfill its mission and/or its strategic, financial or other obligations. Carol Woods will use reasonable efforts to relocate You to an accommodation of the same or similar type as Your Residence. Any such decision to relocate You will be discussed thoroughly with You to enlist Your understanding of the need for and cooperation with the relocation. However, any such decision to relocate You shall be at the sole discretion of Carol Woods. Carol Woods will pay all required packing and moving costs, and all reasonable refurbishing costs necessary to achieve substantial comparability between Your Residence and any new accommodation to which You may be relocated.
- F. Guests and Visitors.** Guests and visitors are welcome at Carol Woods. Guests may use Carol Woods guest accommodations, subject to availability and additional charges. Guests may also stay in Your Residence for visits of limited duration (less than two weeks, except with Carol Woods approval). Guests approved for stays in Your Residence for longer than two weeks may result in additional charges. No other person, except the Resident(s), may reside in Your Residence without approval from Carol Woods. At all times, You shall be responsible for any injury to others or damage to the property of others or Carol Woods caused by You or Your guest(s). Carol Woods reserves the right and authority to limit or terminate the stay of any guest at any time and for any reason.
- G. Loss of Property.** Carol Woods will not be responsible for the loss of or damage to any property belonging to You due to theft, mysterious disappearance, vandalism, fire, employee accident, or any other cause. You shall also be responsible for any loss or damage that You or Your guests cause to property at Carol Woods, excluding ordinary wear and tear. You hereby agree to indemnify and reimburse Carol Woods for any loss or damage suffered by Carol Woods because of Your or Your guests' or invitee's acts or omissions. It is understood that You have the responsibility of providing any desired insurance protection covering any such loss.
- H. Appliances.** Carol Woods is not obligated to determine Your ability to safely utilize the appliances, if any, in Your Residence. However, should we determine that You have demonstrated an inability to utilize appliances in Your Residence safely; we will have the right to turn off the power servicing such appliance(s) and/or to remove any and all such appliances. In any such instance, You shall remain obligated to pay for the full Monthly Fee for Your Residence, any extra meals, and any fire alarm charges issued by the fire department.

- I. **Right of Entry.** You hereby authorize employees or agents of Carol Woods to enter the Residence for the purposes of housekeeping, repairs, maintenance, inspection, and in the event of an emergency.
- J. **Representations.** You affirm that the representations made in the Application for Admission, Personal Health History, and Confidential Financial Statement are true and correct and may be relied upon by Carol Woods as a basis for entering into this Agreement. Carol Woods has accepted You as a Resident based on the information contained in Your Application for Admission, Personal Health History and Confidential Financial Statement and has agreed to enter into this Agreement based on such information. You hereby affirm that all the information provided in Your Application is true and correct to the best of the knowledge of each person who signs the Agreement, and each also acknowledges that any material misrepresentation or omission in Your Application for Admission, Personal Health History and Confidential Financial Statement shall render this Agreement voidable at the option of Carol Woods. You agree to provide updated copies of the information requested in the Application for Admission, Personal Health History and Confidential Financial Statement in a timely way when requested by Us from time to time during the term of this Agreement.
- K. **Subordination.** You agree that all of Your rights under this Agreement shall at all times be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Community, which have been or will be executed by Carol Woods. Upon request, You agree to execute, acknowledge and deliver to such lender or lenders such further written evidence of such subordination as such lenders may reasonably require. You shall not be liable for any such indebtedness.
- L. **Occupancy by Two Residents.** In the event that two Residents occupy a Residence under the terms of this Agreement, upon the permanent transfer to the Higher Levels of Support or the death of one of such Residents, or in the event of the termination of this Agreement with respect to one of such Residents, such as in the case of death or divorce, the Agreement shall continue in effect as to the remaining or surviving Resident who shall have the option to retain the same Residence or to move to a smaller Residence, in which event there will be no refund of the Entry Fee. The remaining or surviving Resident will thereafter pay the Monthly Fee for one Resident associated with the Residence occupied by the Resident. No refund will be payable with respect to the Residence surrendered, except as provided in the Termination and Refund Provisions of Section VIII. Any fees paid for a second Resident are not transferable to a future second Resident, such as in the case of a subsequent marriage. When two Residents occupy a Residence under the terms of this Agreement, the rights and obligations of each Resident are joint and severally except as the context otherwise requires.

## **V. FINANCIAL ARRANGEMENTS**

**A. Entry Fee.** You agree to pay Carol Woods an entry fee in the amount of \$\_\_\_\_\_ as a condition for occupying the Residence (the "Additional Entry Fee"). The Entry Fee is in addition to the entry fee of \$\_\_\_\_\_ that You paid under the Early Acceptance Agreement (the "Initial Entry Fee"). Together, (i) the remaining balance after any amortization of the Initial Entry Fee under the Early Acceptance Agreement and (ii) the Additional Entry Fee equal the entry fee ("Entry Fee") for Your Residence. The Entry Fee is a lump sum payment and will not be increased or changed during the term of this Agreement, except for changes required by state or federal law or regulation, or upon transfer to a larger residence, marriage, or entry of another resident to share the Residence. Your right to a refund of any portion of this Entry Fee is outlined in Section VIII.J. and is detailed more specifically in Exhibit A of this Agreement.

**B. Monthly Fee and Other Charges.** You agree to pay a Monthly Fee for the term of this Agreement. This fee will be payable before the fifth day of each month or within Five (5) Days of the date monthly statements are distributed. The current Monthly Fee associated with the Residence is \$\_\_\_\_\_ per month and an additional \$\_\_\_\_\_ per month if a second person occupies the Residence. The Monthly Fee will commence on the Date of Financial Responsibility. It will be charged and paid on a prorated basis for any partial month.

You will be invoiced monthly for services and supplies which may be provided for You beyond that which is included in the Monthly Fee, and those invoices are also to be paid by the fifth of the month or within Five (5) Days of the date monthly statements are distributed.

If You fail to make payment within Thirty (30) Days after receiving the monthly statement, Carol Woods may give You written notice that You must make payment within Fifteen (15) Days after receiving such notice. If You fail to comply, We may terminate this Agreement. Carol Woods reserves the right to apply late fees up to the then-current legal maximum for any late payment.

**C. Higher Levels of Support Charges and Free Days.** If You need care in Carol Woods' 24/7 licensed Higher Levels of Support facilities, You will be charged an additional daily fee (per diem) based on the particular level of support and the type of accommodation. This fee is in addition to the Monthly Fee, which You will continue to be charged. The daily charge to You, however, will be discounted to reflect Your prepayment of health care costs in Your Entry Fee and Monthly Fees.

As part of the Entry Fee and Monthly Fee, each Resident accrues Fifteen (15) "Free Days" each year (prorated in the first calendar year of this Agreement), which may be used to cover the additional, discounted per diem charged to You; at either the semi-private or private rate, depending upon Your particular accommodation at the time. Unused Free Days may accumulate over time, with no limit. No credit, however, is provided for Free Days that are never used; nor can Free Days be transferred to another resident.



- D. Adjustments in the Monthly Fee and Other Charges.** Carol Woods may adjust the Monthly Fee, Per Diems in Higher Levels of Support, and other charges from time to time on the basis of experience or to reflect changes in the cost of achieving the mission or purposes of Carol Woods. Carol Woods agrees that, in the exercise of its discretion, which will be binding on You, Carol Woods will endeavor to maintain all fees and charges at the lowest feasible amounts which, in the judgment of the Board of Directors of Carol Woods, is consistent with sound financial operation and maintenance of the quality of facilities, programs and services provided. Carol Woods shall provide You written notice of changes in fees prior to the effective date of the change.

## **VI. TRANSFERS, MOVES, RELOCATION, AND CHANGES IN RESIDENCE**

- A. Transfers.** A Resident may move to a different Residence at Carol Woods that becomes available upon payment of such fees, consent by Carol Woods, and compliance with such guidelines regarding transfers as may be adopted by Carol Woods. Fees, policies, and guidelines may be changed at the discretion of Carol Woods.

If a Resident transfers to another Residence, he or she is responsible for paying any difference in the Entry Fee, if the amount of the Entry Fee of the new Residence is greater than the original Entry Fee paid for the previous Residence to be vacated. If the Entry Fee for the new Residence is less than the Entry Fee for the previous Residence to be vacated, no refund will be paid for the difference. Either the Single or Two Person Entry Fees will be applied in the calculations depending upon the number of people that are party to this Agreement at the date of Your move. You will pay the applicable Monthly Fee for the new Residence effective the date of Your move.

- B. Refurbishing Expenses.** If You make a preference move as defined in Section VI.C. from one Residence to another and have lived in the previous residence for 5 full years or less, You will be responsible for the cost of refurbishing the Residence vacated. If You make a need-based move, or a preference move after more than 5 years in the previous residence, or if You move permanently to Higher Levels of Support, an outside facility under III. B., or the hospital, You are only responsible for reversal of Residence Modifications made under IV.D.

- C. Preference Versus Need-Based Moves.** Carol Woods considers a move as “need-based” if the move is conditioned by a change in Your health status or marital status, permanent transfer of a spouse to a higher level of support, by financial need, or if required by Carol Woods to fulfill its mission and/or its strategic, financial or other obligations; and that change creates a sense of urgency to move. If the move is made to another Residence for any other reason, it is considered a “preference move.” For any preference move, not only will Your Monthly Fee will be adjusted effective the date of the move to the new Residence as outlined in Sections VI.A. and VI.A., but You will also be charged an additional amount equal to three (3) full months’ Monthly Fee

for the residence being vacated to cover partially the costs to Carol Woods of the preference move.

- D. **Sharing Occupancy With a New Resident.** If a non-resident is joining You as a resident, the additional Entry Fee due is the difference in the amount actually paid by You for the current Residence and the total Entry Fee due for the same Residence at the double occupancy rate effective at the time double occupancy commences.

A non-resident must apply for admission as a Resident and be approved. If the non-resident is not approved as a Resident, Carol Woods may grant admission with limited rights.

- E. **Addition of a Resident Occupant.** If a Resident, while occupying an accommodation at Carol Woods, wishes to share an accommodation with a person who is also a Resident, the two Residents may, with the prior written consent of Carol Woods, occupy the accommodation of either Resident and shall surrender the accommodation not to be occupied by them. No refund will be payable with respect to the accommodation surrendered, except as provided in the Termination and Refund Provisions of Section VIII. Such Residents will pay the Monthly Fee for double occupancy associated with the Residence occupied by them.

- F. **Combination of Accommodations.** Various circumstances may make it desirable that an accommodation occupied by a Resident be combined with an adjoining accommodation to form one combined accommodation. You agree that if a determination is made by Carol Woods that it is desirable to combine Your Residence with an accommodation which adjoins Your Residence, You will surrender occupancy of Your Residence, within a reasonable time after receiving notice of such determination. In the event that Carol Woods makes such determination and notifies You of such, You have the option to (i) transfer into the combined accommodation when such combined accommodation is ready for occupancy, or (ii) transfer to another accommodation, when available, of the same type as the Residence previously occupied by You.

If You elect to occupy the combined accommodation and the Entry Fee established for such combined accommodation exceeds the Entry Fee paid by You for Your previous Residence, You shall pay the amount of such excess upon occupancy. You will pay the Monthly Fee associated with the combined accommodation as established by Carol Woods.

If You elect to transfer to a Residence of the same type as the Residence previously occupied, Carol Woods will repaint and re-carpet, if needed, such Residence at our expense prior to occupancy

- G. **Permanent Transfer to Assisted Living, the Health Center, a Special Service Facility, or a Hospital.** A transfer of living accommodations to Higher Levels of Support, a special service facility, or a hospital will require no

additional residence and service agreement. This Agreement will remain in effect, subject to any applicable amendments referred to in this Agreement. You agree that Carol Woods shall have authority to determine that You should be transferred from Your Residence to Higher Levels of Support facilities or a separate area within such facilities. Such determinations shall be made solely by Carol Woods and based on the professional opinion of Your physician. When possible, all decisions regarding Your permanent transfer to Higher Levels of Support, a special service facility, or to a hospital will be made after consultation with You and, when appropriate, with Your physician, Your family members, or Your representative or responsible party. Carol Woods' decision will be binding. No Entry Fee adjustment is made with these types of transfers. The Entry Fee is subject to refund when a Resident leaves the Community in accordance with Section VIII. If You are a member of a couple, and the other person remains in Your Independent Residence, the Monthly Fee will continue to reflect the two-person rate of the Independent Residence. For single residents, or when both members of a couple make a permanent transfer, the Monthly Fee shall be reduced to the prevailing rate comparable to other singles or couples who have made such a permanent transfer. The lower Monthly Fee takes effect on the date that You release Your previous Residence to Carol Woods for remarketing.

You will remove all personal belongings from the Independent Residence within Thirty (30) Days of transfer and within Two (2) Days of transfer from another residence in Higher Levels of Support. If You or Your designee is unable to arrange for the removal, Carol Woods has the authority to make the necessary arrangements, place belongings in storage and bill all costs related to such a move and storage to You or Your estate.

If Carol Woods subsequently determines that You can resume occupancy in an Independent Residence or an accommodation comparable to the one occupied by You prior to such transfer, You will have priority to such accommodation as soon as one becomes available.

- H. **Room or Unit Assignment in Higher Levels of Support.** You understand that You acquire no ownership in any property at Carol Woods under this Agreement; also, that no particular room or unit in Higher Levels of Support is subject to reservation or permanent assignment, and that we may change Your room or unit assignment in Higher Levels of Support. Though we retain the right to change Your room or unit assignment in the skilled nursing facilities, we agree that we will make changes only as we find such changes to be necessary or advisable.
- I. **Moving Costs.** You are responsible for arranging and paying for all packing and moving costs for moves into, within, and out of Carol Woods. Assistance may be provided by Carol Woods at an additional cost.

## **VII. FINANCIAL ASSISTANCE**

- A. Carol Woods' Policy.** Carol Woods' policy is that, if the sole reason for non-payment of Your financial obligations to Carol Woods is insufficient funds or other financial circumstances beyond Your control, Carol Woods will review the matter with You, provided, however, this policy shall not change the right of Carol Woods to expect payment from You or to terminate this Agreement for Your failure to pay, under the terms of this Agreement.

If special financial consideration is determined by Carol Woods to be warranted, Carol Woods may, in its sole discretion, partly or wholly subsidize Your fees provided that such subsidy will not impair Carol Woods' sound financial operation and maintenance of the quality of service provided. Carol Woods may request that You make every effort to obtain assistance from all available resources both private and public. Carol Woods shall be entitled to require You to move to a smaller or less costly accommodation.

All determinations regarding financial assistance will be final and binding on You and will be handled as a confidential transaction except for reports required to financial institutions providing credit to Carol Woods or to regulatory or governmental bodies.

- B. Transfer of Property.** You hereby represent that You have not made and will not make any gift or other transfer of money or personal property, nor pledge Your money or personal property as collateral for another who is not party to this Agreement, to the degree to which the amount transferred or pledged would impair Your ability or Your estate's ability to satisfy financial obligations under this Agreement. If Your fees are subsidized by Carol Woods, You may not sell or otherwise transfer or pledge property without Carol Woods' written consent. Carol Woods may request updated financial information from time to time and/or copies of Your tax returns.

- C. Recovery of Subsidies Provided by Carol Woods.** When You die, if Your fees have been subsidized wholly or partly by Us, Your estate, if any, will be liable to Carol Woods for the full amount of the subsidy You received for the entire time of residency. This paragraph will apply whether or not You are in residence at the Community at the time of death. This Agreement will operate as a lifetime assignment, transfer, and conveyance to Carol Woods of so much of Your property as is necessary to cover such liability. Any amount due Carol Woods under this paragraph may be deducted from any refund payable to You or to Your estate.

## **VIII. TERMINATION AND REFUNDS**

- A. Termination by Resident Prior to Occupancy.** This Agreement may be terminated by You for any reason prior to occupancy at Carol Woods for any reason by giving written notice to Carol Woods. This Agreement will automatically be canceled due to death or physical or mental conditions that would make You ineligible for entry to Carol Woods.

This Agreement may be terminated by Carol Woods at any time prior to the date that you take occupancy if the Corporation determines that you do not meet the physical, mental or financial requirements for entry or it is determined by Carol Woods that you have misrepresented or omitted medical, financial, or other information given to Carol Woods during the application process.

In the event such termination (including death, illness, injury, or incapacity), You shall receive a refund of the Entry Fee paid less the Acceptance Fee and any nonstandard costs that have been incurred by Carol Woods at Your request. Any such refund shall be paid by Carol Woods within sixty (60) days following termination pursuant to this paragraph.

- B. **Voluntary Termination After Occupancy.** This Agreement may be terminated by You at any time by serving Carol Woods Sixty (60) Days advance written notice of such termination. Such termination will be effective Sixty (60) Days after Carol Woods' receipt of such written notice, or such other date agreed to in writing by You and Carol Woods. If termination occurs within the first Fifty (50) Months of residency, You will be entitled to a Pro-rated Refund of the Entry Fee pursuant to Section VIII.J and Exhibit A.

If this Agreement is terminated voluntarily, You and Carol Woods may re-execute an Early Acceptance Agreement, upon the mutual consent of You and Carol Woods; unless the reason for terminating this Agreement is due to factors that would preclude You returning to an Early Acceptance relationship with Carol Woods.

- C. **Abandoned Residence.** You may be deemed to have abandoned Your Residence and terminated this Agreement if You do not occupy an accommodation at Carol Woods for a period of one continuous year. In the event of such termination (including death, illness, injury, or incapacity), You shall receive a refund of the Entry Fee paid in accordance with Section VIII.J. Any such refund shall be paid by Carol Woods within Sixty (60) Days following termination pursuant to this paragraph.
- D. **Temporary Absence.** Temporary absence because of illness, trips, or other will not affect Your rights to retain occupancy of Your Residence, as long as applicable Monthly Fees are paid.
- E. **Termination Upon Death.** In the event of Your death at any time after the Date of Financial Responsibility and You are not survived by a Co-Resident under this Agreement, this Agreement will terminate upon the date of death or the date Your Residence is vacated, whichever is later. Your estate may be entitled to a Pro-rated Refund of the Entry Fee pursuant to Section VIII.J.

Any refund to which You are entitled shall be paid to Your estate unless You execute a designation and name a trust revocable by You at the time of Your death to receive applicable refunds. Should You execute a revocable trust after signing this Agreement, You or Your estate's executor may submit a

written beneficiary designation form designating a trust, revocable by You at the time of Your death, to receive applicable refunds.

In the event of Your death and You are survived by a co-Resident residing at Carol Woods who has signed this Agreement, then this Agreement shall not terminate, and no refund will be payable.

In the event a refund becomes due, the date that the deceased Resident's responsible party/estate executor removes all personal belongings from the Residence shall determine the termination date. Any refund due to the Resident's estate under this paragraph will be made at such time as the Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to Carol Woods such prospective resident's full Entry Fee; provided, however, that the Resident's estate shall continue to be obligated to pay the applicable Monthly Fee for such Resident's Residence until it is vacated and left in good condition except for normal wear and tear.

- F. **Termination by Carol Woods.** Carol Woods may terminate this Agreement at any time if there has been any material misrepresentation or omission made by You during the application process or in the application forms; if a material change in Your health takes place before the Date of Financial Responsibility; or if You fail to make payment to Carol Woods and Carol Woods gives notice provided for in Section V.B. In such events, You may be entitled to a Pro-rated Refund of the Entry Fee pursuant to Section VIII.J and Exhibit A. Carol Woods also reserves the right to terminate the Agreement if You fail to abide by Carol Woods' policies and procedures, breach the terms and conditions of this Agreement; if Your continued presence is considered by Carol Woods to be a serious disruption, endangerment or threat to the life, health or safety of others, as determined by a physician, physician assistant or nurse practitioner; the discharge is necessary for Your welfare and Your needs cannot be met by Carol Woods as documented by Your physician, physician assistant or nurse practitioner; if You refuse to relocate as may be required by Carol Woods in accordance with this Agreement; or You engage in activities or conduct that is abusive or disruptive to the Community or is detrimental to Your health, safety or welfare or that of other Residents of the Community or to the Residents' peaceful enjoyment of the Community. Carol Woods will provide timely advance written notice of termination that is in compliance with prevailing laws, regulations and Carol Woods' policies.

Resident hereby acknowledges that it is the policy of Carol Woods to conduct sex offender screening for every prospective resident, regardless of independent status or level of care, at the time of application for admission to Carol Woods and again prior to entering into a Residence and Services Agreement. If the screening shows that the prospective resident is identified as a sex offender, Carol Woods will deny admission of the prospective resident on that basis and not execute a Residence and Services Agreement.

In addition, Resident hereby acknowledges and agrees that if, after Carol Woods and Resident have entered into a Residence and Services Agreement, Carol Woods becomes aware that Resident is listed on any sex offender registry, Carol Woods may terminate this Agreement with Resident and remove Resident from Carol Woods. If there is more than one Resident who is a party to this Agreement, the termination of this Agreement in such instance shall only apply to the Resident listed on the sex offender registry.

Following termination of this Agreement pursuant to this Section VIII.G., You will be responsible for paying the Monthly Fee for the applicable Residence for the full notice period and for each day of occupancy. Any refund of the Entry Fee due to the Resident following voluntary termination of this Agreement by Carol Woods will be made in accordance with Section VIII.J.

Except in cases of discharge necessary to protect your life, health, safety or welfare or that of others or in cases of emergency, You will receive a notice of the termination by Carol Woods at least Thirty (30) Days prior to the effective date of termination. You may be entitled to appeal Carol Woods' decision to terminate this Agreement, and except in cases of emergency, Carol Woods will not discharge You before the final decision resulting from the appeal has been rendered.

- G. **Termination by One of Two Residents Sharing a Residence.** In the event that two (2) Residents occupy a Residence under the terms of this Agreement, upon the permanent transfer to a Health Center or the death of one (1) of such Residents, or in the event of the termination of this Agreement with respect to one (1) of such Residents, the Agreement will continue in effect as to the remaining or surviving Resident and there will be no refund of any portion of the Entry Fee. In the event of one or both Residents transferring to a residence in Higher Levels of Support, the monthly fee continues to reflect the double occupancy rate. Upon death of one (1) Resident, the surviving Resident will pay the single person rate of the associated residence.
- H. **Condition of Residence.** Upon termination of this Agreement, You will vacate the Residence and will leave it in good condition except for normal wear and tear. You or Your estate will be liable to Carol Woods for any cost incurred in restoring the Residence to good condition except for normal wear and tear. Such costs may be deducted from any refundable portion of the Entry Fee (if any) due to You or Your estate.
- I. **Removal of Personal Property.** In the event of termination of this Agreement, You agree to surrender the Residence and any storage areas that were occupied by You within Thirty (30) Days of the notice of termination.

Carol Woods reserves the right to remove Your belongings from the Residence and any storage areas. You will pay a reasonable storage fee or the actual cost of external storage, whichever is applicable. Carol Woods is not responsible for any damages incurred to Your property if storage

becomes necessary. Unclaimed property will become the property of Carol Woods after Thirty (30) Days following the termination of this Agreement and will be disposed of at the sole discretion of Carol Woods.

In the event of Your death, while You are a Resident of Carol Woods under this Agreement, only the executor(s) named in Your will (or such person or entity designated by such executor(s)) will be allowed to remove or dispose of Your furnishings and belongings in Your Residence and any related storage areas at Carol Woods. Members of Your family or those to whom You have granted power of attorney will not be allowed access to Your personal property after Your death, unless they are the executor(s) named in Your will.

**J. Calculation for Pro-Rated Refunds.**

1. **Calculation of Refund.** If termination of this Agreement occurs during the period of months detailed in Exhibit A from the Date of Financial Responsibility, You or Your estate will be entitled to a partial refund of the Entry Fee. You will receive a refund in the amount equal to the Entry Fee less the Acceptance Fee (4%), less the percent for each month or portion of a month for up to the remaining months as detailed in Exhibit A. In calculating amortization for purposes of this section, a period of more than fifteen (15) days will be considered as a full month; fifteen (15) days or less will be disregarded for purposes of this calculation. After the period of months detailed in Exhibit A, there is no refund of the Entry Fee.

Residency begins on the Date of Financial Responsibility. You will not receive a refund of any amounts paid for non-standard features added to Your Residence. The cost to repair damages to the Residence and storage areas in excess of normal wear and tear, the cost of storage paid by Carol Woods and any amounts due and unpaid relating to the cost of care provided by Carol Woods or any third party health care provider, including without limitation, the Monthly Fee or other amounts payable to Carol Woods which remain outstanding and the amount of any charges due by Carol Woods on behalf of the Resident, or by the Resident, to the pharmacy, rehabilitation services or any other third party, will be deducted from any applicable refund. Entry Fees will not be refunded upon transfer to Higher Levels of Support.

2. **Payment.** Other than terminations during the Trial Period in Section VIII.B. and exercise of the Right of Rescission (Section IX), payment of any refund due of an Entry Fee may be made only when a new Entry Fee has been paid for Your Residence by a subsequent Resident. Any refund due You under this paragraph will be made within Thirty (30) Days from the date that Your Residence shall have been reserved by a prospective resident, and such prospective resident shall have paid to Carol Wood such prospective resident's full Entry Fee.

**K. Release from Obligations upon Termination.** Upon termination of this Agreement, Carol Woods is released from any further obligations to You



except for the payment of any refund which may be due under this Agreement.

## **IX. RIGHT OF RESCISSION**

Notwithstanding anything herein to the contrary, this Agreement may be rescinded by You giving written notice of such rescission to Carol Woods within Thirty (30) Days following the later of the execution of this Agreement or the receipt of a disclosure statement that meets the requirements of Section 58-64-1 et. seq. of the North Carolina General Statutes. In the event of such rescission, if it is conditioned by a change in Your health status, You will receive a full refund of the Entry Fee, less the Acceptance Fee. If the rescission is for a reason other than change in Your health status, You will receive a refund of the Entry Fee less the Acceptance Fee which will be retained to cover the costs to Carol Woods of Your rescission following acceptance. You will not be required to move to Carol Woods before the expiration of such Thirty (30) Day period. Any such refund will be paid by Carol Woods within Sixty (60) Days following receipt of written notice of rescission pursuant to this Section.

## **X. GENERAL**

- A. **Assignment and Delegation.** The rights and privileges for You under this Agreement to the Residence, common areas and amenities, and services and programs of Carol Woods are personal to You and may not be transferred or assigned by You or otherwise. Resident acknowledges the right of Carol Woods to contract for the various services provided by this Agreement, including, but not limited to, management services for the Community.
- B. **Management of the Community; No Tenancy Interest or Management Rights.** The absolute rights of management are reserved by Carol Woods and its Board of Directors. Carol Woods reserves the right to accept or reject any person for residency. Residents do not have the right to determine admission or terms of admission of any Resident. Carol Woods reserves the right to amend, implement or terminate policies and/or guidelines related to the operation of the Community at its sole discretion. Subject to the terms and conditions of this Agreement, this Agreement gives Resident the right to live in Carol Woods and to receive or have access to the services and amenities described in this Agreement. However, it does not give Resident the rights of a “tenant” as that term is defined by North Carolina state law. Carol Woods retains the exclusive authority to make all management decisions with regard to the management of the Community, including decisions about admission and discharges, setting charges, Carol Woods’ policies and procedures, and the scope of services offered by Carol Woods, consistent with state law and the terms of this Agreement.
- C. **Entire Agreement; Counterparts.** This Agreement constitutes the entire agreement between Carol Woods and You. Carol Woods will not be liable or bound in any manner by any statements, representations, or promises made by any person representing or claiming to represent Carol Woods, unless

such statements, representations, or promises are set forth in this Agreement or in an amendment to this Agreement signed by a duly authorized representative of Carol Woods and by You. This Agreement may be executed in counterparts, each of which shall be deemed original, and together shall constitute one and the same agreement. This Agreement and any amendments hereto, to the extent signed and/or delivered by means of a facsimile machine, electronic mail or other electronic means, shall be treated in all manners and respects and for all purposes as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person.

- D. **Successors and Assigns.** Except as set forth herein, this Agreement will bind and inure to the benefit of the successors and assigns of Carol Woods and bind Your heirs, executors, trustees, responsible parties, powers of attorney and administrators.
- E. **Rights Subordinate to Mortgage.** Pursuant to the requirements of any lender, You agree that Your rights under this Agreement are Subordinate to the right of the lender under any mortgage now or in the future executed by The Chapel Hill Residential Retirement Center, Inc.
- F. **Durable Power of Attorney, Will, Living Will, and Health Care Power of Attorney.** You agree to execute a Durable Power of Attorney designating a competent person as attorney-in-fact. You agree to execute a Will, Living Will, and designate a Durable Health Care Power of Attorney. You will provide Carol Woods with copies of Durable Power of Attorney, Living Will, and Health Care Power of Attorney as well as the location of the Will upon execution, and within Ninety (90) Days of assuming financial responsibility.
- G. **Resident Contracted Employees.** If You wish to employ outside assistance privately for any reason, Your contracted employee must adhere to all Carol Woods policies, and You must obtain the prior written approval of Carol Woods to hire such individual. You agree to hold Carol Woods harmless for any claim, damages or other harm arising out of Resident's private employment or contracting with any individual(s) or otherwise related to the provisions of such outside services. Carol Woods has the right to require that the Resident terminate immediately the employment or contract with such a person at any time upon written notice to Resident.
- H. **Uncontrollable Interruption of Services.** No breach of Carol Woods' obligations under this Agreement and no liability for injury to You or Your property shall result from an interruption of, or failure to provide, contracted services due to an act of God or other cause beyond the reasonable control of Carol Woods, specifically including strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood, earthquakes, inclement weather, pandemic or Your acts. Carol Woods shall make every effort to continue to provide the usual services in such an event.

- I. **Confidentiality.** Carol Woods has the responsibility to keep all of the personal, medical and financial information You have supplied to it confidential. You consent to the release of any of Your personal and medical records maintained by Carol Woods (i) to Carol Woods' employees, staff, and agents; (ii) to persons and organizations from whom You receive health care services; (iii) to third-party payors of health care services provided by Carol Woods or other organizations; and (iv) to others deemed reasonably necessary by Carol Woods for purposes of treatment, payment and operations of the Community, consistent with applicable state and federal health care privacy laws. You understand and agree that authorized agents of the state or federal government, including the Long-Term Care Ombudsman, may obtain Your records without Your written consent or authorization. Release of Your records for other purposes shall be made in accordance with applicable law, with specific authorization from You or Your legal representative where required.
- J. **Indemnity.** You agree to indemnify, defend and hold Carol Woods harmless from claims, damages or expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with Your negligent or intentional act or omission or those of Your guests, including private duty nurses, nursing assistants, companions, or any other third party service contracted by You. This Section X.J. shall survive the termination of this Agreement.
- K. **Affiliated Corporation.** In compliance with N.C.G.S. § 58-64-25(b)(8), Carol Woods hereby discloses that it has a close affiliation with The Carol Woods Charitable Fund, Inc. ("Charitable Fund"). The Charitable Fund was created by Carol Woods as a Supporting Corporation, whose purpose is to support Carol Woods in its charitable mission. The full Board of the Charitable Fund is appointed by the Board of Carol Woods, and at least half of the Charitable Fund Board is comprised of current members of the Carol Woods Board, as well as Carol Woods' President/CEO and Vice President of Finance/CFO. The Charitable Fund has no responsibility for the financial and contractual obligations of this Agreement. Carol Woods is solely responsible for the financial and contractual obligations of this Agreement.
- L. **Notice Provisions.** Any notices, consents, or other communications to Carol Woods hereunder (collectively "notices") will be in writing and addressed as follows:

Chief Executive Officer  
Carol Woods  
750 Weaver Dairy Road  
Chapel Hill, North Carolina 27514-1502

Your address for the purpose of giving notice is the address appearing after Your signature below.

- M. **Resident Handbook.** You will be given a current copy of the Resident Handbook as adopted by Carol Woods. You understand that these documents will change over time.
- N. **Severability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.
- O. **Limitation of Liability.** You understand and agree that the services provided by Carol Woods and others within the Community are not designed to protect You from the everyday, normal risks and responsibilities of living, including, but not limited to, such general accidents and situations such as falling, choking on food, and weight loss and/or dehydration resulting from Your failure to partake of food and drink. Additionally, You understand and agree that the services provided by the Community do not include one-on-one monitoring of You and that Your expectations will be consistent with this understanding. Carol Woods shall exercise reasonable care toward You based on Your known condition. However, You agree that Carol Woods is not an insurer of Your welfare and safety. You agree that You will exercise due care to protect Yourself from harm.
- P. **Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, trustee, agent, or employee of ours shall have any personal liability hereunder to You under any circumstances. If Resident is, or becomes, unable to understand or communicate his or her health care or financial decision, and is determined by Resident's attending physician to be incapacitated, then in the absence of Resident's prior designation of an authorized legal representative, or upon the unwillingness or inability of a designated legal representative to act, Carol Woods shall have the right to commence a legal proceeding to adjudicate Resident incapacitated and to have a court appoint a guardian for Resident. The cost of the legal proceedings, including attorneys' fees, shall be paid by Resident or Resident's estate.
- Q. **Tax Considerations.** You should consult with Your tax advisor regarding the tax considerations associated with this Agreement.
- R. **Amendments.** Generally, this Agreement can be changed only by mutual written consent. However, Carol Woods reserves the right, upon Thirty (30) Days prior written notice to Resident, to modify or amend this Agreement whenever doing so is necessary to correct errors, omissions, or inconsistencies, to provide clarification of intent, or to conform the documents to the requirements of local, state, or federal laws and regulations applicable to Carol Woods, in particular, or to residential life care communities, in general, or whenever doing so is deemed by Carol Woods to be in the best

interest of the Community and the Residents in light of changes in health insurance laws and coverages and/or local, state or federal tax laws or regulations.

- S. **Behavior Deemed Harmful to Carol Woods.** If Resident is deemed competent and capable of controlling his or her behaviors and engages in behaviors deemed by the President/CEO of Carol Woods to be disruptive, hostile, illegal, or otherwise harmful to others or to Carol Woods, Carol Woods reserves the right to terminate this Agreement. If such a circumstance arises, Carol Woods will discuss the matter thoroughly with Resident to provide Resident with knowledge of the behaviors deemed intolerable by Carol Woods. Carol Woods will provide Resident with a written warning to desist from the behavior or any similarly disruptive, hostile, illegal, or harmful behavior. Upon determination that Resident is continuing to engage in the behaviors against which Resident has been warned, Carol Woods will have the right to terminate this Agreement.
- T. **Interpretation.** Headings are for convenience and reference purposes only and shall not affect the interpretation of any provision of this Agreement.
- U. **Waivers.** Neither the failure nor any delay on the part of any party to exercise any right, remedy, power, or privilege ("Right") under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any Right preclude any other or further exercise of the same or of any Right, nor shall any waiver of any Right with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.
- V. **Survival.** Those rights and obligations that have accrued as a result of the operation of this Agreement shall survive its termination, as shall those rights and obligations that by their terms survive termination and any provisions that must survive to give effect to their terms, as shall any obligation of Resident to pay costs or expenses of Resident's stay at Carol Woods that remain unpaid as of such termination.

## **XI. MEDIATION AND ADHERENCE TO GOVERNING LAW FOR DISPUTES**

- A. **Mediation.** You and Carol Woods hereby agree that any claim or dispute relating to this Agreement, or any other matters, disputes, or claims between the two parties shall be subject to non-binding mediation within Thirty (30) Days of either party making a request in writing to the other. The mediation sessions shall be held at a place agreed upon by both parties, or in the absence of such agreement, at Carol Woods, and shall be conducted according to the mediation rules of the National Arbitration Forum. This Section XI.A. shall survive termination of this Agreement.
- B. **Governing Law; Venue; Disputes.** If the Parties cannot agree to the terms and conditions of private mediation, then the Parties can seek the appropriate

remedy by filing a lawsuit in the jurisdiction specified in this Agreement. This Agreement shall be governed by, interpreted, construed and enforced in accordance with the internal laws of the State of North Carolina without regard to principles of conflict of laws or provisions that would cause the application of laws of any jurisdiction other than North Carolina. Any controversy or dispute arising out of or relating to this Agreement shall be brought and enforced exclusively in the courts (federal and state) situated in North Carolina, Orange County, and the Parties hereby irrevocably submit to the exclusive jurisdiction of such courts and irrevocably waive any objection that they may now or hereafter have to the laying of venue of any such action or proceeding in such courts. As a condition for filing a lawsuit to resolve any claims, a Party must first give Thirty (30) Days prior notice of such claim to the other Party in order to determine whether such matter can be resolved through private mediation.

This Section XI.B. shall survive the termination of this Agreement.

BECAUSE THE AUTHORITY TO ENTER INTO CONTINUING CARE CONTRACTS GRANTED BY THE NORTH CAROLINA DEPARTMENT OF INSURANCE IS NEITHER A GUARANTEE OF PERFORMANCE BY THE PROVIDER NOR AN ENDORSEMENT OF ANY CONTINUING CARE CONTRACT PROVISIONS, PROSPECTIVE RESIDENTS MUST CAREFULLY CONSIDER THE RISKS, BENEFITS AND COSTS BEFORE SIGNING A CONTINUING CARE CONTRACT AND ARE STRONGLY ENCOURAGED TO SEEK FINANCIAL AND LEGAL ADVICE BEFORE DOING SO.

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

You understand this matter involves a financial commitment and associated risk as well as a legally binding contract. You were encouraged to consult with an attorney and/or financial advisor who could advise You concerning this Agreement.

You hereby acknowledge receipt of Carol Woods' current Disclosure Statement. You acknowledge that the Disclosure Statement was received prior to the execution of this Agreement or prior to or at the time of the transfer of any money or other property to Carol Woods, whichever occurred first.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate, as of the day and year first written above, one duplicate copy of this Agreement being retained by each party.

Your signature below certifies that you have read, understand and accept this Agreement as of this (*current date*) \_\_\_\_ day of \_\_\_\_\_, 2\_\_\_\_.

<b>Carol Woods</b>	<b>Resident(s)</b>
By (signature)	(signature)
Printed Name	(signature)
Title	Current Address: Street
	City, State, Zip Code
	Telephone

**EXHIBIT A**  
**TO RESIDENCE AND SERVICES AGREEMENT FOLLOWING**  
**EARLY ACCEPTANCE**  
**CLARIFYING THE REMAINING PERIOD AND RATE OF ENTRY FEE**  
**AMORTIZATION**  
**CAROL WOODS RETIREMENT COMMUNITY**  
**CHAPEL HILL, NORTH CAROLINA**

Prior to this Agreement, which such Agreement is dated \_\_\_\_\_ ,  
You have been a Resident of Carol Woods under an Early Acceptance Agreement  
was made effective on \_\_\_\_\_ ("Early Acceptance Date").

Under the Early Acceptance Agreement, You paid to Carol Woods an Initial Entry Fee of  
\_\_\_\_\_ that was scheduled to amortize or decline at a rate of 4.0%  
per month for a period of twenty-five (25) months.

The period from the Early Acceptance Date to the date of this Agreement is a period of  
0 months, which leaves You 25 months remaining under  
this initial amortization period pursuant to the Early Acceptance Agreement.

Under this Agreement, you paid to Carol Woods an Additional Entry Fee of \_\_\_\_\_ .  
Together, the Initial Entry Fee and the Additional Entry Fee are referred to as the "Entry Fee".

Between the Early Acceptance Agreement and this Agreement, Carol Woods wishes to ensure  
that You receive a full fifty (50) months of time for the amortization of the Entry Fee and during  
which You may be entitled to a refund of a portion of Your Entry Fee.

The following shows: (1) the remaining balance (after amortization) of Your Initial Entry Fee; (2)  
the Additional Entry Fee; (3) the Total Entry Fee (Initial Entry Fee balance after initial  
amortization plus Additional Entry Fee; (4) number of months remaining in the amortization  
period; (5) rate at which the Entry Fee amortizes; and (6) the amount at which the Entry Fee

1) Balance remaining (after amortization) of Initial Entry Fee:	<b>\$0</b>
2) Additional Entry Fee:	<b>\$0</b>
3) Total Entry Fee:	<b>\$0</b>
4) Amortization Period of Entry Fee:	<b>50</b> Months
5) Rate at which Entry Fee amortizes or declines:	<b>2.0%</b> per Month
6) Amount at which Entry Fee amortizes or declines :	<b>\$0</b> per Month



**RESIDENCE AND SERVICES AGREEMENT  
CAROL WOODS RETIREMENT COMMUNITY  
CHAPEL HILL, NORTH CAROLINA**

This Residence and Services Agreement (referred to as the "Agreement") is made this \_\_\_\_\_ day of \_\_\_\_\_, 2\_\_\_\_ between The Chapel Hill Residential Retirement Center, Inc., d/b/a Carol Woods (referred to as "Carol Woods" or "We or "Us"), a North Carolina nonprofit corporation, and \_\_\_\_\_ (referred to as "Resident", "You" or "Your"). If two persons sign this Agreement as Residents, the words, "Resident", "You" and "Your" apply to both persons jointly and severally unless the context requires otherwise. You agree to take financial responsibility for Your residence on the \_\_\_\_\_ day of \_\_\_\_\_, 2\_\_\_\_ (the "Date of Financial Responsibility").

**WHEREAS**, Carol Woods owns and operates a retirement community located at 750 Weaver Dairy Road, Chapel Hill, North Carolina; and

**WHEREAS**, the retirement community (referred to as the "Community") consists of independent living apartments in mid-rise buildings, single-story garden cottages, two-story townhomes, a Community Center with common areas and amenities, and on-campus facilities for outpatient healthcare services and 24/7 assisted living and skilled nursing care ("Higher Levels of Support"); and

**WHEREAS**, You desire to enter into this Agreement for residence in the Community, and whereas You have applied for admission to Carol Woods and Your application has been accepted.

**NOW THEREFORE**, subject to the terms and conditions set forth in this Agreement, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, You and Carol Woods agree as follows:

**I. RESIDENCE, COMMON AREAS, AND GENERAL SERVICES**

**A. Residential Services and Amenities Included in Monthly Fees.** Subject to the terms and conditions set forth in this Agreement, the following residential services and amenities shall be made available to You and are included in the monthly fees that You are charged pursuant to Section V.B. of this Agreement.

1. **Residence.** Subject to the terms and conditions set forth in this Agreement, Carol Woods agrees to provide You a personal, exclusive, non-transferrable right to reside, use, and enjoy residence number \_\_\_\_\_ a \_\_\_\_\_ type of residence located within Carol Woods, or such other residence or accommodation within Carol Woods to which You may be transferred in accordance with this Agreement (referred to as the "Residence").

2. **Furnishings and Appliances.** Carol Woods will provide floor covering, window coverings, kitchen and laundry appliances, and other furnishings as described in the Community's current literature. You will provide all other furnishings and decorations, which shall be purchased and maintained by You at Your risk.
3. **Maintenance and Repair Service.** Carol Woods will perform and provide repairs, maintenance, and replacement of property and equipment owned by Carol Woods. The maintenance, repair, and replacement of Your personal property is Your responsibility. Any change or replacement by You of the property or equipment provided by Carol Woods in Your Residence gives title in the changed or replaced property or equipment to Carol Woods unless otherwise agreed to in writing in advance. Carol Woods may decline to repair, maintain, or replace any property or equipment that You change, modify, or replace. You will be responsible for the cost of repairing any damage to property of Carol Woods caused by Your negligence and/or that of any guest of Yours, ordinary wear and tear excepted.
4. **Grounds.** Carol Woods will furnish basic grounds-keeping care, including lawn service and snow removal. With Carol Woods' approval, You may elect to plant and maintain a specifically defined area adjacent to Your Residence. The cost and maintenance of these plantings will be at Your expense. Title to such plantings is vested in Carol Woods unless otherwise agreed to in writing.
5. **Meals.** Carol Woods will offer three meals a day, with a selective menu, in the dining rooms in accordance with the Carol Woods then current policy, which is subject to change from time to time.
6. **Clinic Authorized Meal Service.** Meal service will be provided to Your residence during short-term illness, when ordered by one of Carol Woods' authorized health service personnel. When authorized, meal service includes the delivery and pick-up of selected meals to You at Your Residence.
7. **Community Common Areas and Amenities.** We will provide common areas and amenities for the use and benefit of all Residents. These facilities currently include the main dining room, private dining rooms, lobbies, assembly hall, library, social, and recreational facilities (indoor and outdoor), and craft facilities. Some common areas may require advance reservations. All common areas are tobacco-free environments.
8. **Health Care and Higher Levels of Support.** Carol Woods will provide or arrange admission to the facilities necessary for the health care and support services specified in this Agreement, subject to the terms and conditions of this Agreement. In this Agreement, the term "Higher Levels of Support" includes care provided in all of Carol Woods' 24/7 licensed

health care facilities. Carol Woods is a restraint-free, dementia-inclusive community and does not embrace the concept of a segregated unit for residents with dementia. Residents living in all levels of support are welcome to dine throughout campus and participate in all events and activities.

9. **Security.** We will use reasonable care in providing security on the premises of Carol Woods. Carol Woods will provide twenty-four (24) hour security staffing on-site, in the community, as well as emergency call devices and smoke detectors in each residence. You are responsible for locking Your Residence and taking appropriate security measures to protect Yourself and Your personal property. We are not responsible for theft, loss or damage to Your personal property.
10. **Parking.** Carol Woods will provide and maintain parking areas for Residents and guests.
11. **Laundry & Housekeeping.** Carol Woods will also provide washers and dryers for Your personal laundry in each residence or apartment building as well as common laundry facilities in Higher Levels of Support. You are responsible for arranging and paying for dry cleaning services.

Carol Woods will provide housekeeping services on a regular basis for each residence. You must maintain Your Residence in a clean, safe and sanitary condition. If not, Carol Woods, after providing written notice to You, will maintain the Residence and charge such cost to You.

12. **Utilities.** Carol Woods will furnish heating, air conditioning, water, electricity and/or gas, as appropriate, sewage disposal, and garbage and trash removal from collection points. Carol Woods provides local telephone and internet service and supplies connection for standard television service. You will be responsible for the cost of long-distance telephone calls, which will be billed to You on a monthly basis. If You choose to arrange other television streaming, internet or telephone services beyond what is provided, You may do so at Your own expense and receive no credit.
13. **Local Transportation.** Carol Woods will provide limited local, scheduled transportation for Residents, subject to Carol Woods' policies and procedures. Additional charges may be incurred for some transportation.
14. **Taxes.** Subject to any exemptions offered to Carol Woods, Carol Woods will pay all property taxes assessed on Carol Woods' real property. You will be responsible for all taxes owed by You, including, without limitation, all personal income taxes and taxes assessed on Your personal property.

15. **Storage.** Additional storage space is provided for each apartment in the central apartment buildings. Garden cottages and townhomes include additional storage areas inside and/or outside of each unit.
16. **Activities.** Social, recreational, educational, and cultural activities are provided through an active Resident-directed program. Additional charges may be incurred for some programs.

**B. Residential Services and Amenities Available for an Additional Charge.**

Carol Woods shall provide other residential services and amenities which are NOT included in Your monthly fees, which shall be available to You for an additional charge. Fee schedules for these services shall be made available to You and updated from time to time as the services and fees may change. The following provides a non-exhaustive, illustrative list of services available on a fee-for-service basis.

1. **Meals.** Residents who exhaust their monthly meal plans may purchase additional meals, which shall be billed on a monthly basis at prevailing resident additional meal charges. Guests are welcome in the dining room. Guest meals may be charged to You at guest meal rates.
2. **Personal Services.** Carol Woods offers a variety of personal services, including special requests for maintenance needs, private duty gardening, special home modifications, decluttering and deep cleaning, and personal computer & in-home technology support.

You may not engage third parties, including private duty nurses, nursing assistants, and companions, for services rendered on Carol Woods's campus without prior notification to and written authorization by Carol Woods' management. You agree to hold Carol Woods harmless for any claims, damages or other harm arising out of Resident's private employment or contracting with any individual(s) or otherwise related to the provisions of such outside services. At any point in time, Carol Woods may revoke its authorization for other services provided should Carol Woods determine such third party poses a risk to You or other residents, or such third party fails to comply with any applicable rule or policy issued by Carol Woods. Such revocation shall be in writing and effective immediately or as specified in the written notice.

**II. HEALTH CARE SERVICES**

**A. Health Care Services Included in Monthly Fees and Health Care Per Diems.** Subject to the provisions set forth in this Agreement, the following health care services are available to You and covered in Your monthly fees or per diem charges.

1. Medical services provided by primary care physicians and geriatric-trained nurse practitioners who are part of Carol Woods' group practice, and who see You at the Carol Woods' on-site clinic; and which are not billable to

Your Medicare or Medicare Advantage insurance except that You shall be responsible for all deductibles, co-pays and costs for any non-covered service Your insurer imposes (see Section II.B.1).

2. Physical, Occupational, and Speech Therapy when provided at Carol Woods' Outpatient Rehabilitation department or in an inpatient setting in Higher Levels of Support; and which are not billable to Your Medicare or Medicare Advantage insurance except that You shall be responsible for all deductibles, co-pays and costs for any non-covered service Your insurer imposes (see Section II.B.2).
3. 24/7 availability of Carol Woods' Security and Nursing staff to respond in an emergency in Your Residence or elsewhere on campus.
4. Assisted Living, Assisted Nursing and Skilled Nursing care are provided in Carol Woods' licensed 24/7 Higher Levels of Support. For every day that You are admitted to one of Carol Woods' accommodations in Higher Levels of Support, You shall be charged a per diem according to the level of support needed, and the type of accommodation. The per diem is charged in addition to Your prevailing Monthly Fee. Your per diem shall be discounted from the prevailing market rate per diem, as established through written per diem fee schedules, by virtue of Your being a Carol Woods Resident, pursuant to Section V.C. The following outlines the services and supplies provided in Higher Levels of Support that are included in Your discounted per diem charge.
  - a. Support from certified Resident Life Specialists for assistance that You need in Your personal care and Activities of Daily Living. If one-on-one support is needed for more extended periods of time, that support is arranged on a fee-for-service basis as outlined in Section II.B.5.
  - b. Support from certified Medication Technicians and licensed nursing staff for administration of prescribed medications.
  - c. Support from licensed Registered Nurses for treatments and other services within their professional Scope of Practice provided in properly licensed facilities.
  - d. Three meals per day in the facility in which You reside, or any other resident dining areas on campus. Nutritional snacks provided between meals.
  - e. Private or semi-private furnished accommodations, all utilities, with regular housekeeping, and regular maintenance.
  - f. In Assisted Nursing and Skilled Nursing levels of support, the applicable per diem includes most (but not all) routine "ancillary"

supplies provided by Carol Woods' purchasing department, including personal care items, incontinence products, routine and non-routine medical supplies, non-prescription medications, and minor pieces of medical equipment such as standard manual wheelchairs and walkers (In Assisted Living, these ancillaries are billed to You).

5. General nursing and personal care are provided in similarly licensed personal care and nursing facilities when space is not available at Carol Woods, and when coordinated by Carol Woods' medical and nursing staff. Carol Woods shall arrange for Your return to an appropriate accommodation on campus as soon as one is available. While at another facility, Carol Woods shall be responsible to pay for Your care and charge You Carol Woods' prevailing Monthly Fees and discounted per diems.

**B. Health Care Services Available for an Additional Charge.** Carol Woods shall provide other health care services which are NOT included in Your Monthly Fees or discounted per diems, which shall be available to You for an additional charge. Fee schedules for these services shall be made available to You and updated from time to time as the services and fees may change. The following provides a non-exhaustive, illustrative list of health care services available on a fee-for-service basis.

1. Medical services provided by primary care physicians and licensed nurse practitioners who are part of Carol Woods' group practice, for services that are covered by Your Medicare or Medicare Advantage insurance, shall be billed by Carol Woods to Your Insurer. If Carol Woods has established a contract with your Insurer, Carol Woods shall accept the allowable rate established with your Insurer, and shall bill You whatever deductibles, co-payments and costs for any non-covered service Your Insurer imposes. If Carol Woods does not have a contract with Your Insurer, Carol Woods will accept the Medicare allowable reimbursement rate for the service and you may receive a bill for the difference between what Your Insurer pays and the Medicare allowable reimbursement rate.
2. Physical, Occupational, and Speech Therapy provided at Carol Woods' Outpatient Rehabilitation department or in an inpatient setting in Higher Levels of Support, that are covered by Your Medicare or Medicare Advantage insurance, shall be billed by Carol Woods to Your Insurer. If Carol Woods has established a contract with your Insurer, Carol Woods shall accept the allowable rate established with your Insurer, and shall bill You whatever deductibles, co-payments and costs for any non-covered service Your Insurer imposes. If Carol Woods does not have a contract with Your Insurer, Carol Woods will accept the Medicare allowable reimbursement rate for the service and you may receive a bill for the difference between what Your Insurer pays and the Medicare allowable reimbursement rate.

3. Any non-emergency visit by a Registered Nurse to Your residence.
4. Other services provided or offered by other Practitioners in Carol Woods' Clinic and Higher Levels of Support including Podiatry and Audiology services, Integrative Health, Massage Therapy, and others from time to time.
5. Personal shopping services and one-on-one companionship services provided in Carol Woods 24/7 licensed Higher Levels of Service, since these are beyond what is covered in the discounted per diem charges.

**C. Community Physicians.** Carol Woods will appoint a Medical Director and physicians as needed as determined by Carol Woods. If You choose to use Carol Woods' providers, they will be responsible for Your medical care, including office visits, medical review, visits in Higher Levels of Support, and referral to hospitalists and other specialists. If You choose a physician who is not part of Carol Woods' group practice, a Carol Woods physician will be responsible for Your care if You are admitted to Carol Woods' Higher Levels of Support.

**D. Hospitalization.** When one of Carol Woods' physicians determines that it has become necessary to hospitalize You, the physician will have the authority to arrange such hospitalization. When the conditions necessitating such hospitalization no longer exist, the physician will have the authority to arrange for Your discharge and transfer or return to Carol Woods.

**E. Medical Referrals.** Carol Woods will be responsible for coordinating and following Your medical, surgical and other health care services when such services either (i) are provided by Carol Woods, or (ii) are provided by licensed outside providers to whom You have been referred in writing by one of Carol Woods' physicians for treatment or consultation. Such responsibility will be limited to the specific condition for which the referral was made. Carol Woods will not be responsible for secondary referrals or for follow-up visits unless approved in advance in writing by one of Carol Woods' physicians.

Carol Woods cannot be responsible for filing for insurance reimbursement for services provided by other providers of Your choice. However, Carol Woods will supply the referral provider with Your insurance policy information upon request and will assist You in overseeing that other providers are filing with Your insurance diligently, to help maximize Your Medicare and supplemental insurance benefits.

**F. Health Care Insurance Requirements.** You shall be responsible for carrying both Medicare Part A and Medicare Part B, or Medicare Advantage insurance coverage, or a substitute policy approved in writing by Carol Woods. You shall also carry a supplemental insurance policy or equivalent insurance coverage, approved in writing by Carol Woods, which adequately covers the hospital, medical, prescriptions, and skilled nursing deductibles

and co-payments required of Your primary insurance plan. Both Your primary and supplemental health insurance policies must recognize Carol Woods as a health care provider; or You assume the financial responsibility for services provided that otherwise could be covered.

You shall be responsible for ensuring that the health insurance coverage that was approved does not lapse, and You shall provide Carol Woods with evidence of such coverage upon request. If Your health insurance coverage should lapse, Carol Woods may require that You reapply for suitable coverage. If You are unable to obtain adequate new coverage, Carol Woods shall charge You for any costs of medical and other health care services provided that otherwise would have been covered by an approved policy.

**G. Carol Woods' Filing for and Rights to Insurance Benefits.** Carol Woods shall be responsible for filing for reimbursement from Your Medicare, Medicare Advantage and supplemental health insurance plans for covered medical, skilled nursing, and outpatient therapy services when provided by Carol Woods. By law, the patient is responsible for payment of any deductible, co-payment, co-insurance and non-covered service. You are responsible for payment of all deductibles, co-payment, co-insurance and non-covered service billed by Carol Woods upon receipt of the bill. Payments received from Your insurance carrier for Medicare Part A co-insurance will be applied to Your monthly statement when received. Outpatient services (e.g., therapy) not paid by Your insurance carrier within Ninety (90) Days of the date of service will become due and payable by You unless the claim is subject to Medicare, Medicaid, or an insurance plan in which Carol Woods participates. In the event Your health insurance determines a service is "not covered," You will be responsible for payment. Carol Woods tries to inform Residents when services may not be covered; however, it is Your responsibility to understand Your policy limitations. Carol Woods has a right to the benefits payable under the insurance You carry for services provided by Carol Woods as required in this Agreement, except where costs of care were borne solely by You and not Carol Woods. You hereby authorize Carol Woods to file claims for benefits to which You are entitled under this Agreement and to execute all documents necessary to enable Carol Woods to collect or enforce such claims. If, for any reason, Carol Woods cannot apply directly for benefits payable under insurance required by this Agreement, You agree to make such application and to pay Carol Woods the proceeds received that are due for services provided by Carol Woods. Carol Woods reserves the right, in its discretion, to eliminate or change its participation with any and all insurance plans.

**H. Assignment of Benefits.** You will, from time to time, authorize any provider of medical and health services, including Carol Woods, to receive reimbursement as provided under Medicare/Medicaid, any or all Federal, State, and local benefits for which You may be eligible or entitled, and any supplementary insurance programs. If requested by Carol Woods, You will, from time to time, make assignments to the provider of medical and other



health services of all benefits otherwise accruing to You under Medicare/Medicaid or other programs and supplementary extended coverage plans to compensate for services rendered. You hereby irrevocably authorize Carol Woods to make claims and to take other actions to secure receipt by Carol Woods of all payments from a third-party payor to reimburse Carol Woods for its charges for Your stay and care.

- I. **Automobile Accident Insurance.** If You are a licensed driver, You are responsible for maintaining automobile accident insurance to cover medical costs from automobile accidents causing injury.
- J. **Carol Woods' Rights in Case of Injury Caused by a Third Party.** You hereby grant Carol Woods an irrevocable power of attorney to act on Your behalf to recover any claims for compensation from injuries caused by a third party.

After Carol Woods has been reimbursed for all costs, expenses, and damages incurred by Carol Woods on Your behalf (including reasonable costs of care Carol Woods may furnish You because of such accident or injury), the balance of any amount recovered on Your behalf from all sources will be paid to You or credited to Your account; or, in the event of Your death, will be paid to Your estate.

- K. **Consent to Receive Health Care Services.** You hereby authorize Carol Woods to provide those health care-related services that are specifically set forth in this Agreement. You also hereby authorize Carol Woods to obtain all necessary clinical and/or financial information from Your attending physician, and any other health care providers treating You, including, but not limited to, any hospital or nursing facility from which You may be transferring from or may transfer to in the future and hereby authorize such health care provider(s) to provide such health care information to Carol Woods.

### III. **MEDICAL AND OTHER HEALTHCARE SERVICES EXCLUDED IN THIS AGREEMENT**

- A. **Use of Medical Practitioners and Facilities Not Referred by Carol Woods.** You may engage the services of primary care physicians other than those who are part of the Carol Woods practice, and seek care at other hospital, specialty medical, surgical or allied health services with whom Carol Woods' does not have referral relationships. However, if You do so, it is at Your own expense. Further, Carol Woods will not be liable for any subsequent expenses resulting from such care including, but not limited to, the cost of medical, surgical, hospital or nursing care provided, ordered, prescribed or occasioned by any such practitioner or such facilities.

In situations when Carol Woods' medical staff is not involved in the referral to a physician or other health care provider from whom You seek services, it is Your responsibility to require those providers to furnish Carol Woods,

promptly in writing and in confidence, with medical information regarding Your condition, diagnosis, medications, and treatment.

You may not engage third parties for medical or other health-related services to be rendered at Carol Woods without prior notification to and written authorization by Carol Woods' management.

- B. Psychiatric Illness, Dangerous Communicable Disease, Drug or Alcohol Abuse.** The Community is not designed to care for persons who have an active psychiatric illness, who have a dangerous communicable disease or who are involved with drug or alcohol abuse. Should Carol Woods determine that Your physical or psychiatric illness, or that Your condition as a result of drug or alcohol abuse, is such that Your continued presence is either dangerous or detrimental to Your life, health, safety or peace, or the life, health, safety, or peace of others in the Community, then Carol Woods may transfer You to another facility of Your choosing.

Until the time this agreement is terminated, You will continue to be responsible for payment of the Monthly Fee as if You were at Carol Woods. You will also be responsible for payment of any additional amount needed for Your care at any other such facility. Carol Woods will pay a portion of the cost of Your care in that facility up to an amount equal to Your Monthly Fee. You must pay Your Monthly Fee each month before Carol Woods will take responsibility for its share of the costs of Your care in the other facility.

- C. Other Excluded Services.** Carol Woods will not be responsible for any services not described in Section II.A. These excluded services include, but are not limited to payment for prescription and non-prescription medications, refractions, eye-glasses, contact lenses, audiological tests, hearing aids, dentistry, dentures, dental inlays, incontinent and other personal hygiene supplies, orthopedic appliances, podiatry, chiropractic services, organ transplants, renal dialysis, treatment for alcohol and drug abuse, and diagnosis and therapy for psychiatric disorders.
- D. Illness or Accident Away from the Community.** If You have an accident or are ill while You are away from Carol Woods, We will have no responsibility to pay for costs resulting from such accident or illness until You return to Carol Woods and become subject to the care of one of Carol Woods' physicians.

#### **IV. TERMS OF RESIDENCY**

- A. Rights of Resident.** If You are 65 years of age, and the second person who may be party to this Agreement is at least 55 years of age, You have the right during Your lifetime to occupy, use, and enjoy the Residence, common areas, amenities, programs, and services of Carol Woods, subject to and as provided in the terms of this Agreement, unless this Agreement is terminated as provided herein. It is understood that this Agreement does not transfer or

grant any interest in the real or personal property owned by Carol Woods other than the rights and privileges described in this Agreement.

- B. Policies and Procedures.** You understand and agree that: (i) in order for Carol Woods to operate in the best interests of the entire Community, it is essential that We have the cooperation of and compliance with applicable policies, rules, and regulations by You, Your family, guests, responsible party and others who may intervene, speak or act or purport to intervene, speak or act, for or on behalf of You or who may come on the premises of Carol Woods in any capacity or for any purpose in connection with or as a result of Your residency at Carol Woods; (ii) a continuing or repeated failure or refusal by any such persons to so cooperate and comply may result in a determination by Carol Woods that it is impracticable or impossible for Carol Woods to continue to accommodate You as a Resident; and (iii) upon such determination by Carol Woods, We shall have the right to terminate this Agreement. Carol Woods reserves the right to amend or change its policies, rules, and regulations, including, without limitation, those pertaining to the Community, from time to time at its sole discretion. By signing this Agreement, You or Your responsible party acknowledges receipt of a copy of the Resident Handbook. Failure by You, Your representatives, family members or guests to abide by Carol Woods' policies and procedures may be cause for termination of this Agreement.
- C. Relationships Between Residents and Staff.** Carol Woods will employ management and staff and/or agents to manage the operations of Carol Woods and its facilities. Carol Woods is built on mutual respect and instructs its staff to be cordial and helpful to You. The relationship is to remain professional. Employees must not be delayed or deterred by Residents in the performance of their duties. Management is solely responsible for the supervision of staff. Complaints or requests for special assistance must be made to the appropriate supervisor. Giving gratuities or bequests to employees or employees' families is not permitted. You will not employ Carol Woods' employees nor hire former Carol Woods' employees without the prior written consent of management.
- D. Modifications to Residence.** Modifications to any Residence by You will require prior written approval by Carol Woods of both the plans for the modifications and the firm or individual retained to make such modifications. The firm or individual retained to make the modifications shall be licensed appropriately and shall carry insurance that adequately protects Carol Woods against the risks of injury or liability occasioned by the work being done on Carol Woods' property. Such modifications will be at Your expense. Approval of such modifications may be conditioned upon Your payment to Carol Woods of a sum sufficient to restore the Residence to its original condition at a later date. All such modifications become the property of Carol Woods. You may also be responsible for the cost of repairing or replacing furnishes or appliances damaged as the result of extraordinary wear and tear.

- E. Changes in the Residence/Relocation.** Carol Woods has the right to change the Residence to meet requirements of any applicable statutes, law, regulation or ordinance. The Residence may not be used in any manner that violates any zoning ordinances or other governmental law or regulation. Carol Woods has the right to relocate You to another accommodation when deemed necessary in order for Carol Woods to fulfill its mission and/or its strategic, financial or other obligations. Carol Woods will use reasonable efforts to relocate You to an accommodation of the same or similar type as Your Residence. Any such decision to relocate You will be discussed thoroughly with You to enlist Your understanding of the need for and cooperation with the relocation. However, any such decision to relocate You shall be at the sole discretion of Carol Woods. Carol Woods will pay all required packing and moving costs, and all reasonable refurbishing costs necessary to achieve substantial comparability between Your Residence and any new accommodation to which You may be relocated.
- F. Guests and Visitors.** Guests and visitors are welcome at Carol Woods. Guests may use Carol Woods guest accommodations, subject to availability and additional charges. Guests may also stay in Your Residence for visits of limited duration (less than two weeks, except with Carol Woods approval). Guests approved for stays in Your Residence for longer than two weeks may result in additional charges. No other person, except the Resident(s), may reside in Your Residence without approval from Carol Woods. At all times, You shall be responsible for any injury to others or damage to the property of others or Carol Woods caused by You or Your guest(s). Carol Woods reserves the right and authority to limit or terminate the stay of any guest at any time and for any reason.
- G. Loss of Property.** Carol Woods will not be responsible for the loss of or damage to any property belonging to You due to theft, mysterious disappearance, vandalism, fire, employee accident, or any other cause. You shall also be responsible for any loss or damage that You or Your guests cause to property at Carol Woods, excluding ordinary wear and tear. You hereby agree to indemnify and reimburse Carol Woods for any loss or damage suffered by Carol Woods because of Your or Your guests' or invitee's acts or omissions. It is understood that You have the responsibility of providing any desired insurance protection covering any such loss.
- H. Appliances.** Carol Woods is not obligated to determine Your ability to safely utilize the appliances, if any, in Your Residence. However, should we determine that You have demonstrated an inability to utilize appliances in Your Residence safely; we will have the right to turn off the power servicing such appliance(s) and/or to remove all such appliances. In any such instance, You shall remain obligated to pay for the full Monthly Fee for Your Residence, any extra meals, and any fire alarm charges issued by the fire department.

- I. **Right of Entry.** You hereby authorize employees or agents of Carol Woods to enter the Residence for the purposes of housekeeping, repairs, maintenance, inspection, and in the event of an emergency.
- J. **Representations.** You affirm that the representations made in the Application for Admission, Personal Health History, and Confidential Financial Statement are true and correct and may be relied upon by Carol Woods as a basis for entering into this Agreement. Carol Woods has accepted You as a Resident based on the information contained in Your Application for Admission, Personal Health History and Confidential Financial Statement and has agreed to enter into this Agreement based on such information. You hereby affirm that all the information provided in Your Application is true and correct to the best of the knowledge of each person who signs the Agreement, and each also acknowledges that any material misrepresentation or omission in Your Application for Admission, Personal Health History and Confidential Financial Statement shall render this Agreement voidable at the option of Carol Woods. You agree to provide updated copies of the information requested in the Application for Admission, Personal Health History and Confidential Financial Statement in a timely way when requested by Us from time to time during the term of this Agreement.
- K. **Subordination.** You agree that all of Your rights under this Agreement shall at all times be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Community, which have been or will be executed by Carol Woods. Upon request, You agree to execute, acknowledge and deliver to such lender or lenders such further written evidence of such subordination as such lenders may reasonably require. You shall not be liable for any such indebtedness.
- L. **Occupancy by Two Residents.** In the event that two Residents occupy a Residence under the terms of this Agreement, upon the permanent transfer to the Higher Levels of Support or the death of one of such Residents, or in the event of the termination of this Agreement with respect to one of such Residents, such as in the case of death or divorce, the Agreement shall continue in effect as to the remaining or surviving Resident who shall have the option to retain the same Residence or to move to a smaller Residence, in which event there will be no refund of the Entry Fee. The remaining or surviving Resident will thereafter pay the Monthly Fee for one Resident associated with the Residence occupied by the Resident. No refund will be payable with respect to the Residence surrendered, except as provided in the Termination and Refund Provisions of Section VIII. Any fees paid for a second Resident are not transferable to a future second Resident, such as in the case of a subsequent marriage. When two Residents occupy a Residence under the terms of this Agreement, the rights and obligations of each Resident are joint and severally except as the context otherwise requires.



## **V. FINANCIAL ARRANGEMENTS**

**A. Entry Fee.** You agree to pay Carol Woods an Entry Fee in the amount of \$\_\_\_\_\_ as a condition for becoming a Resident. The Entry Fee is a lump sum payment and will not be increased or changed during the term of this Agreement, except for changes required by state or federal law or regulation, or upon transfer to a larger residence, marriage, or entry of another resident to share the Residence. Your right to a refund of any portion of this Entry Fee is outlined in Section VIII.J. of this Agreement.

**B. Monthly Fee and Other Charges.** You agree to pay a Monthly Fee for the term of this Agreement. This fee will be payable before the fifth day of each month or within Five (5) Days of the date monthly statements are distributed. The current Monthly Fee associated with the Residence is \$\_\_\_\_\_ per month and an additional \$\_\_\_\_\_ per month if a second person occupies the Residence. The Monthly Fee will commence on the Date of Financial Responsibility. It will be charged and paid on a prorated basis for any partial month.

You will be invoiced monthly for services and supplies which may be provided for You beyond that which is included in the Monthly Fee, and those invoices are also to be paid by the fifth of the month or within Five (5) Days of the date monthly statements are distributed.

If You fail to make payment within Thirty (30) Days after receiving the monthly statement, Carol Woods may give You written notice that You must make payment within Fifteen (15) Days after receiving such notice. If You fail to comply, We may terminate this Agreement. Carol Woods reserves the right to apply late fees up to the then-current legal maximum for any late payment.

**C. Higher Levels of Support Charges and Free Days.** If You need care in Carol Woods' 24/7 licensed Higher Levels of Support facilities, You will be charged an additional daily fee (per diem) based on the level of support and the type of accommodation. This fee is in addition to the Monthly Fee, which You will continue to be charged. The daily charge to You, however, will be discounted to reflect Your prepayment of health care costs in Your Entry Fee and Monthly Fees.

As part of the Entry Fee and Monthly Fee, each Resident accrues Fifteen (15) "Free Days" each year (prorated in the first calendar year of this Agreement), which may be used to cover the additional, discounted per diem charged to You; at either the semi-private or private rate, depending upon Your particular accommodation at the time. Unused Free Days may accumulate over time, with no limit. No credit, however, is provided for Free Days that are never used; nor can Free Days be transferred to another resident.

- D. Adjustments in the Monthly Fee and Other Charges.** Carol Woods may adjust the Monthly Fee, Per Diems in Higher Levels of Support, and other charges from time to time on the basis of experience or to reflect changes in the cost of achieving the mission or purposes of Carol Woods. Carol Woods agrees that, in the exercise of its discretion, which will be binding on You, Carol Woods will endeavor to maintain all fees and charges at the lowest feasible amounts which, in the judgment of the Board of Directors of Carol Woods, is consistent with sound financial operation and maintenance of the quality of facilities, programs and services provided. Carol Woods shall provide You written notice of changes in fees prior to the effective date of the change.

## **VI. TRANSFERS, MOVES, RELOCATION, AND CHANGES IN RESIDENCE**

- A. Transfers.** Residents may move to a different Residence at Carol Woods which become available upon payment of such fees, consent by Carol Woods, and compliance with such guidelines regarding transfers as may be adopted by Carol Woods. Fees, policies, and guidelines may be changed at the discretion of Carol Woods.

If a Resident transfers to another Residence, he or she is responsible for paying any difference in the Entry Fee, if the amount of the Entry Fee of the new Residence is greater than the original Entry Fee paid for the previous Residence to be vacated. If the Entry Fee for the new Residence is less than the Entry Fee for the previous Residence to be vacated, no refund will be paid for the difference. Either the Single or Two Person Entry Fees will be applied in the calculations depending upon the number of people that are party to this Agreement at the date of Your move. You will pay the applicable Monthly Fee for the new Residence effective the date of Your move.

- B. Refurbishing Expenses.** If You make a preference move as defined in Section VI.E. from one Residence to another and have lived in the previous residence for 5 full years or less, You will be responsible for the cost of refurbishing the Residence vacated. If You make a need-based move, or a preference move after more than 5 years in the previous residence, or if You move permanently to Higher Levels of Support, an outside facility under III. B., or the hospital, You are only responsible for reversal of Residence Modifications made under IV.D.

- C. Preference Versus Need-Based Moves.** Carol Woods considers a move as “need-based” if the move is conditioned by a change in Your health status or marital status, permanent transfer of a spouse to a higher level of support, by financial need, or if required by Carol Woods to fulfill its mission and/or its strategic, financial or other obligations; and that change creates a sense of urgency to move. If the move is made to another Residence for any other reason, it is considered a “preference move.” For any preference move, not only will Your Monthly Fee will be adjusted effective the date of the move to the new Residence as outlined in Sections VI.A. and VI.A., but You will also



be charged an additional amount equal to three (3) full months' Monthly Fee for the residence being vacated to cover partially the costs to Carol Woods of the preference move.

- D. **Sharing Occupancy With a New Resident.** If a non-resident is joining You as a resident, the additional Entry Fee due is the difference in the amount actually paid by You for the current Residence and the total Entry Fee due for the same Residence at the double occupancy rate effective at the time double occupancy commences.

A non-resident must apply for admission as a Resident and be approved. If the non-resident is not approved as a Resident, Carol Woods may grant admission with limited rights.

- E. **Addition of a Resident Occupant.** If a Resident, while occupying an accommodation at Carol Woods, wishes to share an accommodation with a person who is also a Resident, the two Residents may, with the prior written consent of Carol Woods, occupy the accommodation of either Resident and shall surrender the accommodation not to be occupied by them. No refund will be payable with respect to the accommodation surrendered, except as provided in the Termination and Refund Provisions of Section VIII. Such Residents will pay the Monthly Fee for double occupancy associated with the Residence occupied by them.

- F. **Combination of Accommodations.** Various circumstances may make it desirable that an accommodation occupied by a Resident be combined with an adjoining accommodation to form one combined accommodation. You agree that if a determination is made by Carol Woods that it is desirable to combine Your Residence with an accommodation which adjoins Your Residence, You will surrender occupancy of Your Residence, within a reasonable time after receiving notice of such determination. In the event that Carol Woods makes such determination and notifies You of such, You have the option to (i) transfer into the combined accommodation when such combined accommodation is ready for occupancy, or (ii) transfer to another accommodation, when available, of the same type as the Residence previously occupied by You.

If You elect to occupy the combined accommodation and the Entry Fee established for such combined accommodation exceeds the Entry Fee paid by You for Your previous Residence, You shall pay the amount of such excess upon occupancy. You will pay the Monthly Fee associated with the combined accommodation as established by Carol Woods.

If You elect to transfer to a Residence of the same type as the Residence previously occupied, Carol Woods will repaint and re-carpet, if needed, such Residence at our expense prior to occupancy.

- G. **Permanent Transfer to Assisted Living, the Health Center, a Special Service Facility, or a Hospital.** A transfer of living accommodations to Higher Levels of Support, a special service facility, or a hospital will require no additional Residence and Services agreement. This Agreement will remain in effect, subject to any applicable amendments referred to in this Agreement. You agree that Carol Woods shall have authority to determine that You should be transferred from Your Residence to Higher Levels of Support facilities or a separate area within such facilities. Such determinations shall be made solely by Carol Woods and based on the professional opinion of Your physician. When possible, all decisions regarding Your permanent transfer to Higher Levels of Support, a special service facility, or to a hospital will be made after consultation with You and, when appropriate, with Your physician, Your family members, or Your representative or responsible party. Carol Woods' decision will be binding.

No Entry Fee adjustment is made with these types of transfers. The Entry Fee is subject to refund when a Resident leaves the Community in accordance with Section VIII. If You are a member of a couple, and the other person remains in Your Independent Residence, the Monthly Fee will continue to reflect the two-person rate of the Independent Residence. For single residents, or when both members of a couple make a permanent transfer, the Monthly Fee shall be reduced to the prevailing rate comparable to other singles or couples who have made such a permanent transfer. The lower Monthly Fee takes effect on the date that You release Your previous Residence to Carol Woods for remarketing.

You will remove all personal belongings from the Independent Residence within Thirty (30) Days of transfer and within Two (2) Days of transfer from another residence in Higher Levels of Support. If You or Your designee is unable to arrange for the removal, Carol Woods has the authority to make the necessary arrangements, place belongings in storage and bill all costs related to such a move and storage to You or Your estate.

If Carol Woods subsequently determines that You can resume occupancy in an Independent Residence or an accommodation comparable to the one occupied by You prior to such transfer, You will have priority to such accommodation as soon as one becomes available.

- H. **Room or Unit Assignment in Higher Levels of Support.** You understand that You acquire no ownership in any property at Carol Woods under this Agreement; also, that no room or unit in Higher Levels of Support is subject to reservation or permanent assignment, and that we may change Your room or unit assignment in Higher Levels of Support. Though we retain the right to change Your room or unit assignment in the skilled nursing facilities, we agree that we will make changes only as we find such changes to be necessary or advisable.

- I. **Moving Costs.** You are responsible for arranging and paying for all packing and moving costs for moves into, within, and out of Carol Woods. Assistance may be provided by Carol Woods at an additional cost.

## VII. **FINANCIAL ASSISTANCE**

- A. **Carol Woods' Policy.** Carol Woods' policy is that, if the sole reason for non-payment of Your financial obligations to Carol Woods is insufficient funds or other financial circumstances beyond Your control, Carol Woods will review the matter with You, provided, however, this policy shall not change the right of Carol Woods to expect payment from You or to terminate this Agreement for Your failure to pay, under the terms of this Agreement.

If special financial consideration is determined by Carol Woods to be warranted, Carol Woods may, in its sole discretion, partly or wholly subsidize Your fees provided that such subsidy will not impair Carol Woods' sound financial operation and maintenance of the quality of service provided. Carol Woods may request that You make every effort to obtain assistance from all available resources both private and public. Carol Woods shall be entitled to require You to move to a smaller or less costly accommodation.

All determinations regarding financial assistance will be final and binding on You and will be handled as a confidential transaction except for reports required to financial institutions providing credit to Carol Woods or to regulatory or governmental bodies.

- B. **Transfer of Property.** You hereby represent that You have not made and will not make any gift or other transfer of money or personal property, nor pledge Your money or personal property as collateral for another who is not party to this Agreement, to the degree to which the amount transferred or pledged would impair Your ability or Your estate's ability to satisfy financial obligations under this Agreement. If Your fees are subsidized by Carol Woods, You may not sell or otherwise transfer or pledge property without Carol Woods' written consent. Carol Woods may request updated financial information from time to time and/or copies of Your tax returns.

- C. **Recovery of Subsidies Provided by Carol Woods.** When You die, if Your fees have been subsidized wholly or partly by Us, Your estate, if any, will be liable to Carol Woods for the full amount of the subsidy You received for the entire time of residency. This paragraph will apply whether or not You are in residence at the Community at the time of death. This Agreement will operate as a lifetime assignment, transfer, and conveyance to Carol Woods of so much of Your property as is necessary to cover such liability. Any amount due Carol Woods under this paragraph may be deducted from any refund payable to You or to Your estate.

## **VIII. TERMINATION AND REFUNDS**

- A. **Termination by Resident Prior to Occupancy.** This Agreement may be terminated by You for any reason prior to occupancy at Carol Woods for any reason by giving written notice to Carol Woods. This Agreement will automatically be canceled due to death or physical or mental conditions that would make You ineligible for entry to Carol Woods.

This Agreement may be terminated by Carol Woods at any time prior to the date that you take occupancy if the Corporation determines that you do not meet the physical, mental or financial requirements for entry or it is determined by Carol Woods that you have misrepresented or omitted medical, financial, or other information given to Carol Woods during the application process.

In the event such termination (including death, illness, injury, or incapacity), You shall receive a refund of the Entry Fee paid less the Acceptance Fee (4% of the Entry Fee) and any nonstandard costs that have been incurred by Carol Woods at Your request. Any such refund shall be paid by Carol Woods within sixty (60) days following termination pursuant to this paragraph.

- B. **Voluntary Termination After Occupancy.** This Agreement may be terminated by You at any time by serving Carol Woods Sixty (60) Days advance written notice of such termination. Such termination will be effective Sixty (60) Days after Carol Woods' receipt of such written notice, or such other date agreed to in writing by You and Carol Woods. If termination occurs within the first Fifty (50) Months of residency, You will be entitled to a Pro-rated Refund of the Entry Fee pursuant to Section VIII.J.
- C. **Abandoned Residence.** You may be deemed to have abandoned Your Residence and terminated this Agreement if You do not occupy an accommodation at Carol Woods for a period of one continuous year. In the event of such termination (including death, illness, injury, or incapacity), You shall receive a refund of the Entry Fee paid in accordance with Section VIII.J. Any such refund shall be paid by Carol Woods within Sixty (60) Days following termination pursuant to this paragraph.
- D. **Temporary Absence.** Temporary absence because of illness, trips, or other will not affect Your rights to retain occupancy of Your Residence, if applicable Monthly Fees are paid.
- E. **Termination Upon Death.** In the event of Your death at any time after the Date of Financial Responsibility and You are not survived by a Co-Resident under this Agreement, this Agreement will terminate upon the date of death or the date Your Residence is vacated, whichever is later. Your estate may be entitled to a Pro-rated Refund of the Entry Fee pursuant to Section VIII.J.

Any refund to which You are entitled shall be paid to Your estate unless You execute a designation and name a trust revocable by You at the time of Your death to receive applicable refunds. Should You execute a revocable trust subsequent to signing this Agreement, You or Your estate's executor may submit a written beneficiary designation form designating a trust, revocable by You at the time of Your death, to receive applicable refunds.

In the event of Your death and You are survived by a co-Resident residing at Carol Woods who has signed this Agreement, then this Agreement shall not terminate, and no refund will be payable.

In the event a refund comes due, the date that the deceased Resident's responsible party/estate executor removes all personal belongings from the Residence shall determine the termination date. Any refund due to the Resident's estate under this paragraph will be made at such time as the Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to Carol Woods such prospective resident's full Entry Fee; provided, however, that the Resident's estate shall continue to be obligated to pay the applicable Monthly Fee for such Resident's Residence until it is vacated and left in good condition except for normal wear and tear.

- F. **Termination by Carol Woods.** Carol Woods may terminate this Agreement at any time if there has been any material misrepresentation or omission made by You during the application process or in the application forms; if a material change in Your health takes place before the Date of Financial Responsibility; or if You fail to make payment to Carol Woods and Carol Woods gives notice provided for in Section V.B. In such events, You may be entitled to a Pro-rated Refund of the Entry Fee pursuant to Section VIII.J. Carol Woods also reserves the right to terminate the Agreement if You fail to abide by Carol Woods' policies and procedures, breach the terms and conditions of this Agreement; if Your continued presence is considered by Carol Woods to be a serious disruption, endangerment or threat to the life, health or safety of others, as determined by a physician, physician assistant or nurse practitioner; the discharge is necessary for Your welfare and Your needs cannot be met by Carol Woods as documented by Your physician, physician assistant or nurse practitioner; if You refuse to relocate as may be required by Carol Woods in accordance with this Agreement; or You engage in activities or conduct that is abusive or disruptive to the Community or is detrimental to Your health, safety or welfare or that of other Residents of the Community or to the Residents' peaceful enjoyment of the Community. Carol Woods will provide timely advance written notice of termination that is in compliance with prevailing laws, regulations and Carol Woods' policies.

Resident hereby acknowledges that it is the policy of Carol Woods to conduct sex offender screening for every prospective resident, regardless of independent status or level of care, at the time of application for admission to Carol Woods and again prior to entering into a Residence and Services

Agreement. If the screening shows that the prospective resident is identified as a sex offender, Carol Woods will deny admission of the prospective resident on that basis and not execute a Residence and Services Agreement.

In addition, Resident hereby acknowledges and agrees that if, after Carol Woods and Resident have entered into a Residence and Services Agreement, Carol Woods becomes aware that Resident is listed on any sex offender registry, Carol Woods may terminate this Agreement with Resident and remove Resident from Carol Woods. If there is more than one Resident who is a party to this Agreement, the termination of this Agreement in such instance shall only apply to the Resident listed on the sex offender registry.

Following termination of this Agreement pursuant to this Section VIII.G., You will be responsible for paying the Monthly Fee for the applicable Residence for the full notice period and for each day of occupancy. Any refund of the Entry Fee due to the Resident following voluntary termination of this Agreement by Carol Woods will be made in accordance with this Section VIII.J.

Except in cases of discharge necessary to protect your life, health, safety or welfare or that of others or in cases of emergency, You will receive a notice of the termination by Carol Woods at least Thirty (30) Days prior to the effective date of termination. You may be entitled to appeal Carol Woods' decision to terminate this Agreement, and except in cases of emergency, Carol Woods will not discharge You before the final decision resulting from the appeal has been rendered.

- G. **Termination by One of Two Residents Sharing a Residence.** In the event that two (2) Residents occupy a Residence under the terms of this Agreement, upon the permanent transfer to a Health Center or the death of one (1) of such Residents, or in the event of the termination of this Agreement with respect to one (1) of such Residents, the Agreement will continue in effect as to the remaining or surviving Resident and there will be no refund of any portion of the Entry Fee. In the event of one or both Residents transferring to a residence in Higher Levels of Support, the monthly fee continues to reflect the double occupancy rate. Upon death of one (1) Resident, the surviving Resident will pay the single person rate of the associated residence.
- H. **Condition of Residence.** Upon termination of this Agreement, You will vacate the Residence and will leave it in good condition except for normal wear and tear. You or Your estate will be liable to Carol Woods for any cost incurred in restoring the Residence to good condition except for normal wear and tear. Such costs may be deducted from any refundable portion of the Entry Fee (if any) due to You or Your estate.

- I. **Removal of Personal Property.** In the event of termination of this Agreement, You agree to surrender the Residence and any storage areas that were occupied by You within Thirty (30) Days of the notice of termination.

Carol Woods reserves the right to remove Your belongings from the Residence and any storage areas. You will pay a reasonable storage fee or the actual cost of external storage, whichever is applicable. Carol Woods is not responsible for any damages incurred to Your property if storage becomes necessary. Unclaimed property will become the property of Carol Woods after Thirty (30) Days following the termination of this Agreement and will be disposed of at the sole discretion of Carol Woods.

In the event of Your death, while You are a Resident of Carol Woods under this Agreement, only the executor(s) named in Your will (or such person or entity designated by such executor(s)) will be allowed to remove or dispose of Your furnishings and belongings in Your Residence and any related storage areas at Carol Woods. Members of Your family or those to whom You have granted power of attorney will not be allowed access to Your personal property after Your death, unless they are the executor(s) named in Your will.

J. **Calculation for Pro-Rated Refunds.**

1. **Calculation of Refund.** If termination of this Agreement occurs during the first Fifty (50) Months from the Date of Financial Responsibility, You or Your estate will be entitled to a partial refund of the Entry Fee. You will receive a refund in the amount equal to the Entry Fee, less the Acceptance Fee (4%), less Two Percent (2%) for each month or portion of a month for up to Fifty (50) Months. In calculating amortization for purposes of this section, a period of more than fifteen (15) days will be considered a full month; fifteen (15) days or less will be disregarded for purposes of this calculation. After Fifty (50) Months, there is no refund of the Entry Fee. Residency begins on the Date of Financial Responsibility. You will not receive a refund of any amounts paid for non-standard features added to Your Residence. The cost to repair damages to the Residence and storage areas in excess of normal wear and tear, the cost of storage paid by Carol Woods and any amounts due and unpaid relating to the cost of care provided by Carol Woods or any third party health care provider, including without limitation, the Monthly Fee or other amounts payable to Carol Woods which remain outstanding and the amount of any charges due by Carol Woods on behalf of the Resident, or by the Resident, to the pharmacy, rehabilitation services or any other third party, will be deducted from any applicable refund. Entry Fees will not be refunded upon transfer to Higher Levels of Support.
2. **Payment.** Other than terminations during the Trial Period in Section VIII.B. and exercise of the Right of Rescission (Section IX), payment of any refund due of an Entry Fee may be made only when a new Entry Fee has been paid for Your Residence by a subsequent Resident. Any refund

due You under this paragraph will be made within Thirty (30) Days from the date that Your Residence shall have been reserved by a prospective resident, and such prospective resident shall have paid to Carol Wood such prospective resident's full Entry Fee.

- K. **Release from Obligations upon Termination.** Upon termination of this Agreement, Carol Woods is released from any further obligations to You except for the payment of any refund which may be due under this Agreement.

## **IX. RIGHT OF RESCISSION**

Notwithstanding anything herein to the contrary, this Agreement may be rescinded by You giving written notice of such rescission to Carol Woods within Thirty (30) Days following the later of the execution of this Agreement or the receipt of a disclosure statement that meets the requirements of Section 58-64-1 et. seq. of the North Carolina General Statutes. In the event of such rescission, if it is conditioned by a change in Your health status, You will receive a full refund of the Entry Fee, less the Administrative Fee. If the rescission is for a reason other than change in Your health status, You will receive a refund of the Entry Fee less the Acceptance Fee which will be retained to cover the costs to Carol Woods of Your rescission following acceptance. You will not be required to move to Carol Woods before the expiration of such Thirty (30) Day period. Any such refund will be paid by Carol Woods within Sixty (60) Days following receipt of written notice of rescission pursuant to this Section.

## **X. GENERAL**

- A. **Assignment and Delegation.** The rights and privileges for You under this Agreement to the Residence, common areas and amenities, and services and programs of Carol Woods are personal to You and may not be transferred or assigned by You or otherwise. Resident acknowledges the right of Carol Woods to contract for the various services provided by this Agreement, including, but not limited to, management services for the Community.
- B. **Management of the Community; No Tenancy Interest or Management Rights.** The absolute rights of management are reserved by Carol Woods and its Board of Directors. Carol Woods reserves the right to accept or reject any person for residency. Residents do not have the right to determine admission or terms of admission of any Resident. Carol Woods reserves the right to amend, implement or terminate policies and/or guidelines related to the operation of the Community at its sole discretion. Subject to the terms and conditions of this Agreement, this Agreement gives Resident the right to live in Carol Woods and to receive or have access to the services and amenities described in this Agreement. However, it does not give Resident the rights of a "tenant" as that term is defined by North Carolina state law. Carol Woods retains the exclusive authority to make all management decisions regarding the management of the Community, including decisions about admission and discharges, setting charges, Carol Woods' policies and



procedures, and the scope of services offered by Carol Woods, consistent with state law and the terms of this Agreement.

- C. **Entire Agreement; Counterparts.** This Agreement constitutes the entire agreement between Carol Woods and You. Carol Woods will not be liable or bound in any manner by any statements, representations, or promises made by any person representing or claiming to represent Carol Woods, unless such statements, representations, or promises are set forth in this Agreement or in an amendment to this Agreement signed by a duly authorized representative of Carol Woods and by You. This Agreement may be executed in counterparts, each of which shall be deemed an original and together shall constitute one and the same agreement. This Agreement and any amendments hereto, to the extent signed and/or delivered by means of a facsimile machine, electronic mail or other electronic means, shall be treated in all manners and respects and for all purposes as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person.
- D. **Successors and Assigns.** Except as set forth herein, this Agreement will bind and inure to the benefit of the successors and assigns of Carol Woods and bind Your heirs, executors, trustees, responsible parties, powers of attorney and administrators.
- E. **Rights Subordinate to Mortgage.** Pursuant to the requirements of any lender, You agree that Your rights under this Agreement are Subordinate to the right of the lender under any mortgage now or in the future executed by The Chapel Hill Residential Retirement Center, Inc.
- F. **Durable Power of Attorney, Will, Living Will, and Health Care Power of Attorney.** You agree to execute a Durable Power of Attorney designating a competent person as attorney-in-fact. You agree to execute a Will, Living Will, and designate a Health Care Power of Attorney. You will provide Carol Woods with copies of Durable Power of Attorney, Living Will, and Health Care Power of Attorney as well as the location of the Will upon execution, and within Ninety (90) Days of assuming financial responsibility.
- G. **Resident Contracted Employees.** If You wish to employ outside assistance privately for any reason, Your contracted employee must adhere to all Carol Woods policies, and You must obtain the prior written approval of Carol Woods to hire such individual. You agree to hold Carol Woods harmless for any claim, damages or other harm arising out of Resident's private employment or contracting with any individual(s) or otherwise related to the provisions of such outside services. Carol Woods has the right to require that the Resident terminate immediately the employment or contract with such a person at any time upon written notice to Resident.

- H. **Uncontrollable Interruption of Services.** No breach of Carol Woods' obligations under this Agreement and no liability for injury to You or Your property shall result from an interruption of, or failure to provide, contracted services due to an act of God or other cause beyond the reasonable control of Carol Woods, specifically including strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood, earthquakes, inclement weather, pandemic or Your acts. Carol Woods shall make every effort to continue to provide the usual services in such event.
- I. **Confidentiality.** Carol Woods has the responsibility to keep all the personal, medical and financial information You have supplied to it confidential. You consent to the release of any of Your personal and medical records maintained by Carol Woods (i) to Carol Woods' employees, staff, and agents; (ii) to persons and organizations from whom You receive health care services; (iii) to third-party payors of health care services provided by Carol Woods or other organizations; and (iv) to others deemed reasonably necessary by Carol Woods for purposes of treatment, payment and operations of the Community, consistent with applicable state and federal health care privacy laws. You understand and agree that authorized agents of the state or federal government, including the Long-Term Care Ombudsman, may obtain Your records without Your written consent or authorization. Release of Your records for other purposes shall be made in accordance with applicable law, with specific authorization from You or Your legal representative where required.
- J. **Indemnity.** You agree to indemnify, defend and hold Carol Woods harmless from claims, damages or expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with Your negligent or intentional act or omission or those of Your guests, including private duty nurses, nursing assistants, companions, or any other third party service contracted by You. This Section X.J. shall survive the termination of this Agreement.
- K. **Affiliated Corporation.** In compliance with N.C.G.S. § 58-64-25(b)(8), Carol Woods hereby discloses that it has a close affiliation with The Carol Woods Charitable Fund, Inc. ("Charitable Fund"). The Charitable Fund was created by Carol Woods as a Supporting Corporation, whose purpose is to support Carol Woods in its charitable mission. The full Board of the Charitable Fund is appointed by the Board of Carol Woods, and at least half of the Charitable Fund Board is comprised of current members of the Carol Woods Board, as well as Carol Woods' President/CEO and Vice President of Finance/CFO. The Charitable Fund has no responsibility for the financial and contractual obligations of this Agreement. Carol Woods is solely responsible for the financial and contractual obligations of this Agreement.

- L. **Notice Provisions.** Any notices, consents, or other communications to Carol Woods hereunder (collectively “notices”) will be in writing and addressed as follows:

Chief Executive Officer  
Carol Woods  
750 Weaver Dairy Road  
Chapel Hill, North Carolina 27514-1502

Your address for the purpose of giving notice is the address appearing after Your signature below.

- M. **Resident Handbook.** You will be given a current copy of the Resident Handbook as adopted by Carol Woods. You understand that these documents will change over time.
- N. **Severability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.
- O. **Limitation of Liability.** You understand and agree that the services provided by Carol Woods and others within the Community are not designed to protect You from the everyday, normal risks and responsibilities of living, including, but not limited to, such general accidents and situations such as falling, choking on food, and weight loss and/or dehydration resulting from Your failure to partake of food and drink. Additionally, You understand and agree that the services provided by the Community do not include one-on-one monitoring of You and that Your expectations will be consistent with this understanding. Carol Woods shall exercise reasonable care toward You based on Your known condition. However, You agree that Carol Woods is not an insurer of Your welfare and safety. You agree that You will exercise due care to protect Yourself from harm.
- P. **Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, trustee, agent, or employee of ours shall have any personal liability hereunder to You under any circumstances. If Resident is, or becomes, unable to understand or communicate his or her health care or financial decision, and is determined by Resident’s attending physician to be incapacitated, then in the absence of Resident’s prior designation of an authorized legal representative, or upon the unwillingness or inability of a designated legal representative to act, Carol Woods shall have the right to commence a legal proceeding to adjudicate Resident incapacitated and to have a court appoint a guardian for Resident. The cost of the legal proceedings, including attorneys’ fees, shall be paid by the Resident or Resident’s estate.
- Q. **Tax Considerations.** You should consult with Your tax advisor regarding the tax considerations associated with this Agreement.

- R. **Amendments.** Generally, this Agreement can be changed only by mutual written consent. However, Carol Woods reserves the right, upon Thirty (30) Days prior written notice to Resident, to modify or amend this Agreement whenever doing so is necessary to correct errors, omissions, or inconsistencies, to provide clarification of intent, or to conform the documents to the requirements of local, state, or federal laws and regulations applicable to Carol Woods, in particular, or to residential life care communities, in general, or whenever doing so is deemed by Carol Woods to be in the best interest of the Community and the Residents in light of changes in health insurance laws and coverages and/or local, state or federal tax laws or regulations.
- S. **Behavior Deemed Harmful to Carol Woods.** If Resident is deemed competent and capable of controlling his or her behaviors and engages in behaviors deemed by the President/CEO of Carol Woods to be disruptive, hostile, illegal, or otherwise harmful to others or to Carol Woods, Carol Woods reserves the right to terminate this Agreement. If such a circumstance arises, Carol Woods will discuss the matter thoroughly with Resident to provide Resident with knowledge of the behaviors deemed intolerable by Carol Woods. Carol Woods will provide Resident with a written warning to desist from the behavior or any similarly disruptive, hostile, illegal, or harmful behavior. Upon determination that Resident is continuing to engage in the behaviors against which Resident has been warned, Carol Woods will have the right to terminate this Agreement.
- T. **Interpretation.** Headings are for convenience and reference purposes only and shall not affect the interpretation of any provision of this Agreement.
- U. **Waivers.** Neither the failure nor any delay on the part of any party to exercise any right, remedy, power, or privilege ("Right") under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any Right preclude any other or further exercise of the same or of any Right, nor shall any waiver of any Right with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.
- V. **Survival.** Those rights and obligations that have accrued as a result of the operation of this Agreement shall survive its termination, as shall those rights and obligations that by their terms survive termination and any provisions that must survive to give effect to their terms, as shall any obligation of Resident to pay costs or expenses of Resident's stay at Carol Woods that remain unpaid as of such termination.

## **XI. MEDIATION AND ADHERENCE TO GOVERNING LAW FOR DISPUTES**

- A. **Mediation.** You and Carol Woods hereby agree that any claim or dispute relating to this Agreement, or any other matters, disputes, or claims between the two parties shall be subject to non-binding mediation within Thirty (30)

Days of either party making a request in writing to the other. The mediation sessions shall be held at a place agreed upon by both parties, or in the absence of such agreement, at Carol Woods, and shall be conducted according to the mediation rules of the National Arbitration Forum. This Section XI.A. shall survive termination of this Agreement.

- B. **Governing Law; Venue; Disputes.** If the Parties cannot agree to the terms and conditions of private mediation, then the Parties can seek the appropriate remedy by filing a lawsuit in the jurisdiction specified in this Agreement. This Agreement shall be governed by, interpreted, construed and enforced in accordance with the internal laws of the State of North Carolina without regard to principles of conflict of laws or provisions that would cause the application of laws of any jurisdiction other than North Carolina. Any controversy or dispute arising out of or relating to this Agreement shall be brought and enforced exclusively in the courts (federal and state) situated in North Carolina, Orange County, and the Parties hereby irrevocably submit to the exclusive jurisdiction of such courts and irrevocably waive any objection that they may now or hereafter have to the laying of venue of any such action or proceeding in such courts. As a condition for filing a lawsuit to resolve any claims, a Party must first give Thirty (30) Days prior notice of such claim to the other Party in order to determine whether such matter can be resolved through private mediation.

This Section XI.B. shall survive the termination of this Agreement.

BECAUSE THE AUTHORITY TO ENTER INTO CONTINUING CARE CONTRACTS GRANTED BY THE NORTH CAROLINA DEPARTMENT OF INSURANCE IS NEITHER A GUARANTEE OF PERFORMANCE BY THE PROVIDER NOR AN ENDORSEMENT OF ANY CONTINUING CARE CONTRACT PROVISIONS, PROSPECTIVE RESIDENTS MUST CAREFULLY CONSIDER THE RISKS, BENEFITS AND COSTS BEFORE SIGNING A CONTINUING CARE CONTRACT AND ARE STRONGLY ENCOURAGED TO SEEK FINANCIAL AND LEGAL ADVICE BEFORE DOING SO.

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

You understand this matter involves a financial commitment and associated risk as well as a legally binding contract. You were encouraged to consult with an attorney and/or financial advisor who could advise You concerning this Agreement.

You hereby acknowledge receipt of Carol Woods' current Disclosure Statement. You acknowledge that the Disclosure Statement was received prior to the execution of this Agreement or prior to or at the time of the transfer of any money or other property to Carol Woods, whichever occurred first.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate, as of the day and year first above written, one duplicate copy of this Agreement being retained by each party.

Your signature below certifies that you have read, understand and accept this Agreement as of this (*current date*) \_\_\_\_ day of \_\_\_\_\_, 2\_\_\_\_.

<b>Carol Woods</b>	<b>Resident(s)</b>
By (signature)	(signature)
Printed Name	(signature)
Title	Current Address: Street
	City, State, Zip Code
	Telephone

## **APPENDIX E**

Consolidated Financial Projection  
(With Independent Accountants' Compilation Report Thereon)  
For Each of the Five Years Ending  
December 31, 2029

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
D/B/A CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.**

**CONSOLIDATED FINANCIAL PROJECTION  
(WITH INDEPENDENT ACCOUNTANTS' COMPILATION  
REPORT THEREON)**

**FOR EACH OF THE FIVE YEARS ENDING  
DECEMBER 31, 2029**



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## TABLE OF CONTENTS

Independent Accountants' Compilation Report.....	1
Projected Consolidated Balance Sheets At December 31, 2025 through 2029 .....	2
Projected Consolidated Statements of Operations and Changes in Net Assets For the Years Ending December 31, 2025 through 2029 .....	3
Projected Consolidated Statements of Cash Flows For the Years Ending December 31, 2025 through 2029 .....	4
Summary of Significant Projection Assumptions and Accounting Policies  Introduction and Background Information .....	5
Summary of Significant Accounting Policies.....	9
Basis for Projection of Revenues, Expenses, and Other Items .....	14

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## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors  
The Chapel Hill Residential Retirement Center, Inc.  
Chapel Hill, North Carolina

Management is responsible for the accompanying consolidated projected balance sheets, consolidated projected statements of operations and changes in net assets, and consolidated projected statements of cash flows of The Chapel Hill Residential Retirement Center, Inc. d/b/a Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc. (collectively, the "Center") as of December 31, 2025 through 2029, and for each of the five years then ending (the "Projection Period"), including the related summary of significant projection assumptions and accounting policies, in accordance with the guidelines for presentation of a financial projection established by the American Institute of Certified Public Accountants ("AICPA") and the accounting principles generally accepted in the United States of America. 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 projected financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management ("Management"). Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these projected financial statements or the assumptions. Furthermore, even if the Center is able to achieve the hypothetical assumptions as noted in Management's Summary of Significant Projection Assumptions and Accounting Policies on page 5 (the "Hypothetical Assumptions"), the projected results may not be achieved, as there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying projection and this report are intended solely for the information and use of Management, the Board of Directors, and the North Carolina Department of Insurance (pursuant to the requirements of North Carolina General Statutes, Chapter 58, Article 64 and is included in the Center's disclosure statement filing), and are not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Charlotte, North Carolina  
April 15, 2025

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
D/B/A CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.**

**PROJECTED CONSOLIDATED BALANCE SHEETS ASSUMING HYPOTHETICAL  
ASSUMPTIONS NOTED ON PAGE 5**

**AT DECEMBER 31,  
(IN THOUSANDS OF DOLLARS)**

	2025	2026	2027	2028	2029
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash & Cash Equivalents	\$ 2,856	\$ 2,781	\$ 2,706	\$ 2,384	\$ 2,294
Temporary Investments	2,390	2,390	2,390	2,390	2,390
Assets Limited as to Use, Current Portion	1,988	2,063	2,138	2,460	2,550
Accounts Receivable, Net	2,029	2,190	2,331	2,460	2,599
Prepaid Expenses and Inventory	628	645	665	693	717
<b>Total Current Assets</b>	<b>9,891</b>	<b>10,069</b>	<b>10,230</b>	<b>10,387</b>	<b>10,550</b>
<b>ASSETS LIMITED AS TO USE</b>					
Reserves Required by State Statute	8,537	8,757	9,004	9,763	10,050
<b>Total Assets Limited as to Use</b>	<b>8,537</b>	<b>8,757</b>	<b>9,004</b>	<b>9,763</b>	<b>10,050</b>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>73,036</b>	<b>84,130</b>	<b>94,225</b>	<b>93,226</b>	<b>92,187</b>
<b>INVESTMENTS</b>	<b>35,153</b>	<b>33,284</b>	<b>32,777</b>	<b>31,498</b>	<b>31,439</b>
<b>INTEREST RATE SWAP AGREEMENT</b>	<b>885</b>	<b>885</b>	<b>885</b>	<b>885</b>	<b>885</b>
<b>OTHER LONG-TERM ASSETS</b>	<b>85</b>	<b>65</b>	<b>44</b>	<b>24</b>	<b>4</b>
<b>Total Assets</b>	<b>\$ 127,587</b>	<b>\$ 137,190</b>	<b>\$ 147,165</b>	<b>\$ 145,783</b>	<b>\$ 145,115</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Current Maturities of Long-Term Debt	\$ 2,650	\$ 2,750	\$ 2,850	\$ 3,280	\$ 3,400
Accounts Payable	898	922	950	990	1,024
Accrued Expenses	2,423	2,489	2,566	2,673	2,764
<b>Total Current Liabilities</b>	<b>5,971</b>	<b>6,161</b>	<b>6,366</b>	<b>6,943</b>	<b>7,188</b>
<b>LONG-TERM DEBT, LESS CURRENT MATURITIES</b>	<b>26,557</b>	<b>34,261</b>	<b>41,438</b>	<b>38,158</b>	<b>34,759</b>
LESS: Deferred Bond Issuance Costs	(265)	(696)	(664)	(631)	(598)
Long-Term Debt, Net	26,292	33,565	40,774	37,527	34,161
<b>REFUNDABLE FEES</b>	<b>939</b>	<b>1,069</b>	<b>1,123</b>	<b>1,169</b>	<b>1,214</b>
<b>DEFERRED REVENUE FROM ADVANCE FEES</b>	<b>54,401</b>	<b>56,380</b>	<b>58,330</b>	<b>60,413</b>	<b>62,844</b>
<b>PRIORITY LIST DEPOSITS</b>	<b>1,991</b>	<b>1,991</b>	<b>1,991</b>	<b>1,991</b>	<b>1,991</b>
<b>Total Long-Term Liabilities</b>	<b>83,623</b>	<b>93,005</b>	<b>102,218</b>	<b>101,100</b>	<b>100,210</b>
<b>Total Liabilities</b>	<b>89,594</b>	<b>99,166</b>	<b>108,584</b>	<b>108,043</b>	<b>107,398</b>
<b>NET ASSETS</b>					
Without Donor Restrictions	36,211	36,347	37,009	36,273	36,355
With Donor Restrictions	1,782	1,677	1,572	1,467	1,362
<b>Total Net Assets</b>	<b>37,993</b>	<b>38,024</b>	<b>38,581</b>	<b>37,740</b>	<b>37,717</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 127,587</b>	<b>\$ 137,190</b>	<b>\$ 147,165</b>	<b>\$ 145,783</b>	<b>\$ 145,115</b>

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
D/B/A CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.**

**PROJECTED CONSOLIDATED STATEMENTS OF OPERATIONS AND  
CHANGES IN NET ASSETS ASSUMING HYPOTHETICAL ASSUMPTIONS NOTED ON PAGE 5  
FOR EACH OF THE FIVE YEARS ENDING DECEMBER 31,  
(IN THOUSANDS OF DOLLARS)**

	2025	2026	2027	2028	2029
<b>REVENUE, GAINS AND OTHER SUPPORT</b>					
Resident Services					
On Campus	\$ 21,772	\$ 22,773	\$ 23,850	\$ 25,018	\$ 26,266
Early Acceptance	2,366	2,986	3,583	3,871	4,097
Amortization of Advance Fees					
On Campus	5,644	5,283	5,401	5,567	5,784
Early Acceptance	672	634	707	732	726
Guests' Meals and Lodging	230	242	254	267	280
Health Center:					
Routine Services	4,459	5,140	5,472	5,842	6,341
Special Services	830	872	916	962	1,010
Miscellaneous	350	366	384	403	424
Investment Interest and Dividends	1,734	1,373	1,344	1,332	1,328
Net Assets Released from Restrictions Used for Operations	105	105	105	105	105
<b>Total Revenue, Gains and Other Support</b>	<b>38,162</b>	<b>39,774</b>	<b>42,016</b>	<b>44,099</b>	<b>46,361</b>
<b>EXPENSES</b>					
Health Center	11,234	11,792	12,052	12,457	12,831
Dietary Services	6,264	6,452	6,718	7,068	7,364
Housekeeping and Laundry	2,247	2,315	2,384	2,456	2,530
Plant Operations, Maintenance, Security and Transportation	5,859	6,034	6,216	6,528	6,723
Early Acceptance	184	229	271	288	299
Administration	7,010	6,865	7,090	7,384	7,658
Depreciation	4,688	5,283	6,003	6,546	6,870
Interest Expense	787	753	672	2,153	2,046
Interest Expense - Deferred Bond Issuance Costs	18	18	33	33	33
<b>Total Operating Expenses</b>	<b>38,291</b>	<b>39,741</b>	<b>41,439</b>	<b>44,913</b>	<b>46,354</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(129)</b>	<b>33</b>	<b>577</b>	<b>(814)</b>	<b>7</b>
<b>NONOPERATING INCOME (LOSS)</b>					
Loss on Disposal of Property & Equipment	(739)	(739)	(739)	(739)	(739)
Net Appreciation on Investments	944	842	824	817	814
<b>Income from Operations and Change in Net Assets Without Donor Restrictions</b>	<b>76</b>	<b>136</b>	<b>662</b>	<b>(736)</b>	<b>82</b>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>					
Net Assets Released from Restrictions Used for Operations	(105)	(105)	(105)	(105)	(105)
Change in Net Assets With Donor Restrictions	(105)	(105)	(105)	(105)	(105)
<b>CHANGE IN NET ASSETS</b>	<b>(29)</b>	<b>31</b>	<b>557</b>	<b>(841)</b>	<b>(23)</b>
<b>NET ASSETS</b>					
Beginning of the Year	38,022	37,993	38,024	38,581	37,740
End of the Year	\$ 37,993	\$ 38,024	\$ 38,581	\$ 37,740	\$ 37,717

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.  
D/B/A CAROL WOODS RETIREMENT COMMUNITY AND  
THE CAROL WOODS CHARITABLE FUND, INC.**

**PROJECTED CONSOLIDATED STATEMENTS OF CASH FLOWS ASSUMING HYPOTHETICAL  
ASSUMPTIONS NOTED ON PAGE 5**

**FOR EACH OF THE FIVE YEARS ENDING DECEMBER 31,  
(IN THOUSANDS OF DOLLARS)**

	2025	2026	2027	2028	2029
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Change in Net Assets	\$ (29)	\$ 31	\$ 557	\$ (841)	\$ (23)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:					
Proceeds from Advance Fees, Net of Refunds	7,465	8,026	8,112	8,428	8,986
Amortization of Advance Fees	(6,316)	(5,917)	(6,108)	(6,299)	(6,510)
Depreciation	4,688	5,283	6,003	6,546	6,870
Amortization of Deferred Bond Issuance Costs	18	18	33	33	33
Loss on Disposal of Property & Equipment	739	739	739	739	739
Change in Accounts Receivable, Prepaid Expenses, and Inventory	4	(178)	(161)	(157)	(163)
Change in Accounts Payable and Accrued Expenses	148	90	105	147	125
Net Cash Provided by Operating Activities	6,717	8,092	9,280	8,596	10,057
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Net Change in Investments and Assets Limited as to Use	9,626	1,671	279	871	(187)
Purchase of Property and Equipment	(11,965)	(17,116)	(16,837)	(6,287)	(6,570)
Net Cash Used by Investing Activities	(2,339)	(15,445)	(16,558)	(5,416)	(6,757)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Issuance of Long-Term Debt	5,387	10,453	10,028	-	-
Principal Payments on Long-Term Debt	(2,550)	(2,650)	(2,750)	(3,180)	(3,300)
Principal Payments on Line of Credit	(7,215)	-	-	-	-
Payment of Deferred Financing Costs	-	(450)	-	-	-
Net Cash Provided (Used) by Financing Activities	(4,378)	7,353	7,278	(3,180)	(3,300)
<b>NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	-	-	-	-	-
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	4,844	4,844	4,844	4,844	4,844
Cash, Cash Equivalents, and Restricted Cash - End of Year	\$ 4,844	\$ 4,844	\$ 4,844	\$ 4,844	\$ 4,844
Cash and Cash Equivalents	\$ 2,856	\$ 2,781	\$ 2,706	\$ 2,384	\$ 2,294
Restricted Cash included in Assets Limited as to Use	1,988	2,063	2,138	2,460	2,550
Total	\$ 4,844	\$ 4,844	\$ 4,844	\$ 4,844	\$ 4,844

## **Summary of Significant Projection Assumptions and Accounting Policies**

### **Introduction and Background Information**

#### **Nature of Business**

The accompanying consolidated financial projection presents, to the best knowledge and belief of the management ("Management") of The Chapel Hill Residential Retirement Center, Inc., doing business as Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc. (collectively, the "Center"), the expected consolidated financial position, changes in net assets and cash flows of the Center as of December 31, 2025, 2026, 2027, 2028 and 2029 and for each of the five years then ending. Accordingly, the projection reflects Management's judgment of the expected conditions and its expected course of action as of April 15, 2025. The financial projection is based on Management's assumptions concerning future events and circumstances. The assumptions disclosed herein are those which Management believes are significant to the projection as of the date of this report, or are key factors upon which the financial results depend.

Management has prepared its financial projection for inclusion in the Center'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 consolidated financial statements (herein referred to as "financial statements"). The Center recognizes that the projected results may not be achieved, as there will be differences between prospective and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. Management does not intend to revise this projection to reflect changes in present circumstances or the occurrence of unanticipated events.

**Hypothetical Assumptions** – A hypothetical assumption is an assumption used in a financial projection to present a condition or course of action that may not occur as expected, but is consistent with the purpose of presentation.

Management has prepared its financial projection with the following hypothetical assumptions:

- The Early Acceptance Program, which had 154 residents as of the end of 2024, will continue to be marketed successfully to the Center's Priority List;
- The Early Acceptance Program will achieve the census projected;
- Adequate demand exists to support the projected Early Acceptance Program utilization and staffing;
- Management will be able to achieve the operating revenue, entrance fee, and operating expense inflationary rates as projected;
- Management is able to complete the Project, as defined hereinafter, at the costs and timing disclosed herein;
- The interest rate on the Construction Loan, as defined hereinafter, occurs as projected;
- Management is able to increase the Construction Loan to fund the projected Project costs, as projected;
- Management is able to convert the Construction Loan to the Term Loan, as defined hereinafter, at the interest rate and terms, as projected; and
- Existing independent living units continue to be successfully marketed to sustain projected occupancy.

## **Summary of Significant Projection Assumptions and Accounting Policies**

### **Introduction and Background Information (continued)**

**Organization** – The Center provides housing, health care and other related services to residents through the operation of a retirement facility containing 315 independent living apartments, cottages and townhomes (collectively the “Existing Independent Living Units”); a 35-bed assisted living center; two 16-unit assisted living homes; and a 68-bed health center (collectively the “Health Center”) located in Chapel Hill, North Carolina. The Center provides care to residents over their remaining lives under terms it establishes for individual residents.

In 2006, The Chapel Hill Residential Retirement Center, Inc. (“Carol Woods”) created an affiliated corporate entity, The Carol Woods Charitable Fund, Inc. (“Charitable Fund”). The Charitable Fund has been established as a separate 501(c)(3) charitable organization and has been organized as a “supporting” organization to Carol Woods. Under IRS guidelines, a supporting organization is one that is treated as a charitable tax-exempt entity because its primary purpose is to support another charitable, tax-exempt entity. The Charitable Fund’s purpose as described in its Articles of Incorporation and Bylaws follows:

- Support the facilities, grounds and services of Carol Woods to maintain its high quality and affordability. Support Carol Woods as a leader in research and development of innovative housing programs, health care services, technology applications and other needed support services in order to help elderly persons lead meaningful lives as they age.
- Support Carol Woods’ leadership role in the community, identifying and addressing potential gaps in the service delivery system, financial issues and other barriers to seniors being able to access needed services.
- Support Carol Woods’ assistance to elderly persons during periods in which the aging process may lead to personal loss, supporting seniors as long as possible in desired living arrangements and achieving smooth transition to other settings as needed.
- Support Carol Woods in promoting the care and service to seniors as a fulfilling career choice for students at high school, college, graduate school and trade school levels, thereby, increasing the supply of qualified and dedicated personnel available to serve seniors.
- Support Carol Woods in its cooperation and collaboration with other public agencies and nonprofit corporations in the community, North Carolina and the United States in efforts to determine the most satisfying and fulfilling methods of providing living accommodations and supportive services for elderly persons.

The Charitable Fund can accept charitable donations for which the donor may receive a tax deduction. To maintain sufficient control over the Charitable Fund, all members of the Board of Directors of the supporting organization are appointed by the Carol Woods Board, and a majority of the Charitable Fund Board must be current members of the Carol Woods Board; including the Center’s President/CEO and Chief Financial Officer, who serve as ex-officio voting members of the Charitable Fund Board.

**Existing Independent Living Unit and Health Center Unit Configuration and Fees** – Table 1 summarizes the type, number, approximate square footage, baseline monthly service fees (“Monthly Fees”) and baseline entrance fees (“Entry Fees” or “Advance Fees”) for Existing Independent Living Units. Table 2 summarizes the type, number, approximate square footage, and the daily fees of the Health Center.

## Summary of Significant Projection Assumptions and Accounting Policies

### Introduction and Background Information (continued)

**TABLE 1**  
**EXISTING INDEPENDENT LIVING UNIT CONFIGURATION AND BASELINE FEES**

Type of Unit		Number of Units	Square Footage	Entry Fees <sup>(1)</sup>	Monthly Fees <sup>(2)</sup>
<b>Early Acceptance</b>					
Each Person		N/A	N/A	\$ 44,200	\$ 1,129
<b>Central Apartments</b>					
Central Studio	C-S	1	447	N/A	\$ 2,728
Central Studio, Expanded	C-SE	14	507	\$ 106,000	\$ 2,787
Central 1-BR, Small Expanded	C-1SE	7	671	\$ 185,000	\$ 3,660
Central 1-BR Expanded	C-1E	65	695	\$ 195,400	\$ 3,833
Central 1-BR Large	C-1L	3	758	\$ 221,700	\$ 3,968
Central 2-BR, Expanded	C-2E	35	910	\$ 275,600	\$ 4,814
Central 2-BR Large	C-2L	3	1,042	\$ 323,500	\$ 5,101
Central 2-BR Extra Large	C-2XL	6	1,160	\$ 354,600	\$ 5,312
Central 2-BR & Den	C-2D	12	1,292	\$ 404,400	\$ 5,622
Central 2-BR & Den Large	C-2DL	2	1,345	\$ 414,400	\$ 5,768
Central 2-BR & Den Extra Large	C-2DXL	1	1,390	\$ 428,200	\$ 5,845
<b>Apartment Totals / Weighted Averages</b>		<b>149</b>	<b>813</b>	<b>\$ 235,600</b>	<b>\$ 4,221</b>
<b>Garden Cottages</b>					
Garden 1-BR	G-1	14	678	\$ 190,700	\$ 3,775
Garden 1-BR & Den	G-1D	22	801	\$ 236,400	\$ 4,116
Garden 2-BR	G-2	19	957	\$ 285,100	\$ 4,741
Garden 1-BR, Den & Carolina Room	G-1DC	5	1,006	\$ 300,900	\$ 4,984
Garden 2 BR & Den	G-2D	11	1,078	\$ 327,200	\$ 5,173
Garden 2-BR & Carolina Room	G-2C	6	1,149	\$ 346,900	\$ 5,281
Garden 2-BR, Den & Carolina Room	G-2DC	13	1,280	\$ 389,500	\$ 5,549
Garden 1-BR Deluxe	G-1DXL	16	1,343	\$ 407,100	\$ 5,684
Garden 2-BR Deluxe	G-2DXL	34	1,538	\$ 473,700	\$ 5,954
Garden 2-BR Deluxe & Sunroom	G-2DXS	12	1,855	\$ 575,500	\$ 6,439
<b>Cottage Totals / Weighted Averages</b>		<b>152</b>	<b>1,196</b>	<b>\$ 362,200</b>	<b>\$ 5,196</b>
Townhomes (Average)		14	1,638	\$ 505,000	\$ 6,022
<b>ILU Totals / Weighted Averages</b>		<b>315</b>	<b>1,035</b>	<b>\$ 308,700</b>	<b>\$ 4,771</b>
Cottage Sunroom Additions <sup>(3)</sup>		26	60 to 240	\$ 34,800	\$ 309
Second Person Fees <sup>(4)</sup>				\$ 44,200	\$ 1,481
1st Person Fees upon move to LTC <sup>(5)</sup>					\$ 2,728

Source: Management

- (1) The Entry Fee pricing is effective April 1, 2025. Carol Woods offers only a declining refund option.
- (2) The Monthly Fee pricing is effective January 1, 2025.
- (3) There is an added Entry Fee and Monthly fee for cottage sunroom additions, depending upon square footage.
- (4) Second persons are charged the same Entry Fees and Monthly Fees regardless of where they are living.
- (5) When a single person or couple vacates their independent living unit, the single / 1st person monthly fee is reduced to the prevailing monthly fee for persons living permanently in higher levels of support.



## Summary of Significant Projection Assumptions and Accounting Policies

### Introduction and Background Information (continued)

TABLE 2 HEALTH CENTER CONFIGURATION				
Type of Unit	Beds	Approximate Square Footage	Daily Fees <sup>(1)</sup>	Type B Contract Percentage Discount <sup>(1)</sup>
<b>Assisted Living Units</b>				
Central-Private	35	350	\$ 257	
Garden-Private <sup>(2)</sup>	10	250	\$ 257	
Total / Weighted Averages:	45	328	\$ 257	60%
<b>Assisted Nursing Beds</b>				
Private <sup>(2)</sup>	36	280	\$ 400	
Semi-Private	8	140	\$ 385	
Total / Weighted Averages:	44	255	\$ 397	70%
<b>Skilled Nursing Beds</b>				
Private Room	22	280	\$ 443	
Semi-Private	8	140	\$ 428	
Total / Weighted Averages:	30	243	\$ 439	70%
<b>Total / Weighted Averages:</b>	<b>119</b>	<b>279</b>	<b>\$ 355</b>	<b>67%</b>

Source: Management

- (1) The "Daily Fees" shown are the non-resident rates effective January 1, 2025. The Center's residents receive a life care benefit in which they pay Daily Fees that are discounted approximately 60%-70% from the non-resident rates.
- (2) Two private 12-unit Garden Assisted Living facilities can support either Assisted Living or Assisted Nursing, depending upon the needs of the resident. For illustrative purposes in Table 2, 10 of the units are portrayed as private Assisted Living Units, and 14 are included in the 36 private Assisted Nursing Beds.

## ***Summary of Significant Projection Assumptions and Accounting Policies***

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### **Introduction and Background Information (continued)**

#### **THE PROJECT**

In December 2024, Management began construction of a two-floor connecting corridor between the Center's existing buildings, an expansion of the Center's existing main dining building, and other various capital improvements on the Center's campus (collectively, the "Project").

The Project is projected to cost approximately \$25,634,000 and all components of the Project are projected to be complete by December 2027.

The Project is being to be funded by a \$17,000,000 Construction Loan (as defined herein) that was entered into in December 2024 with a financial institution. Management has projected being able to increase the Construction Loan with the same financial institution to cover the total costs of the Project, as noted above under the same rate and terms as described herein after.

Subsequent to the completion of the Project in December 2027, Management has projected converting the Construction Loan into a 30-year term loan (the "Term Loan"), bearing an interest rate of 6.0% with monthly principal and interest payments beginning January 2028.

## **Summary of Significant Projection Assumptions and Accounting Policies**

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### **Summary of Significant Accounting Policies (continued)**

**Basis of Accounting** – The Center maintains its accounting and financial records according to the accrual basis of accounting.

**Principles of Consolidation** - The consolidated financial statements include the accounts of The Chapel Hill Residential Retirement Center, Inc. d/b/a Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc. Significant intercompany balances and transactions between the consolidated entities have been eliminated.

**Use of Estimates** – The preparation of prospective financial statements in accordance 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.

**Cash and Cash Equivalents** – Cash and cash equivalents, excluding those classified as assets limited as to use, include investments with original maturities of three months or less when purchased.

**Assets Limited as to Use** – Assets Limited as to Use, Current Portion, represent monthly escrow of annual bond redemption requirements of the Center's bond covenants held by the bond trustee. Reserves required by State Statute are set aside to meet the operating reserve requirements of North Carolina General Statute Chapter 58, Article 64.

**Accounts Receivable** – Resident accounts receivable consist of resident Monthly Fees. The Center provides an allowance for expected credit losses using Management's estimate about the collectability of any past due accounts. Residents are not required to provide collateral for services rendered. Payment for services is required upon receipt of invoice or claim submitted. The adequacy of the Center's allowance for credit losses is reviewed on an ongoing basis, using historical payment trends, write-off experience, aging of receivables, a review of specific accounts, as well as expected future economic conditions and market trends, and adjustments are made to the allowance as necessary.

**Property and Equipment** – Property and equipment is stated at cost less accumulated depreciation. Contributed property is recorded at the estimated fair value at the date of receipt. Depreciation is computed under the straight-line method and is based on estimated useful lives that range from 3 to 50 years. The cost of maintenance and repairs is expensed as incurred.

The Center periodically assesses the realizable value of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of any asset may not be recoverable. For assets to be held, impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than carrying amount. For assets to be disposed of, impairment is determined to exist if the estimated net realizable value is less than the carrying amount.

### **Interest Capitalization**

Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets and depreciated over the estimated useful lives by the straight-line method of depreciation.

**Investments** – Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the projected consolidated balance sheets. The fair values of investments are determined based upon quoted market prices. Contributed investments are stated at

## **Summary of Significant Projection Assumptions and Accounting Policies**

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### **Summary of Significant Accounting Policies (continued)**

the fair market value at the date of receipt.

**Fair Value Measurements** – Fair value as defined under generally accepted accounting principles 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 Center utilizes market data or assumptions that market participants would use in pricing the asset or liability.

**Deferred Bond Issuance Costs** – Deferred bond issuance costs are being amortized on a straight-line basis, which approximates the effective interest method, over the life of long-term debt and other credit instruments. Deferred bond issuance costs are presented in the projected consolidated balance sheets as a deduction from the carrying amount of the related liability. Management has elected to show the interest expense – deferred bond issuance costs as its own line item on the Projected Consolidated Statements of Operations and Changes in Net Assets instead of as a component of interest expense.

**Derivatives** – Derivatives and hedging instruments are recorded at estimated fair value in the projected financial statements using the most recent audited valuations. The Center enters into interest rate swap agreements to limit the effect of increases in the interest rates of floating rate debt. The Center does not hold or issue derivative instruments for trading purposes.

**Deferred Revenue from Advance Fees** – Fees paid by residents upon entering into a continuing care contract are recorded as deferred revenue and amortized into net resident services revenue using the straight-line method over the estimated remaining life expectancy of the resident, adjusted on an annual basis. When a contract is terminated, by death of last survivor or withdrawal, any remaining balance of unamortized Advance Fees, net of refundable amounts, are recognized as net resident service revenue.

**Obligation to Provide Future Services** – The Center enters into continuing care contracts with residents. A continuing care contract is an agreement between a resident and the Center specifying the services and facilities to be provided over the resident's remaining life. Under each contract, the Center has the ability to increase fees as deemed necessary. At the end of each year, the Center calculates the present value of the estimated net cost of future services to be provided to current residents, including the cost of facilities, and compares the amount with the balance of deferred revenue from Advance Fees at that date. If the present value of the net cost of future services and use of facilities exceeds the balance of deferred revenue from Advance Fees, a liability (obligation to provide future services) is recorded. No such liability is expected over the span of the projected financial statements.

**Net Assets – With Donor Restrictions** – Net assets with donor restrictions are those whose use by the Center has been limited by donors to a specific time period or purpose. The Center reports contributions of cash and other assets as restricted support 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 donor restrictions and reported in the projected consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period as received are reflected as unrestricted contributions in the accompanying projected financial statements. The Center's net assets with donor restrictions are comprised of net assets that are temporarily restricted in nature either due to a time or purpose restriction. The Center does not project any donor restricted net assets that are permanent in nature. In 2025 through 2029, the Center has projected that approximately \$105,000 of donor restricted net assets will meet its purpose or time restriction each year, as noted on the projected consolidated statements of operations and changes in net assets.

## **Summary of Significant Projection Assumptions and Accounting Policies**

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### **Summary of Significant Accounting Policies (continued)**

The Center reports contributions of property and equipment (or other long-lived assets) as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**Income Tax Status** – The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying projected consolidated financial statements do not reflect a provision or liability for federal and state income taxes.

**Resident Service Revenue** – Resident service revenue is reported at the amount that reflects the consideration to which the Center expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Center bills the residents and third-party payors several days after the services are performed. Service fees paid by residents for maintenance, meals, and other services are charged monthly and are recognized as revenue in the period when services are rendered. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Center. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Center believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facilities receiving skilled nursing services and housing in the facilities.

The Center considers daily services provided to residents of the skilled nursing facilities, and monthly rental for residential services as a separate performance obligation and measures this on a monthly basis, or upon move-out within the month, whichever is shorter. Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement similar to the output method. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to residents and customers in a retail setting (for example, gift shop and cafeteria meals) and the Center does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Center has elected to apply the optional exemption provided in Financial Accounting Standards Board *Accounting Standards Codification* 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

The Center determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Center's policy, and/or implicit price concessions provided to residents. The Center determines its estimates of contractual adjustments based on contractual

## **Summary of Significant Projection Assumptions and Accounting Policies**

### **Summary of Significant Accounting Policies (continued)**

agreements, its policy, and historical experience. The Center determines its estimate of implicit price concessions based on its historical collection experience.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

#### Medicare

The Center's licensed nursing facility participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). On October 1, 2019, CMS finalized the Patient Driven Payment Model (PDPM) which replaced the Medicare Prospective Payment System (PPS), a per diem price-based system. Under PDPM, therapy minutes are removed as the primary basis for payment and instead the underlying complexity and clinical needs of a patient are used as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

Nursing facilities licensed for participation in the Medicare program are subject to annual licensure renewal. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance. Such a payment ban would have a negative impact on the revenues of the licensed nursing facility.

#### Other

Payment agreements with certain commercial insurance carriers provide for payment using prospectively determined daily rates.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care.

These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Center's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Management has projected that any adjustments arising from a change in an implicit price concession impacting transaction price will not be significant during the Projection Period.

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Center estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to resident service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense.

## **Summary of Significant Projection Assumptions and Accounting Policies**

### **Summary of Significant Accounting Policies (continued)**

#### **Financing Component**

The Center has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents for the effects of a significant financing component due to its expectation that the period between the time the service is provided to a resident and the time that the resident pays for that service will be one year or less. However, The Center does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

**Community Benefit** – The Center provides various outreach programs and volunteer services to the community in addition to direct financial support. The recorded benefit for these services is based on Management assessment of the fair market value of services provided.

**Concentration of Credit Risk** – Concentrations of credit risk with respect to resident accounts receivable are limited due to the formalized agreements with third-party payers. The Center has significant accounts receivable whose collectability is dependent upon the performance of Medicare. Management does not believe there are significant credit risks associated with Medicare.

**Early Acceptance Program** – In 2010, the North Carolina General Assembly enacted a new statute (§ 58-67-7) that permits Continuing Care Retirement Communities (CCRCs) licensed in the State of North Carolina to offer “continuing care services without lodging.” In February 2012, the Center received approval from the North Carolina Department of Insurance to offer its Early Acceptance program. As of December 2024, the Center had 154 residents in the program, and will continue to add residents to the program over the course of the next few years as noted in Table 3.

The core elements of the program are as follows:

1. Since the Center has an extensive priority list of persons waiting to move to campus, this program is offered exclusively to persons who have already joined the priority list.
2. Admission to the Early Acceptance program is identical to admissions to the Center’s campus, requiring health screening and financial screening. The only difference is that the Early Acceptance candidate does not reserve a residential unit on campus nor is looking to move to campus in the immediate future.
3. Upon acceptance, the person becomes a “Resident” of the Center, but remains living in their current home. They sign an early Acceptance Agreement providing the Resident equal access to all of the campus amenities, as well as to the same access and financial protections for the prospect of needing future health care.
4. They pay an Entry Fee and Monthly Fees that cover the costs of current amenities and future access to health care.
5. Early Acceptance Residents remain on the Center’s priority list, and will be offered opportunity to move to the Center in the future – either to a desired independent living residence or to a health care facility. If they subsequently move to an independent living residence on campus, the Entry Fee that they paid originally for Early Acceptance will be applied in full to the Entry Fee for the residence to which they are moving.
6. Other in-home services that might be needed over time might be provided either by the Center or by other area providers on a fee-for-service basis.

Revenue and expenses related to the Early Acceptance program are reported separately on the projected consolidated financial statements for this projection, as is required by the North Carolina Department of Insurance. The current Entry Fees for Early Acceptance are \$44,200 per person, and the current Monthly Fees are \$1,129 per person.

## **Summary of Significant Projection Assumptions and Accounting Policies**

### **Basis for Projection of Revenue, Expenses, and Other Items**

#### **Revenues**

Projected revenue from Monthly Fees and from health care per diems are based on available independent living and health care units, projected average census, and projected fees as are presented in Table 1, and in the following Tables 4, 5, and 6. Monthly Fees and health care per diems are assumed to increase an average of 5.0% annually. The increases may be greater or less than those projected based on the increased costs to operate the Center because of inflation and other factors. Residents of the Center who have vacated a previous independent living unit and made a permanent move to assisted living or to the health center will pay a discounted per diem, and their Monthly Fee will decrease to a lower rate.

In addition, revenue is recognized for residents who have contracts under the Early Acceptance Program (as described previously). Amortization of Advance Fees is also recognized for those residents under the Early Acceptance Program.

Management's census assumption for the Early Acceptance Program is as follows:

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**TABLE 3**  
**EARLY ACCEPTANCE PROGRAM PROJECTED CENSUS**

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<b>Year</b>	<b>Program Census</b>
2025	182
2026	210
2027	240
2028	247
2029	249

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Source: Management



## Summary of Significant Projection Assumptions and Accounting Policies

### Management's Basis for Projection of Revenues, Expenses and Other Items (continued)

**TABLE 4**  
**INDEPENDENT LIVING UNIT CONFIGURATION AND PROJECTED AVERAGE CENSUS, 2025 THROUGH 2029**

Type of Unit	2025		2026		2027		2028		2029	
	Units	Ave Census	Units	Ave Census	Units	Ave Census	Units	Ave Census	Units	Ave Census
<b>Percent Occupancy - Central Apartments</b>										
Central Studio <sup>(1)</sup>	C-S	1	1	1	1	0	0	0	0	0
Central Studio, Expanded <sup>(1)</sup>	C-SE	14	11	14	11	15	12	15	12	15
Central 1-BR, Small Expanded	C-1SE	7	7	7	7	7	7	7	7	7
Central 1-BR Expanded	C-1E	65	62	65	62	65	62	65	62	65
Central 1-BR Large	C-1L	3	3	3	3	3	3	3	3	3
Central 2-BR, Expanded	C-2E	35	34	35	34	35	34	35	34	35
Central 2-BR Large	C-2L	3	3	3	3	3	3	3	3	3
Central 2-BR Extra Large	C-2XL	6	6	6	6	6	6	6	6	6
Central 2-BR & Den	C-2D	12	12	12	12	12	12	12	12	12
Central 2-BR & Den Large	C-2DL	2	2	2	2	2	2	2	2	2
Central 2-BR & Den Extra Large	C-2DXL	1	1	1	1	1	1	1	1	1
<b>Percent Occupancy - Garden Cottages</b>										
Garden 1-BR	G-1	14	13	14	13	14	13	14	13	14
Garden 1-BR & Den	G-1D	22	22	22	22	22	22	22	22	22
Garden 2-BR	G-2	19	19	19	19	19	19	19	19	19
Garden 1-BR, Den & Carolina Room	G-1DC	5	4	5	4	5	4	5	4	5
Garden 2 BR & Den	G-2D	11	10	11	10	11	10	11	10	11
Garden 2-BR & Carolina Room	G-2C	6	5	6	5	6	5	6	5	6
Garden 2-BR, Den & Carolina Room	G-2DC	13	13	13	13	13	13	13	13	13
Garden 1-BR Deluxe	G-1DXL	16	16	16	16	16	16	16	16	16
Garden 2-BR Deluxe	G-2DXL	34	34	34	34	34	34	34	34	34
Garden 2-BR Deluxe & Sunroom	G-2DXS	12	12	12	12	12	12	12	12	12
Townhomes (Average)		14	14	14	14	14	14	14	14	14
<b>Total ILU's / Average Occupancy</b>		<b>315</b>	<b>304</b>	<b>315</b>	<b>304</b>	<b>315</b>	<b>304</b>	<b>315</b>	<b>304</b>	<b>315</b>
<b>Percent Occupancy</b>			<b>96.5%</b>		<b>96.5%</b>		<b>96.5%</b>		<b>96.5%</b>	
Cottage Sunroom Additions <sup>(2)</sup>		26		26		26		26		26
<b>Average Census</b>										
Number of Persons in EA <sup>(3)</sup>		182		210		240		247		249
Number of 1st Persons in IL		304		304		304		304		304
Number of 2nd Persons in IL		101		93		86		80		76
Number of Persons in LTC		78		80		83		87		90
<b>Total Average Census</b>		<b>665</b>		<b>687</b>		<b>713</b>		<b>718</b>		<b>719</b>

Source: Management

- (1) Since 2003, as Studio, 1-BR, and 2-BR central apartments turnover, they are expanded to include an enclosed sunroom and expanded kitchen and laundry facilities. Currently two studio units remain unexpanded.
- (2) Selected cottages have sunroom additions for which there is an additional Monthly Fee charged based upon square footage of the sunroom addition.
- (3) The Center began accepting residents to the Early Acceptance program in late-2012 and had 154 in the program as of the end of 2024. It is assumed that others will be added to the program as needed, to maintain an overall census of 665 in Year 1 – on campus and Early Acceptance combined. Management has projected an increase in the overall campus and Early Acceptance as noted above due to the growth projected in the Early Acceptance Program noted in Table 3 and to longer-term stays for PACE participants in semi-private rooms, and private pay in private rooms.

## Summary of Significant Projection Assumptions and Accounting Policies

### Management's Basis for Projection of Revenues, Expenses and Other Items (continued)

**TABLE 5**  
**PROJECTED HEALTH CENTER PER DIEM CHARGES, 2025 THROUGH 2029 <sup>(1)(2)</sup>**

Type of Unit	2025		2026		2027		2028		2029	
	Private Per Diems	CCRC Per Diems	Private Per Diems	CCRC Per Diems	Private Per Diems	CCRC Per Diems	Private Per Diems	CCRC Per Diems	Private Per Diems	CCRC Per Diems
<b>Projected Per Diem Fees</b>										
Central Assisted Living, Private	\$257	\$102	\$270	\$109	\$284	\$116	\$298	\$123	\$313	\$131
Garden Assisted Living, Private	\$ 257	\$ 102	\$ 270	\$ 109	\$ 284	\$ 116	\$ 298	\$ 123	\$ 313	\$ 131
Assisted Nursing, Semi-Private	\$ 385	\$ 112	\$ 404	\$ 119	\$ 424	\$ 126	\$ 445	\$ 133	\$ 467	\$ 141
Assisted Nursing, Private	\$ 400	\$ 122	\$ 420	\$ 129	\$ 441	\$ 136	\$ 463	\$ 143	\$ 486	\$ 151
Skilled Nursing, Semi-Private	\$ 428	\$ 122	\$ 449	\$ 129	\$ 471	\$ 136	\$ 495	\$ 143	\$ 520	\$ 151
Skilled Nursing, Private	\$ 443	\$ 132	\$ 465	\$ 139	\$ 488	\$ 146	\$ 512	\$ 153	\$ 538	\$ 161
Skilled Nursing, Medicare <sup>(3)</sup>	\$ 566		\$ 566		\$ 566		\$ 566		\$ 566	

Source: Management

- (1) The Center assumes 5.0% annual increases in private pay per diems, and 5.0% annual increases in CCRC per diems.
- (2) Under the terms of its Residence and Services and Early Acceptance Agreements, residents of the Center are charged a per diem amount that is discounted from the private pay per diem.
- (3) The Medicare per diem is derived using historic weighted averages of rates per day. Conservatively, Medicare rates are assumed to stay constant throughout the Projection Period.

**TABLE 6**  
**ASSISTED LIVING AND NURSING FACILITY LICENSED CAPACITY AND AVERAGE PROJECTED CENSUS, 2025 THROUGH 2029**

Type of Unit	2025		2026		2027		2028		2029	
	Beds	Average Census <sup>(1)</sup>	Beds	Average Census <sup>(1)</sup>	Beds	Average Census <sup>(1)</sup>	Beds	Average Census <sup>(1)</sup>	Beds	Average Census <sup>(1)</sup>
<b>Projected Average Census</b>										
Central Assisted Living, Private	35	31.4	35	32.5	35	31.5	35	32.5	35	31.5
		89.6%		92.9%		90.0%		92.9%		90.0%
Garden Assisted Living, Private <sup>(2)</sup>	10	6.6	10	3.2	9	4.4	10	6.8	7	9.1
		66.3%		32.0%		48.9%		68.0%		130.0%
Assisted Nursing, Semi-Private	8	6.9	8	7.5	8	7.5	8	7.5	8	7.5
Assisted Nursing, Private	22	19.8	22	21.5	22	21.5	22	21.5	22	21.5
Garden Assisted Nursing, Private <sup>(2)</sup>	14	7.4	14	13.0	15	14.0	14	13.0	17	13.0
		77.3%		95.5%		95.6%		95.5%		89.4%
Skilled Nursing, Medicare <sup>(2)</sup>	5	4.6	5	1.8	5	1.0	5	1.5	5	1.5
Skilled Nursing, Semi-Private (PACE)	3	2.8	3	0.9	3	1.0	3	1.0	3	1.3
Skilled Nursing, Private Room (Private Pay)	3	2.8	3	0.9	3	1.0	3	1.0	3	1.3
Skilled Nursing, Private (CW Resident)	19	13.0	19	4.2	19	4.9	19	4.9	19	6.3
		77.0%		26.0%		26.7%		28.3%		35.0%
<b>Total Capacity / Average Census</b>	<b>119</b>	<b>95.1</b>	<b>119</b>	<b>85.5</b>	<b>119</b>	<b>86.9</b>	<b>119</b>	<b>89.8</b>	<b>119</b>	<b>93.1</b>
		<b>79.9%</b>		<b>71.8%</b>		<b>73.0%</b>		<b>75.5%</b>		<b>78.2%</b>

Source: Management

- (1) Average census is derived from open group population simulations of an actuarial software program that the Center leases for actuarial planning of long-term capacity needs in its assisted living and nursing facilities.
- (2) Two private 12-unit Garden facilities can support either Assisted Living or Assisted Nursing, depending upon the needs of the resident.
- (3) Center residents use Medicare in skilled nursing, when applicable. Also, when some excess capacity is projected in skilled nursing, it is assumed that the Center will seek outside referrals to semi-private rooms for short-term rehabilitative care under Medicare.

## ***Summary of Significant Projection Assumptions and Accounting Policies***

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### **Management's Basis for Projection of Revenues, Expenses and Other Items (continued)**

Entry Fees are amortized into revenue based on the actuarially-determined remaining life expectancy of the single resident or couple. The rate of annual amortization assumes that the remaining balance of deferred Advance Fees on the projected consolidated balance sheets covers an additional 11.4 years. New Entry Fees are projected to increase an average of 5.0% annually.

Total investment earnings, which is based upon Management's historical investment return experience, is comprised of interest and dividends and net appreciation on investments on the projected consolidated statements of operations and changes in net asset, and is projected on an average yield of 5.0% on temporary cash investments and long-term investments annually.

Other revenue sources are projected to increase at a rate of 5.0% annually.

## ***Summary of Significant Projection Assumptions and Accounting Policies***

### **Management's Basis for Projection of Revenues, Expenses and Other Items (continued)**

#### **Expenses**

Baseline operating expenses for 2025 are taken from budgeted amounts and thereafter are assumed to increase an average of 3.0% annually. Operating expenses are adjusted in years 2026 through 2029 to reflect Management's assumptions of the additional costs of the Early Acceptance program.

Depreciation and amortization is based on current depreciation and amortization tables, factoring in capital additions. Table 7 presents projected capital additions and retirements for 2025 through 2029.

TABLE 7 SCHEDULE OF PROPERTY AND EQUIPMENT (IN THOUSANDS)											
Years Ending December 31,		2025		2026		2027		2028		2029	
Property and Equipment, Cost											
Beginning Balance	\$	130,089	\$	140,566	\$	156,194	\$	171,543	\$	176,342	
Project Additions		5,387		10,453		9,578		-		-	
Routine Capital Additions		6,329		6,031		6,016		6,287		6,570	
Capital Retirements		(1,488)		(1,488)		(1,488)		(1,488)		(1,488)	
Capitalized Interest		249		632		1,243		-		-	
Property and Equipment, Cost		140,566		156,194		171,543		176,342		181,424	
Accumulated Depreciation		(67,530)		(72,064)		(77,318)		(83,116)		(89,237)	
Property and Equipment, Net											
Ending Balance	\$	73,036	\$	84,130	\$	94,225	\$	93,226	\$	92,187	

Source: Management

The Center plans for robust annual additions to capital over the projection period in aggregate amounts that invest proactively in keeping older facilities competitive; causing net property and equipment to increase in order to be proactive in maintaining its facilities.

## **Summary of Significant Projection Assumptions and Accounting Policies**

### **Management's Basis for Projection of Revenues, Expenses and Other Items (continued)**

#### **Other Items**

##### *Long-Term Debt*

For purposes of this financial projection, it has been assumed that the historical carrying value of long-term debt equals the fair value of such debt. Long-term debt consists of the Construction Loan and one series of tax-exempt variable-rate bonds hedged with one interest rate swap instrument, as follows:

1. \$39,570,000 in North Carolina Medical Care Commission bonds issued in 2018 (the "Series 2018 Bonds"), which have a variable rate with predetermined annual principal payments scheduled through 2033. The Series 2018 Bonds are held by Truist Bank (Truist); therefore, no credit enhancement or remarketing fees have been assumed. The Series 2018 Bonds have an outstanding balance of \$26,370,000 as of December 31, 2024.
2. The Center holds an interest rate swap agreement (the "2018 Interest Rate Swap") with Truist that became effective on June 13, 2018. Between the variable interest on the Series 2018 Bonds and the floating-to-fixed rates on the 2018 Interest Rate Swap, the Center pays an effectively fixed rate of 3.08% on an original notional amount of \$39,570,000. The notional amount declines by a predetermined annual schedule commensurate with the amortization schedule of the Series 2018 Bonds, as noted in Table 8. The Series 2018 Bonds will be fully retired, and the 2018 Interest Rate Swap will mature, on April 1, 2033.
3. On December 12, 2024, the Center entered into the Construction Loan with a financial institution. The Construction Loan is a three year draw down loan with a maximum principal amount of \$17,000,000. Payments are interest only and are made monthly commencing January 1, 2025 through December 2026. Commencing January 1, 2027, monthly payment of principal and interest will be made, with all amounts due at the maturity date of December 12, 2027. Interest is variable and calculated using the SOFR rate for the period plus 1.4% per annum, 5.89% at December 31, 2024. As of December 31, 2024, approximately \$347,000 of principal was drawn down and outstanding as of year-end. Management has projected increasing the amount of the Construction Loan to fund the full costs of the Project as well as projected converting the Construction Loan to the Term Loan, as previously described.

Table 8 presents the amortization schedules for the Series 2018 Bonds and the declining notional amounts of the 2018 Interest Rate Swap, as well as the Term Loan.

The Center records the value of its interest rate swap agreement at market value at the end of each year. As of December 31, 2024 the value of the interest rate swap agreement was recorded on the balance sheet as an asset of approximately \$885,400. The Center makes no assumptions about changes in the market value of its interest rate swap agreements, so that the mark-to-market valuations remain unchanged.

Management is projecting the balance on the Center's line of credit to be \$0 as of December 31 of each year during the projection period; assuming that funds are withdrawn from long-term investments each year to pay down the outstanding line of credit to \$0. In actuality, Management will likely manage short-term cash flow fluctuations with the line of credit and only withdraw from long-term investments as needed. Management has projected payment of approximately \$7,215,000 on the line of credit during 2025.

## Summary of Significant Projection Assumptions and Accounting Policies

### Management's Basis for Projection of Revenues, Expenses and Other Items (continued)

Amortization expense of bond issuance costs is derived based upon the amortization schedule of each credit instrument.

**TABLE 8**  
**PROJECTED LONG-TERM DEBT AND SWAP AMORTIZATION SCHEDULES**  
**(IN THOUSANDS)**

		Series 2018 Bonds to be Redeemed	2018 Interest Rate Swap Notional Amount	Term Loan	Total
Long-Term Debt Maturities	2025	\$ 2,550	\$ 2,550	\$ -	\$ 2,550
and Swap Notional	2026	2,650	2,650	-	2,650
Amortization Schedules	2027	2,750	2,750	-	2,750
	2028	2,850	2,850	330	3,180
	2029	2,950	2,950	350	3,300
	Thereafter	12,620	12,620	25,404	38,024
Total Bonds / Swaps		26,370	26,370	26,084	52,454

  

	2025	2026	2027	2028	2029
Annual Interest, Series 2018					
Bonds Plus Net 2018	\$ 831	\$ 753	\$ 672	\$ 588	\$ 501
Interest Rate Swap					
Payments (in thousands)					
Effective Annual Interest					
Rate, Series 2018 Bonds + Swap <sup>(1)</sup>	3.08%	3.08%	3.08%	3.08%	3.08%

Source: Management

(1) Between the quasi-variable rate on the Series 2018 Bonds and the floating-to-fixed terms on the 2018 Interest Rate Swap, an effective annual interest rate of 3.08% is projected to be achieved for the full 15-year term of the bonds and swap.

## **Summary of Significant Projection Assumptions and Accounting Policies**

### **Management's Basis for Projection of Revenues, Expenses and Other Items (continued)**

#### **Current Assets and Current Liabilities**

Current assets limited as to use represent 9/12<sup>ths</sup> of the upcoming year's bonds that are scheduled to be redeemed, since those amounts are escrowed with the bond trustee at a rate of 1/12<sup>th</sup> per month (the "Bond Sinking Funds"). Current maturities of long-term debt are taken from the predetermined amortization schedule of the Series 2018 Bonds and Term Loan (refer to Table 8).

Table 9 presents the assumptions related to adjustments to other current assets and current liabilities from 2025 through 2029.

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**TABLE 9**  
**WORKING CAPITAL - DAYS ON HAND**

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Accounts Receivable, Net	25 Days operating revenues <sup>(1)</sup>
Prepaid Expenses and Inventory	7 Days operating expenses <sup>(2)</sup>
Accounts Payable	10 Days operating expenses <sup>(2)</sup>
Accrued Expenses	27 Days operating expenses <sup>(2)</sup>

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Source: Management

(1) Included in days operating revenues are Resident Services Revenues, Guests' Meals and Lodging, and Health Center Revenues.

(2) Included in days operating expenses is total operating expenses less depreciation, interest expense and interest expense - deferred bond issuance costs.

#### **Operating Reserve Requirement**

North Carolina General Statute § 58-64-33 requires CCRCs to maintain an operating reserve (refer to "Reserves Required by State Statute") equal to 50 percent of the total operating costs in a given year, or to 25 percent of such total operating costs if occupancy exceeds 90 percent of the independent living and assisted living unit capacity. This law provides security to residents that the CCRC is able to meet its contractual obligations to provide continuing care. The Center's occupancy is projected to exceed 90 percent for each of the five projected years, such that its reserve requirements are 25 percent of total operating costs over the entire span of time. Management's projections show sufficient cash and investment balances to comply with the Reserves Required by State Statute throughout the projection period. Table 10 presents the estimated annual reserves required of the Center at year-end 2025 through 2029.

## ***Summary of Significant Projection Assumptions and Accounting Policies***

### **Management's Basis for Projection of Revenues, Expenses and Other Items (continued)**

**TABLE 10**  
**NC DEPARTMENT OF INSURANCE**  
**PROJECTED RESERVES REQUIRED BY STATE STATUTE**  
**(IN THOUSANDS)**

<b>Years Ending December 31,</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
<b>Reserves Required, Year-end</b>					
Total Operating Expenses	\$ 38,291	\$ 39,741	\$ 41,439	\$ 44,913	\$ 46,354
PLUS: Principal Payment on Long-Term Debt	2,550	2,650	2,750	3,180	3,300
LESS: Depreciation Expense	(4,688)	(5,283)	(6,003)	(6,546)	(6,870)
LESS: Amortization Expense	(18)	(18)	(33)	(33)	(33)
LESS: Bond Sinking Funds (as of 12/31)	(1,988)	(2,063)	(2,138)	(2,460)	(2,550)
Adjusted Expenses	34,147	35,027	36,015	39,054	40,201
Apply 25% Factor	\$ 8,537	\$ 8,757	\$ 9,004	\$ 9,763	\$ 10,050

Source: Management

### **Potential Future Events**

The Center has initiated a campus master planning process which could result in additional independent living residences, and additional assisted living or nursing capacity. The Board of Directors has established a master planning task force which includes members of the Board, senior management, and residents. A market study was commissioned in 2023 which indicates strong demand from the Center's priority list. Recently an architectural firm was retained to guide the task force in its master planning process. As of the date of this report, the key elements of the future plans are not known.

Each time that the Center has done similar campus expansions in the past, it has resulted in serving more persons from its growing priority list, while strengthening the Center financially. Management expects that any upcoming expansion would produce similar results.





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