Carolina Village

INCORPORATED

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

Disclosure Statement

August 31, 2019

In accordance with Article 64 of Chapter 58 of the NC General Statutes, this Disclosure Statement may be delivered only through January 27, 2021, if not earlier revised. Delivery of this Disclosure Statement to a contracting Party before execution of a contract for the provision of continuing care is required. This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.

DISCLOSURE STATEMENT

Dated August 31, 2019

Name of Facility: **Carolina Village**

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

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

- **This Disclosure Statement may be delivered until revised, but not after January 27, 2021;**
- **Delivery of the Disclosure Statement to a contracting party before execution of a contract for continuing care is required;**
- **This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.**

ACKNOWLEDGMENT OF RECEIPT OF DISCLOSURE STATEMENT

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

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

As a prospective resident, the Facility's representatives have encouraged me to read the disclosure statement in its entirety before entering into any contract or written agreement, or paying any fee.

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

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

PROSPECTIVE RESIDENT	DATE OF SIGNATURE
PROSPECTIVE RESIDENT	DATE OF SIGNATURE
FACILITY REPRESENTATIVE	DATE OF SIGNATURE

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DISCLOSURE STATEMENT

CAROLINA VILLAGE, INC.
HENDERSONVILLE, NORTH CAROLINA 28792

The date of this disclosure statement is August 31, 2019. This disclosure statement may be delivered only through January 27, 2021, if not earlier revised. Delivery of this disclosure statement before the execution of a contract for the provision of continuing care is required by North Carolina law. This disclosure statement has not been reviewed or approved by any governmental agency or representative to insure accuracy or completeness of the information set forth. This disclosure statement is to comply with North Carolina General Statute Chapter 58, Article 64.

WHO AND WHAT WE ARE

Carolina Village, Inc., a not-for-profit corporation, continuing care facility, offers persons 62 years of age and older the lifetime use of a living unit and care in an on-site health center in accordance with the terms of a formal occupancy contract.

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

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

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

BOARD OF DIRECTORS

The management supervision of Carolina Village, including policy making, budgeting and monitoring performance, is the responsibility of an eighteen-member board of directors, who serve without compensation and are drawn from a broad spectrum of experience among residents in the Hendersonville area. As of August 31, 2019, the current directors are:

President:	Kohlan Flynn, 5 Alpine Dr., Hendersonville Retired Educator
Vice-President:	Marcia Caserio, 113 Kenmure Drive, Flat Rock Certified Gerontologist, Local Business Person
Vice President:	Stan Duncan, 551 Tracy Grove Rd., Flat Rock Tax Assessor
Treasurer:	Terry Andersen, 307 N Church St., Hendersonville Practicing CPA
Assistant Treasurer:	James R. Crafton, 898 Indian Hill Road, Hendersonville Semi-Retired Business Person
Secretary:	Renee Kumor 3020 Chestnut Tree Rd., Hendersonville Retired Business Person
Assistant Secretary:	Adam Shealy, 224 6th Ave. East, Hendersonville Local Attorney
Director:	Dr. Jerry Pyles, 1218 Ashby Lane, Hendersonville Retired Physician
Director:	Lynn Killian, 1212 Forest Hill Dr., Hendersonville Professional Fundraiser
Director:	Dick Bobb,600 Carolina Village Rd., Hendersonville Retired Financial Executive / Resident
Director:	Ruth Burge, 1A Westridge Ct., Hendersonville, Retired Executive
Director:	Kimbela McMinn, 539 N. Main St., Hendersonville Local Business Person

ADMINISTRATION

The operation of Carolina Village is the responsibility of professionals experienced in life-care management. Key management persons as of August 31, 2019, are:

Executive Director:	Kevin Parries, 16 years at Carolina Village, 31 years of experience in long-term care, Masters in Business Administration from Wingate University, Certified Gerontologist and Certified Aging Service Professional
Director of Operations:	Jon Renegar, 16 years of experience in long term care, 11 years as administrator, 8 years at Carolina Village. Certified Aging Service Professional
Chief Financial Officer:	Bruce Bell, C.P.A., B.S. Bus. Adm., Western Carolina University, 42 years of experience at Carolina Village
Chief Financial Officer:	Amber Anderson, C.P.A., Master of Accountancy and B.S. Bus. Adm., Western Carolina University, 7 years of experience as a financial statement auditor. Joined Carolina Village in June 2019.
Medical Center Administrator:	Alex Tucker, 10 years' experience in long term care, 6 years at Carolina Village as administrator. Certified Aging Service Professional
Medical Director:	Dr. Larry J. Russell M.D. CMD. 33 years' experience, Certified Medical Director for Long Term Care Facilities
Director of Nursing:	Kelli Russell, 17 years of experience as a Registered Nurse, over 10 years as a Director of Nursing, 7 years at Carolina Village as Director of Nursing.
Dietary Supervisor:	Maria Rich, Certified Dietary Manager, 26 years as a Certified Dietician, 6 years of experience at Carolina Village.
Dietary Supervisor Healthcare:	Chris Olson, Associate of Arts Degree from BRCC, certified with the Dietary Managers Association, 22 years of experience at Carolina Village
Director of Facility Services:	Michael Lance, 12 years of experience of construction and maintenance, 2 year at Carolina Village.
Housekeeping Supervisor:	David Auxier, 7 years of experience as Executive Housekeeping, 2 year at Carolina Village.

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

Carolina Village has provided the names and addresses of both Board of Directors and the names of the key management staff. In accordance with GS § 58-64-20 the individuals listed do not have a ten percent (10%) or greater interest in a company, or a company in that person, and do not presently intend to currently or in the future provide goods, leases, or services to the facility, or to residents of the facility, of an aggregate value of five hundred dollars ($500.00) or more within any year, including a description of the goods, leases, or services and the probable or anticipated cost thereof to the facility, provider, or residents or a statement that this cost cannot presently be estimated. As a non-stock corporation, no individual or corporation has an equity position in Carolina Village.

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

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

RESIDENTS ASSOCIATION

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

OUR LOCATION

We are located on approximately 95.5 acres at 600 Carolina Village Road, Hendersonville, North Carolina 28792. The site is bordered by Interstate Highway 26 on the East and U.S. 64 on the South. The facility's main entrance is on U.S. 64, and shopping areas, churches, a hospital, and other services are nearby. The community has a secondary gated entrance located on Clear Creek Road.

FACILITIES

The Village is comprised of four three-story and one four story, fire resistant building containing 238 apartments and 81 free-standing cottages. Types of living units available include: various sized one and two bedroom apartments; and two bedroom cottages. Common areas include a pool, Main Street, multipurpose meeting rooms, media room, business center, pharmacy; market, dining room, lounges, libraries, personal laundry facilities, crafts, and woodworking areas.
The Medical Center (Skilled Nursing Facility) has 58 private rooms and the Care Center (Assisted Living) has 60 private rooms with baths. The average population of the Village varies from 490-510.

MONTHLY FEES

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

*Meal Plan (equivalent to one meal per day for apartment occupants: fifteen meals per month for cottage occupants: additional meals available for additional charge)
*Special diet to be provided upon order of the Occupant's Physician.
*All Utilities (Except for phone services)
*24 Hour Maintenance & Security
*Semi-Monthly Housekeeping Service
*Flat Laundry Service Weekly
*Free Parking for Residents and Their Guests
*Available Beauty, Barber Shop (Additional cost)
*Wellness Coordinator and Fitness Area
*Emergency Nurse Call System
*Emergency Physicians Service Available
*Access to Assisted Living & Skilled Nursing Services without Increase in Monthly Service Fee (except meals, drugs, supplies and therapy services ordered by your personal physician.)
*Services of a Chaplain
*Planned Activities--social, cultural, recreational and spiritual
*Availability of Shuttle Bus at Stated Regular Times
*On Site Pharmacy (additional cost)

MEDICAL CENTER (SNF) AND CARE CENTER (AL)

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

(1) two meals per day (in addition to the one meal provided in the monthly service fee for apartment residents) or two and a half meals per day (for cottage residents on the 15 meals per month plan) for a total of three meals per day.

(2) drugs and supplies

(3) therapy services - such as physical, occupational, speech, and respiratory therapy

(4) private physician

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

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

CHARGES, FEES AND CONTRACTS
APPLICATION CHARGES

Persons applying for a living unit at Carolina Village will pay a $1,000 application fee and have their name added to a waiting list for each type of living unit selected. This $1,000 is non-refundable but does apply to the Entrance Fee for those that move in. The payment of the application fee does not guarantee admission nor the amount of the entrance fee that may be applicable when the unit is available for contract. The admission criteria are explained on page 8.

ENTRANCE FEE

When a living unit selected by the applicant becomes available, it will be offered in chronological order (based on date of application) to names on the waiting list for that particular size of unit (i.e. the applicant longest on the waiting list for the type unit available will be offered occupancy before any others. If occupancy is declined, then the applicant next longest on the waiting list will be offered occupancy. Offers will continue to be made in sequential order until occupancy is accepted). When the applicant indicates acceptance of the living unit offered, the applicant and Carolina Village will enter into a formal contact of acceptance, hereafter referred to as the "Occupancy Agreement." The payment of the entrance fee allows the privilege of occupying said living unit throughout the lifetime of the occupant unless cancelled in the manner provided within the terms and provisions of the Occupancy Agreement. The terms and provisions of the Occupancy Agreement are found in Appendix C. The following are the Entrance and Monthly Fees:

ENTRANCE AND MONTHLY SERVICE FEE

Effective January 1, 2019

Type of Unit	*DOUBLE OCCUPANCY* Entrance Fee	Monthly Service	*SINGLE OCCUPANCY* Entrance Fee	Monthly Service
Pisgah Series				
One Bedroom Standard	221,400	3,331	164,700	2,067
One Bedroom Deluxe	240,600	3,526	183,900	2,262
Blue Ridge Series				
Two Bedroom Standard	240,600	3,526	183,900	2,262
Two Bedroom Expanded	256,000	3,807	199,300	2,543
Two Bedroom Custom	277,000	3,991	220,300	2,727
Two Bedroom Deluxe	310,200	4,200	253,500	2,936
Summit Series				
One Bedroom	260,900	4,025	204,200	2,761
One Bedroom with Den	319,100	4,678	262,400	3,414
Pinnacle Series				
Two Bedroom	321,900	4,846	265,200	3,582
Two Bedroom with Den	364,500	5,295	307,800	4,031
Two Bedroom Corner	363,200	5,316	306,500	4,052
Two Bedroom Corner with Den	402,400	5,500	345,700	4,236

	DOUBLE OCCUPANCY **Entrance Fee**	**Monthly Service Charge**	SINGLE OCCUPANCY **Entrance Fee**	**Monthly Service Charge**
Woods Cottages				
Expanded	273,700	3,865	217,000	2,601
Custom	304,900	4,057	248,200	2,793
Deluxe	338,900	4,277	282,200	3,013
Garden Cottages				
Standard	389,400	4,681	332,700	3,417
Expanded	414,700	4,852	358,000	3,588
Custom	443,300	5,035	386,600	3,771
Meadows Cottages				
Standard	352,100	4,464	295,400	3,200
Expanded	373,300	4,670	316,600	3,406
Custom	389,600	4,757	332,900	3,493
Deluxe	411,200	4,967	354,500	3,703

The execution of the Occupancy Agreement by the Village will be withheld until the applicant submits a medical statement from his personal physician that the applicant's physical and mental health meets the requirement for entry into the Village and also submits a financial statement indicating that he/she can meet the financial obligations which will be incurred during his/her period of residency. Both these forms will be supplied by the Village. The applicant will be furnished a copy of the executed "Occupancy Agreement" and a current Disclosure Statement. After acceptance by the Village, the applicant will have a period of not more than 150 days to assume occupancy. A new resident may move in prior to 150 days but adequate time given to the Village to refurbish the unit. The full Entrance Fee is payable at or before assuming occupancy. No portion of the Entrance Fee may be paid until the unit is ready for occupancy.

Residents have life use of the living unit but do not have any property rights.

REFUNDS

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

Before Move-In

(1) Full refunds will be made if written notice is given within 30 days of the signing of the Occupancy Agreement or the delivery of a disclosure statement, whichever is later that the applicant desires to rescind the contract. Refunds of any Entrance Fee paid before move-in will be made within 5 working days. No payment of Entrance fee is permitted prior to unit being ready for occupancy.

(2) After 30 days and before occupancy, or upon death of the applicant, the only payment required is the costs for non-standard improvements to and renovation of the unit requested by the applicant and provided by the Village.

(3) The Occupancy Agreement shall be automatically canceled due to death, illness, injury, or incapacity prior to occupancy that would preclude the Occupant from occupying a living unit. A full refund of Entrance Fee paid less any costs of non-standard improvements as requested by the resident from the Village will be made within 5 working days

After Move-In

The Occupant may change his/her mind within the first 30 days of occupancy and receive a full refund of Entrance Fee paid less any costs of non-standard improvements as requested by the resident from the Village. Refunds of any Entrance Fee paid will be made within 5 working days

After the first 30 days the Occupant shall not under any circumstance terminate this agreement without serving the Village with 120 days written notice of intention to so terminate. The Occupant will be charged with the established monthly service fee until the close of the 120-day period mentioned above.

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

If a resident moves out with notice, the amount retained by the Village shall be 10% of the entrance fee plus one percent (1%) per month of Occupancy plus the cost of special features requested by the Occupant. In addition, any medical charges, incurred for Occupant's care during residency and any other periodic charges, including any charges occurring during the 120-day notice period, shall be considered as credit to the Village.

After occupancy there is no refund after death.

ELIGIBILITY

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

a) Age - At the time of assuming residency, occupant(s) must be at least 62 years of age. If one member of a couple being offered occupancy is less than 62 years of age the question of admission will be approved by the Board of Directors.

b) Health - The applicant must furnish medical evidence from his/her physician that he/she is in good health and must agree to be examined by a physician selected by the Village to determine that the status of his/her health will permit the applicant to live independently in the living unit upon occupancy. The applicant must be ambulatory and have mental status permitting living in an independent living unit.

c) Financial Responsibility - The applicant will be required to file a financial statement of net worth and income to assure the Village that applicant can reasonably be expected to meet financial commitments during the life of the Occupant.

d) Insurance Coverage - Applicants will be required to carry coverage by Medicare A & B insurance or the equivalent insurance coverage by other insurance policies. Further it is recommended (but not required) that applicants have additional coverage to cover medical expenses in a hospital or the Village Health Center which are not covered by Medicare A or B. Residents under 65 years of age not covered by Medicare insurance will be required to have other insurance coverage equivalent to Medicare.

SURRENDER OF LIVING UNIT

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

(a) If occupant's physician advises the Village that a resident in the Medical or Care Center will not be able to return to his/her living unit, the Village will be authorized to reclaim the unit from the occupant for re-assignment.

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

CANCELLATION BY VILLAGE

The Occupancy Agreement further provides the circumstances under which the Village can cancel the Occupancy Agreement. These include:

(a) Health - A contagious disease or a mental condition deemed detrimental to the health, peace and well-being of other residents will be the authority for the Village to transfer the occupant to an appropriate hospital and refund the part of the occupancy fee as defined in the Occupancy Agreement.

(b) Behavior - The Village may terminate occupant's residency upon a showing of good cause that the occupant is not complying with the operating procedures of the Village and is creating a disturbance detrimental to the health or peaceful lodging of other residents. Any reimbursement of the entrance fee will be in accordance with the Occupancy Agreement.

RESERVE FUNDING

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

The chart as follows shows the operating reserve requirement as of March 31, 2019, determined from the 2020 forecast for expenses and occupancy:

	March 31, 2019	
Total Operating Expenses	$	25,809,000
Principle payment on LTD	$	1,490,000
Interest Expense	$	1,971,000
Depreciation Expense	$	(4,499,000)
Amortization Expense	$	(179,000)
Extraordinary items as approved by the Commissioner	$	0
Debt service portion, if provided for by way of a separate reserve account:	$	(2,476,000)
Total Operating Cost	$	22,116,000
Occupancy Factor	X	25%
Operating Reserve Requirement	$	5,529,000

Available Funds Toward Reserves

Total Cash & Marketable Securities	$	9,006,690

The Board of Directors has established that all funds above working cash needs, including reserve funding, are to be managed by professional managers. Therefore the Board established the investment philosophy to be conservative and further allocated 95% to Edward Jones & Co., and 5% to Vanguard Index Mutual Fund. No employee of Carolina Village is responsible for investment decision. Edward Jones & Co. has the responsibility of management and the selection process for investments. This firm and managers select for purchase or sell only investment grade stocks and bonds.

ADJUSTMENTS IN MONTHLY SERVICE FEE

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

Effective Date	Single	Couple
January 1, 2019	$ 65	$ 89
January 1, 2018	$ 83	$ 107
January 1, 2017	$ 70	$ 96
January 1, 2016	$ 95	$ 144
January 1, 2015	$ 83	$ 126
Average Annual Increase	$ 79	$ 112

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

(a) Financial - In cases where personal financial resources prove inadequate after a period of residence, the occupant may apply for special consideration to the Board of Directors. It is the stated policy of Carolina Village not to cancel an Occupancy Agreement within the resident's ability to pay some part of the fee.

(b) Changes in marital status - If a resident marries a non-resident, the new spouse must meet the same age, health and financial standards required of other applicants, and, in addition, pay an added entrance fee to cover the additional expense of providing life-care to an additional resident. If the new spouse does not meet the regular health, age and financial requirements, the Board of Directors may--in their discretion-- consider alternative fees to cover the estimated additional cost.

(c) One resident marries another resident – If two residents marry one another they may occupy the living unit of either resident. No refund or credit will be given for the vacated living unit. A calculation formula will be conducted based on the single entrance fee of the living unit being vacated and an additional entrance fee may be required for change of marital status of the living unit being occupied. An additional entrance fee may then be due and payable. In any event no credit or refund will be given to either resident since both residents had been admitted previously under separate occupancy contracts. The monthly service fee for the living unit occupied will be at the current double occupancy rate.

FORECASTED FINANCIAL STATEMENT

For informational purposes, Forecasted Financial Statements with attached footnotes follow.

FINANCIAL OVERVIEW OF STATEMENT

For informational purposes, a report on significant variances between forecasted and actual results follows.

ACTUARIAL SUMMARY REPORT

An actuarial Population Projection summary as completed by A.V. Powell & Associates is attached.

ESCROW OF ENTRANCE FEE PAYMENT

Since no payment of Entrance Fee is permitted until a unit is ready for occupancy, escrow accounts have not been established for existing previously occupied living units. If the Village accepts an Entrance Fee prior to unit availability, the fee would be in escrow and released to the Village when the unit is available for occupancy.

FACILITY DEVELOPMENT/EXPANSION

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

Given the changing industry dynamics and in anticipation of the next generation of residents in our primary market over the next 20 to 30 years, Carolina Village (CV) determined that it was prudent to plan for the future now to ensure the long-term viability of CV. Leadership developed a plan to utilize approximately 23 acres of undeveloped land on the campus, located near the Clear Creek entrance of CV (the Community's secondary entrance). The Board and Management believed utilizing this land to develop Independent Living Units best positioned CV to meet the future demand for independent living units and would provide new revenue to strengthen CV's future financial position.

After carefully examining future needs in the Healthcare, assisted living and Independent Living segments, it was determined the Community should develop the land as Independent Living. CV determined that (1) the existing Healthcare facilities (SNF and Assisted living) would meet the internal demand for the foreseeable future and (2), CV is a Life Plan Community that relies on Independent Living as its main driver for allowing residents to progress through the continuum to higher levels of care; and providing new independent living units to attract additional residents to meet the current market needs, increase cash flow and provide additional liquidity is crucial to CV's stability and continued success.

The financial impact of the facility during the planning and construction of the project has been minimal since the new units are all additional and did not require the vacating of existing units. Even the addition of the new apartments has not required the vacating of any units in the existing building. The remaining portions of the project will not require vacating any existing units.

Carolina Village engaged the architectural firm Reece, Lower, Patrick and Scott based in Pennsylvania. They have a long history of working with CV in the past as the firm developed and led the Organization's Skilled Nursing project in 1999, the Meadows Cottage expansion in 2003, the E-Wing Apartment project and the Assisted Living project in 2008. Reece, Lower, Patrick and Scott met with focus groups to receive input from the potential market before the unit mix and amenity package was determined.

The project is scheduled for completion in the fall of 2019 and consists of 90 new independent living units consisting of the following:

(a) 54 Clear Creek Cottages consisting of 7 buildings with six units for 42 units and 6 duplexes for 12 units
(b) 36 Lakeside Apartments
(c) Additional parking, site work, sidewalks and a new maintenance building.

OTHER MATERIAL INFORMATION

The Village has not been involved in any bankruptcy filings, receivership, liquidation, neither are there any actions or perils expected not known of by management. The Village is currently not aware of any legal actions regarding any matters.

Appendix A

Audited Financial Statement

March 31, 2019

Forecasted Statements

For the years ended

March 31, 2020 thru March 31, 2024

Report on Variances

Actuarial Population Projection Summary

Carolina Village, Inc.

Financial Statements

Years Ended March 31, 2019 and 2018

DIXON HUGHES GOODMAN LLP

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DIXON HUGHES GOODMAN LLP

Independent Auditors' Report

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

We have audited the accompanying financial statements of Carolina Village, Inc. (the "Village"), which comprise the balance sheets as of March 31, 2019 and 2018, and the related statements of operations and changes in net deficit and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Carolina Village, Inc. as of March 31, 2019 and 2018, and the results of its operations, changes in net deficit, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter – New Accounting Pronouncements

As discussed in Note 1 to the financial statements, the Village implemented the provisions of Financial Accounting Standards Board Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* and ASU 2015-09, *Revenue from Contracts with Customers (Topic 606)* during the year ended March 31, 2019. As a result of adopting these new standards, the Village restated amounts previously reported as of and for the year ended Mach 31, 2018. Our opinion is not modified in respect to this matter.

Dixon Hughes Goodman LLP

Greenville, South Carolina
June 24, 2019

Carolina Village, Inc.
Balance Sheets
March 31, 2019 and 2018

	2019	(As Adjusted) 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,378,571	$ 3,293,666
Investments in marketable securities	1,265,166	1,547,727
Assets limited as to use--current portion	-	935,236
Accounts receivable–residents, net of allowance for doubtful accounts of $68,000 in 2019 and 2018	1,218,272	1,018,268
Accounts receivable–entrance fees	354,650	484,033
Accounts receivable–other	115,238	126,923
Supplies, inventories and prepaid expenses	117,331	136,909
Total current assets	5,449,228	7,542,762
Assets limited as to use:		
Funds held by a trustee under bond indenture	2,476,065	14,966,184
Endowment funds	362,192	362,192
Investments restricted for statutory operating reserve	5,529,000	5,059,000
Assets held in charitable remainder trusts	300,522	309,345
Assets held for deferred compensation	1,269,910	1,094,870
Other donor restricted assets held	805,355	617,342
Deposits held in escrow for expansion units	2,483,760	2,452,237
Total assets limited as to use	13,226,804	24,861,170
Property and equipment–net	82,712,191	61,723,729
Total assets	$ 101,388,223	$ 94,127,661

See accompanying notes.

	2019	(As Adjusted) 2018
LIABILITIES AND NET DEFICIT		
Current liabilities:		
Accounts payable–trade	$ 226,474	$ 456,407
Accounts payable–construction	2,509,987	913,421
Accrued payroll and related withholdings	212,107	177,115
Accrued vacation	784,074	813,912
Other current liabilities	-	8,622
Deposits on contracts	2,495,760	3,069,996
Current maturities of charitable remainder trust annuities payable	29,152	25,860
Refundable entrance fees	218,613	203,687
Current maturities of long-term debt	1,490,000	1,455,000
Total current liabilities	7,966,167	7,124,020
Long-term liabilities:		
Exclusive of current maturities:		
Long-term debt, net	62,150,022	55,973,350
Charitable remainder trust annuities payable	131,183	134,475
Deferred compensation	1,269,910	1,094,870
Deferred revenue from entrance fees	36,842,304	36,761,653
Total long-term liabilities	100,393,419	93,964,348
Total liabilities	108,359,586	101,088,368
Net assets (deficit):		
Without donor restriction	(8,439,432)	(8,249,586)
With donor restriction	1,468,069	1,288,879
Total net deficit	(6,971,363)	(6,960,707)
Total liabilities and net deficit	$ 101,388,223	$ 94,127,661

See accompanying notes.

Carolina Village, Inc.
Statements of Operations and Changes in Net Deficit
Years Ended March 31, 2019 and 2018

	2019	(As Adjusted) 2018
Revenues, gains, and other support:		
Revenues:		
Apartments:		
Service fees	$ 9,116,010	$ 8,859,831
Entrance fee amortization	4,045,690	3,800,308
Entrance fee forfeitures	1,384,539	1,397,511
Other apartments revenue	570,112	167,985
Medical Center	3,881,785	3,696,758
Care Center	1,564,001	1,646,545
Dietary	2,158,083	2,196,559
Dietary–Medical Center	1,292,789	1,435,093
Contributions	-	44,164
Net assets released from restrictions for operations	67,061	110,788
Miscellaneous	226,096	44,437
Total revenues	24,306,166	23,399,979
Expenses:		
General and administrative	3,702,200	3,573,949
Operation of plant	3,536,138	3,409,376
Housekeeping	695,604	599,822
Medical Center	5,792,104	5,555,525
Care Center	2,131,415	1,989,991
Dietary	2,720,059	2,822,872
Dietary–Medical Center	1,642,299	1,616,654
Annuity expenditures	29,019	31,824
Depreciation	3,353,594	3,743,992
Interest	1,399,042	2,094,560
Total expenses	25,001,474	25,438,565
Operating loss	(695,308)	(2,038,586)
Non-operating gains (losses):		
Unrealized gain on investments	66,886	217,837
Investment income	438,576	387,558
Loss on refunding of debt	-	(380,688)
Unrealized gain on swap agreement	-	315,423
Excess of revenues under expenses	(189,846)	(1,498,456)

See accompanying notes.

Carolina Village, Inc.
Statements of Operations and Changes in Net Deficit
Years Ended March 31, 2019 and 2018 **(Continued)**

	2019	(As Adjusted) 2018
Net assets with donor restrictions:		
Split interest agreement	$ -	$ (7,935)
Contributions	189,608	182,766
Interest and dividends	16,936	23,372
Unrealized gain on investments	15,400	36,722
Realized gain on investments	24,307	34,671
Net assets released from restrictions for operations	(67,061)	(110,788)
Change in net assets with donor restrictions	179,190	158,808
Change in net deficit	(10,656)	(1,339,648)
Net deficit–beginning of year	(6,960,707)	(5,621,059)
Net deficit–end of year	$ (6,971,363)	$ (6,960,707)

See accompanying notes.

Carolina Village, Inc.
Statements of Cash Flows
Years Ended March 31, 2019 and 2018

	2019	(As Adjusted) 2018
Cash flows from operating activities:		
Change in net deficit	$ (10,656)	$ (1,339,648)
Adjustments to reconcile change in net deficit to net cash provided by operating activities:		
Depreciation	3,353,594	3,743,992
Unrealized gain on investments	(82,286)	(254,559)
Realized gain on investments	(462,883)	(422,229)
Amortization of deferred loan costs	175,614	85,586
Amortization of bond discount	7,228	7,494
Amortization of bond premium	(12,414)	(3,421)
Loss on refunding of debt	-	380,688
Unrealized gain on swap agreement	-	(315,423)
Change in value of split interest agreements	29,019	39,759
Entrance fee amortization (1)	(4,408,272)	(4,177,909)
Entrance fee forfeitures	(1,384,539)	(1,397,511)
Entrance fees–new occupancy contracts–existing units	6,017,771	7,398,109
Restricted contributions	(189,608)	(182,766)
Changes in operating assets and liabilities:		
Accounts receivable–residents	(200,004)	259,884
Accounts receivable–other	11,685	(22,120)
Supplies, inventories and prepaid expenses	19,578	89,518
Accounts payable–trade	(229,933)	(2,374)
Accounts payable–construction	97,093	(97,093)
Accrued bond interest	-	(510,776)
Accrued payroll	26,370	28,252
Accrued vacation	(29,838)	37,861
Deferred compensation	175,040	179,719
Deposits on contracts–existing units	(605,759)	582,759
Net cash provided by operating activities	2,296,800	4,107,792
Cash flows from investing activities:		
Net change in investments and assets limited as to use	13,428,855	(13,214,618)
Purchase of property and equipment	(22,842,583)	(6,077,144)
Net cash used by investing activities	(9,413,728)	(19,291,762)

See accompanying notes.

	2019	(As Adjusted) 2018
Cash flows from financing activities:		
Payments on long-term debt	$ (1,445,000)	$ (41,033,661)
Payments for financing costs	-	(691,122)
Payment for swap termination	-	(1,612,000)
Proceeds from bonds	7,486,244	59,055,000
Annuity payments	(29,019)	(31,824)
Refunds of entrance fees	-	(301,347)
Proceeds from restricted contributions	189,608	182,766
Net cash provided by financing activities	6,201,833	15,567,812
Net increase (decrease) in cash and cash equivalents	(915,095)	383,842
Cash and cash equivalents–beginning of year	3,293,666	2,909,824
Cash and cash equivalents–end of year	$ 2,378,571	$ 3,293,666
Interest paid	$ 2,153,951	$ 2,508,168
Non-cash investing activities:		
Purchase of property and equipment in accounts payable at year-end	$ 2,509,987	$ 1,010,514

[1] Includes entrance fee amortization related to the Medical Center and Care Center.

See accompanying notes.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Organization

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

The facility contains 238 apartment units, 81 cottage units, a 58 bed skilled nursing facility and a 60 bed assisted living center. Residents purchase the privilege of occupying a specific living unit and the accompanying medical care for their lifetime. The agreement states that it is not a lease and does not create any interest in the real estate or property.

Basis of presentation

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

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

- *Net assets without donor restrictions* – resources of the Village that are not restricted by donors or grantors as to use or purpose. These resources include amounts generated from operations, undesignated gifts, and the investment in property and equipment.

- *Net assets with donor restrictions* – resources that are subject to donor-imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those satisfied by the passage of time or actions of the Village. Other donor-imposed restrictions stipulate that donated assets be maintained in perpetuity, but may permit the Village to use or expend part or all of the income derived from the donated assets.

Use of estimates

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

Cash and cash equivalents

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

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value on the balance sheets based on quoted market prices. Unrestricted investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) are included in excess of revenues under expenses.

Assets limited as to use

Assets limited as to use represent; (1) funds required by the Village's bond documents to be held by a Trustee, (2) funds that have been restricted by donors, (3) investments designated by the board for the statutory operating reserve, (4) assets held in charitable remainder trusts, (5) assets held under deferred compensation agreements and (6) escrow deposits for expansion units. Amounts required to meet current liabilities of the Village have been classified as current assets in the balance sheets as of March 31, 2019 and 2018.

Accounts receivable

Doubtful accounts are accounted for using the allowance method. The allowance is increased or decreased, based upon management's evaluation, by provisions to bad debt expense charged against income. Uncollectible balances are written off against the allowance. Recoveries of previously written off balances are credited to income. Generally, no finance charges are assessed on trade receivables.

Accounts receivable–entrance fees

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

Supplies and inventories

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

Fair value measurements

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

The Village has adopted the provisions of the fair value option for financial assets and financial liabilities, which permits entities to choose to measure eligible items at fair value at specified election dates. The fair value option (i) may be applied instrument by instrument, with certain exceptions, (ii) is irrevocable (unless a new election date occurs) and (iii) is applied only to entire instruments and not to portions of instruments. The Village has elected the fair value option for investments and assets limited as to use, and as such these securities are treated as trading securities. Unrealized gains or losses are reported within the performance indicator, excess of revenues under expenses.

Property and equipment

Property and equipment are recorded at cost if purchased and fair value if donated. The Village capitalizes all assets over $1,000. Depreciation is provided by charges to operations using the straight-line method at rates designed to amortize the cost of the assets over their estimated useful lives. Major renewals and improvements are recorded to the property accounts, while replacements, maintenance, and repairs, which do not improve or extend the life of the assets, are expensed as incurred.

Capitalized interest

Interest costs incurred on borrowed funds during the period of capital asset construction are capitalized as a component of the cost of acquisition and were approximately $942,000 and $235,000 for the years ended March 31, 2019 and 2018, respectively.

Deferred revenue from entrance fees

Fees paid by a resident upon entering into a contract agreement are recorded as deferred revenue and amortized into income using the straight-line method over the estimated remaining life expectancy of the resident, adjusted on an annual basis. Subject to certain exceptions, entrance fees, less 10 percent of the fee, are initially refundable, but become non-refundable at the rate of 1 percent per month until becoming fully non-refundable after 90 months. Refunds are paid based on the lesser of 30 business days after termination of the contract agreement or upon receiving payment of an entrance fee from an acceptable substitute resident. Total contractual refund obligations under existing contracts (that is if all residents with a refundable balance were to have withdrawn) totaled approximately $21,000,000 and $20,000,000 at March 31, 2019 and 2018, respectively. Based on historical experience, the estimated amount of the contractual refund obligations that are expected to be refunded in the coming year is $218,613 and $203,687 at March 31, 2019 and 2018, respectively, and is classified as a current liability on the balance sheet.

Contributions and donor-imposed restrictions

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

Resident revenue

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

Obligation to provide future services to residents

The Village enters into continuing-care contracts with various residents. A continuing-care contract is an agreement between a resident and the Village specifying the services and facilities to be provided to a resident over his or her remaining life for a monthly fee. Under the contracts, the Village has the ability to increase fees as deemed necessary. The Village annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from advance fees. If the present value of the net cost of future services and the use of the facilities exceeds the deferred revenue from advance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. The obligation was discounted at 2.9 percent for 2019 and 2018 based on the Federal long term rate. There was no obligation at March 31, 2019 and 2018.

Statement of operations

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

Income tax

The Village is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Village has determined that it does not have any material unrecognized tax benefits or obligations as of March 31, 2019.

Methods used for allocation of expenses among programs and supporting services

The Village has presented a schedule of expenses by both function and nature in Note 15. The Village allocates expenses on a functional basis among its various programs and supporting services. The schedule of expenses in Note 15 reports certain categories of expenses that are attributable to one or more program or supporting services of the retirement community. These expenses include salaries and benefits. Salaries and benefits are allocated based on an estimate of time spent on each activity.

Concentration of credit risk

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

New accounting pronouncements

Revenue from Contracts with Customers

During 2019, the Village adopted Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 606, Revenue from Contracts with Customers ("ASC Topic 606") under the full retrospective approach applied to certain contracts using the practical expedient in paragraph 606-10-10-4 that allows for the use of a portfolio approach, as management determined that the effect of applying the guidance to the Village's portfolios of contracts within the scope of ASC Topic 606 on the financial statements would not differ materially from applying the guidance to each individual contract within the respective portfolio or the Village's performance obligations within that portfolio. The five-step model defined by ASC Topic 606 requires the Village to: (1) identify contracts with customers, (2) identify the Village's performance obligations under those contracts, (3) determine the transaction prices of those contracts, (4) allocate the transaction prices to the Village's performance obligations in those contracts and (5) recognize revenue when each performance obligation under those contracts is satisfied. Revenue is recognized when promised goods or services are transferred to the customer in an amount that reflects the consideration expected in exchange for those goods or services. The adoption of ASC Topic 606 did not result in an adjustment to our net assets except for the write-off of deferred marketing costs that are not considered incremental costs as defined in ASC Topic 606 and did not have a material impact on the amount and timing of revenue recognition for the year ended March 31, 2019.

The promised goods or services in the resident agreement for a Type A life care contract are that the entity is standing ready each month to provide a service such that the resident can continue to live in the facility and access the appropriate level of care based on his or her needs. As such, the entity recognizes the nonrefundable entrance fee in an equal amount allocated to each month, given the nature of the entity's performance is that of having the various residential, social or health care services available to the resident on a when-and-if needed basis each month for as long as the resident resides in the facility.

Upon adoption of ASC Topic 606, entities should evaluate costs associated with acquiring life care contracts to determine if they meet the requirements for capitalization under FASB ASC 340-40-25. Under FASB ASC 340-40-25-2, the incremental costs of obtaining a contract are those that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

As such, the entity has retrospectively adjusted the prior year financial statements for the removal of deferred marketing costs previously recorded on the balance sheets.

	2018 Previously Presented	Adjustment	2018 (As Adjusted)
Balance Sheet:			
Deferred marketing cost--net	$ 25,710	$ (25,710)	$ -
Total assets	94,153,371	(25,710)	94,127,661
Net assets (deficit):			
Without donor restriction	(8,223,876)	(25,710)	(8,249,586)
Total net deficit	(6,934,997)	(25,710)	(6,960,707)
Total liabilities and net deficit	94,153,371	(25,710)	94,127,661
Statements of Operations and Changes in Net Deficit:			
Amortization	$ 9,426	$ (9,426)	$ -
Total expenses	25,447,991	(9,426)	25,438,565
Operating loss	(2,048,012)	9,426	(2,038,586)
Excess of revenues under expenses	(1,507,882)	9,426	(1,498,456)
Change in net deficit	(1,349,074)	9,426	(1,339,648)
Net deficit, beginning of year	(5,585,923)	(35,136)	(5,621,059)
Net deficit, end of year	(6,934,997)	(25,710)	(6,960,707)
Cash Flows:			
Change in net deficit	$ (1,349,074)	$ 9,426	$ (1,339,648)
Amortization of deferred marketing costs	9,426	(9,426)	-

Presentation of Financial Statements of Not-for-Profit Entities

During the year ended March 31, 2019, the Village adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This accounting standard is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The 2018 financial statements have been adjusted to reflect retrospective application of the new accounting guidance, except for the disclosures around liquidity and availability of resources and analysis of expenses by functional and natural categories. These disclosures have been presented for 2019 only as allowed by ASU 2016-14.

The effect of the retrospective application of ASU 2016-14 on previously reported financial statement amounts is summarized below:

	ASU 2016-14 Classifications		
Net Asset Classifications	**Without Donor Restrictions**	**With Donor Restrictions**	**Total Net Assets (Deficit)**
As previously presented:			
Unrestricted	$ (8,223,876)	$ -	$ (8,223,876)
Temporarily restricted	-	926,687	926,687
Permanently restricted	-	362,192	362,192
Net assets (deficit) as previously presented	(8,223,876)	1,288,879	(6,934,997)
Reclassification to implement ASU 2016-14:			
Net assets (deficit) as reclassified	(8,223,876)	1,288,879	(6,934,997)
Implementation of 2014-09	(25,710)	-	(25,710)
Net assets (deficit) as reclassified and adjusted	$ (8,249,586)	$ 1,288,879	$ (6,960,707)

Subsequent events

The Village evaluated the effect subsequent events would have on the financial statements through June 24, 2019, which is the date the financial statements were issued.

2. Revenue Recognition

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

Monthly service fees:
The life care contracts that residents select require an advanced fee and monthly fees based upon the type of independent living unit they are applying for. Resident fee revenue for recurring and routine monthly services is generally billed monthly in advance. Payment terms are usually due within 30 days. The services provided encompass social, recreational, dining along with assisted living and nursing care and these performance obligations are earned each month. Under ASC Topic 606, management has determined that the performance obligation for the standing obligation to provide the appropriate level of care is the predominate component and does not contain a lease component under ASC Topic 840. Resident fee revenue for non-routine or additional services are billed monthly in arrears and recognized when the service is provided.

Entrance fees:
The nonrefundable entrance fees are recognized as deferred revenue upon receipt of the payment and included in liabilities in the balance sheet until the performance obligations are satisfied. Management has determined the contracts do not contain a significant financing component as the advanced payment assures residents the access to health care in the future. These deferred amounts are then amortized on a straight-line basis into revenue on a monthly basis over the estimated life of the resident as the performance obligation is the material right associated with access to future services as described in FASB ASC 606-10-55 paragraph 42 and 51.

Health care services:
The Village provides assisted and nursing care to residents who are covered by government and commercial payers. The Village is paid fixed daily rates from government payers. The fixed daily rates and other fees are billed in arrears monthly. The monthly fees represent the most likely amount to be received from the 3rd party payors. Most rates are predetermined from Medicare. Under ASC Topic 606, management has elected to utilize the portfolio approach in aggregating the revenues under these revenue streams.

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

	March 31, 2019			
	Independent Living	Care Center	Medical Center	Total
Private pay	$ 9,116,010	$ 1,564,001	$ 819,986	$ 11,499,997
Government reimbursement	-	-	3,061,799	3,061,799
Total	$ 9,116,010	$ 1,564,001	$ 3,881,785	$ 14,561,796

	March 31, 2018			
	Independent Living	Care Center	Medical Center	Total
Private pay	$ 8,859,831	$ 1,646,545	$ 858,662	$ 11,365,038
Government reimbursement	-	-	2,838,096	2,838,096
Total	$ 8,859,831	$ 1,646,545	$ 3,696,758	$ 14,203,134

3. Fair Value of Financial Assets and Liabilities

Prices for certain investments are readily available in the active markets in which those securities are traded and the resulting fair values are categorized as Level 1. Prices for other investments are determined on a recurring basis based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets and the resulting fair values are categorized as Level 2.

The Village does not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 3 during the years ended March 31, 2019 and 2018.

There were no changes during the years ended March 31, 2019 and 2018 to the Village's valuation techniques used to measure asset and liability fair values on a recurring basis.

The following tables set forth by level within the fair value hierarchy the Village's financial assets and liabilities accounted for at fair value on a recurring basis as of March 31, 2019 and 2018. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Village's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value of assets and liabilities and their placement within the fair value hierarchy levels. Assets and liabilities at fair value as of March 31, 2019 and 2018 consist of the following:

	Assets and Liabilities at Fair Value as of March 31, 2019		
	Level 1	**Level 2**	**Total**
Investments and assets limited as to use:			
Mutual funds--index funds	$ 4,080,530	$ -	$ 4,080,530
Stocks (1)	3,394,292	-	3,394,292
Corporate bonds	-	1,105,263	1,105,263
Government and agency securities	-	923,382	923,382
Total investments and assets limited as to use	$ 7,474,822	$ 2,028,645	$ 9,503,467
Liabilities:			
Charitable remainder trust annuities	$ 160,335	$ -	$ 160,335
Total liabilities	$ 160,335	$ -	$ 160,335

(1) These assets consist of the following: 47% domestic stocks and 53% international stocks.

	Assets and Liabilities at Fair Value as of March 31, 2018		
	Level 1	**Level 2**	**Total**
Investments and assets limited as to use:			
Mutual funds--index funds	$ 3,513,905	$ -	$ 3,513,905
Stocks (1)	3,611,284	-	3,611,284
Corporate bonds	-	885,378	885,378
Government and agency securities	-	897,050	897,050
Total investments and assets limited as to use	$ 7,125,189	$ 1,782,428	$ 8,907,617
Liabilities:			
Charitable remainder trust annuities	$ 160,335	$ -	$ 160,335
Total liabilities	$ 160,335	$ -	$ 160,335

(1) These assets consist of the following sectors: 53% domestic stocks and 47% international stocks.

The Village has $4,988,503 and $18,436,516 of money market funds included in investments and assets limited as to use on the balance sheets as of March 31, 2019 and 2018, respectively, which is not classified as a level as prescribed within the provision.

The Village recognizes transfers between the levels as of the beginning of the reporting period. There were no gross transfers between the levels for the years ended March 31, 2019 and 2018.

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

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

4. Funds Held by Trustee

Funds held by Trustee are comprised of unspent monies received from bond issuances. The capitalized interest fund monies are to be used for interest payments on the bonds. The fixed rate bond issuance debt service reserve fund is required to be set aside until the last year of the 30 year term for the retirement of that issuance. The Bond Project Fund Series 2017B monies are to be used for the expansion project expenses.

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

	2019	2018
Capitalized interest fund	$ 661,363	$ 1,530,358
Bond Project Fund Series 2017B	306	12,567,558
Bond Issuance Fund 2017 Series	-	21,815
Debt reserve fund	1,814,396	1,781,689
Total assets limited as to use	2,476,065	15,901,420
Less: current portion	-	(935,236)
Total	$ 2,476,065	$ 14,966,184

5. Property and Equipment

Property and equipment consist of the following at March 31:

	2019	2018
Land and improvements	$ 5,369,533	$ 5,366,333
Buildings and improvements	74,729,195	73,262,538
Cottages	14,570,837	13,937,442
Kitchen equipment	2,004,512	2,004,512
Medical and care centers equipment	1,862,995	1,792,981
Furniture and fixtures	3,185,926	3,063,113
Motor vehicles	551,853	369,274
Total property and equipment	102,274,851	99,796,193
Less: accumulated depreciation	(46,494,842)	(43,141,248)
	55,780,009	56,654,945
Construction in progress	26,932,182	5,068,784
Total	$ 82,712,191	$ 61,723,729

Construction commitments at March 31, 2019 consisted of remaining project costs relating to the independent living unit expansion of approximately $10,400,000 to the project contractor.

6. Long-term Debt

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

	2019	2018
Series 2017 A bonds:		
Direct purchase bank loan with principal payments beginning fiscal year 2018 through 2038 with a fixed interest rate at 3.057%, payable on the first of every month with principal payments ranging from $100,000 to $220,000.	38,100,000	39,545,000
Series 2017 B bonds:		
Bonds with interest stated below and payable each April 1 and October 1. Principal payments beginning fiscal year 2038 through 2047 ranging from $800,000 to $2,360,000.		
4.25% Serial Bonds	7,200,000	7,200,000
5.00% Serial Bonds	11,745,000	11,745,000
Series 2017 C bonds:		
Bonds with interest payable monthly at an initial LIBOR index floating rate, a single principal payment due in fiscal year 2022. The bond proceeds will be drawn down as the expansion project continues. Total available to be drawn is $25,000,000.	7,711,244	225,000
	64,756,244	58,715,000
Less current maturities	(1,490,000)	(1,455,000)
Less original issue discount	(136,783)	(144,007)
Less net unamortized debt issuance costs	(1,497,091)	(1,672,835)
Plus net unamortized bond premium	517,652	530,192
	$ 62,150,022	$ 55,973,350

The Village utilized an interest rate swap derivative instrument to manage changes in market conditions related to interest rate payments on certain of its variable rate debt obligations. During the year ended March 31, 2013, the Village entered into an interest rate Swap Agreement with an original notional amount of $18,745,000. This effectively fixed a portion of the rate on a like amount of variable rate borrowings. If 70 percent of the specified LIBOR rate is less than 5.42 percent, the Village would pay the bank the difference in the rate up to 5.42 percent. However, if 70 percent of the LIBOR rate exceeds 5.42 percent, the bank would pay the difference to the Village. The interest rate swap was terminated in December 2017.

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

The Series 2017 bonds are collateralized through mortgaged property. For the Series 2017 C bonds, the Commission will lend the proceeds of the bonds to the Village as the expansion project progresses. The Series 2017 C bonds will be repaid with project entrance fees collected.

The trust indentures and loan agreements underlying the Series 2017 bonds contain certain financial covenants and restrictions.

The aggregate annual principal maturities of long-term debt at March 31, 2019 are as follows:

2020	$ 1,490,000
2021	1,545,000
2022	9,301,244
2023	1,640,000
2024	1,690,000
Thereafter	49,090,000
	$ 64,756,244

7. Other Funds

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

Annuity Fund

The Carolina Village Annuity Fund was established to receive funds which are donated in return for an annuity. The Board of Directors has designated that these monies be invested and the interest of which will be used to pay the annuitants' contracted amount.

Charitable Remainder Annuity Trust Fund

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

Endowment Fund

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

Quality Assurance Fund

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

Operating Reserve Fund

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

8. Net Assets With Donor Restrictions

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

	2019	2018
Charitable remainder trust annuities	**$ 140,185**	$ 149,010
Endowment fund earnings	**294,724**	257,953
Endowment funds	**362,192**	362,192
Quality assurance fund	**52,762**	52,344
Other restrictions	**618,206**	467,380
Total	**$ 1,468,069**	$ 1,288,879

9. Endowment Funds

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

Interpretation of relevant law

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

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

Return objectives and risk parameters

The Village has adopted investment and spending policies for endowment assets that are intended to provide an ongoing stream of funding for financial assistance that is supported by the endowment. Endowment assets include assets of donor-restricted funds that the organization must hold in perpetuity as well as earnings that have not yet been appropriated. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce a high level of total investment return consistent with a prudent level of portfolio risk.

The Village expects its endowment funds, over time, to achieve a rate of return, after fees, which exceeds the inflation rate as measured by the Consumer Price Index ("CPI"), by two percentage points per year and is consistent with the level of risk assumed by the Village portfolio. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives

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

Spending policy and how the investment objectives relate to the spending policy

The Village's objective is to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. During the years ended March 31, 2019 and 2018, the Village expended earnings on the endowment of approximately $32,000 and $45,000, respectively.

Changes in endowment net assets for the year ended March 31, 2019 are as follows:

	Earnings	Endowment	Total
Endowment net assets March 31, 2018	$ 257,953	$ 362,192	$ 620,145
Contributions	37,289	-	37,289
Investment earnings	5,636	-	5,636
Net appreciation	25,846	-	25,846
Appropriation of endowment assets for expenditure	(32,000)	-	(32,000)
Endowment net assets March 31, 2019	$ 294,724	$ 362,192	$ 656,916

Changes in endowment net assets for the year ended March 31, 2018 are as follows:

	Earnings	Endowment	Total
Endowment net assets March 31, 2017	$ 192,314	$ 362,192	$ 554,506
Contributions	54,451	-	54,451
Investment earnings	10,178	-	10,178
Net appreciation	46,410	-	46,410
Appropriation of endowment assets for expenditure	(45,400)	-	(45,400)
Endowment net assets March 31, 2018	$ 257,953	$ 362,192	$ 620,145

10. Statutory Operating Reserve Requirement

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

11. Employee Benefit Plans

The Village sponsors a retirement plan, which is available to substantially all employees. The plan is a tax shelter annuity 403(b) plan, which the employees can contribute up to 20 percent of gross employee earnings. The Village then matches employee contributions, up to a maximum rate set by the Board of Directors. The matching rate was up to 4 percent of gross employee earnings. The total matching portion expensed was $184,106 and $187,601 for the years ended March 31, 2019 and 2018, respectively.

The Village also has a qualified Welfare Benefit Plan providing comprehensive health care coverage. The Plan includes coverage provided by the Plan underwriter as well as self-funded coverage provided by the Village. The Village's self-funded liability is limited to $80,000 per person per year. The liability for estimated unpaid claims was approximately $38,000 and $74,000 at March 31, 2019 and 2018, respectively and is included in accounts payable on the balance sheets.

12. Deferred Compensation

The Village has a deferred compensation agreement with certain key employees. The agreement is to make contributions to their account at the discretion of the Board of Directors with an intention to provide annual funding equal to at least 10 percent of the employee's annual compensation. The employee will be entitled to the funds upon the attainment of a minimum age of 62 and retirement, death or disability. Deferred compensation expense was $70,656 and $60,800 for the years ended March 31, 2019 and 2018, respectively. Deferred compensation liability at March 31, 2019 and 2018 was $1,269,910 and $1,094,870, respectively.

13. Contingencies

The Village has in place occurrence basis insurance coverage for possible litigation in the ordinary course of business related to general and professional liability claims including medical malpractice. Management believes that claims, if asserted, would be settled within the limits of coverage.

The Village believes that they are in compliance with all applicable laws and regulations and are not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

14. Liquidity and Availability

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

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

The Village also has the ability to draw down on the 2017C bonds as needed to fund construction expenses of the expansion project (as discussed in Note 6).

The Village seeks to maintain sufficient liquid assets to cover three months' operating and capital expenses.

Asset Categories		2019
Cash and cash equivalents	$	2,378,571
Investments		1,265,166
Accounts receivable – residents, net		1,218,272
Accounts receivable – entrance fees		354,650
Accounts receivable – other		115,238
	$	5,331,897

15. Schedule of Expenses by Nature and Function

The following is a schedule of expenses by both nature and function for the year ended March 31, 2019:

	Program Services	Administrative and General	Marketing and Fundraising	Total
Salaries and benefits	$ 10,423,937	$ 2,629,570	$ -	$ 13,053,507
Advertising	-	-	175,425	175.425
Occupancy	1,952,584	2,512	-	1,955,096
Depreciation	3,353,594	-	-	3,353,594
Interest	-	1,399,042	-	1,399,042
Other	4,570,726	494,084	-	5,064,810
Total expenses included in the expenses section on the statement of operations and changes in net deficit	$ 20,300,841	$ 4,525,208	$ 175,425	$ 25,001,474

CAROLINA VILLAGE, INC.

Financial Projection

For Each of the Five Years Ending
March 31, 2024

(with Independent Accountants' Compilation Report thereon)

CAROLINA VILLAGE, INC.

Compilation of a Financial Projection

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Independent Accountants' Compilation Report

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

Management of Carolina Village, Inc. (the "Corporation") ("Management") is responsible for the accompanying financial projection of the Corporation, which comprises the projected balance sheets as of and for each of the five years ending March 31, 2024 and the related projected statements of operations and changes in net deficit, and cash flows for each of the years then ending, and the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a financial projection established by the American Institute of Certified Public Accountants ("AICPA").

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

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

Furthermore, even if the hypothetical assumption occurs during the projection period that the newly constructed independent living units are successfully marketed and achieve and maintain projected occupancy levels, 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.

Dixon Hughes Goodman LLP

Atlanta, Georgia
August 20, 2019

CAROLINA VILLAGE, INC.

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

	2020	2021	2022	2023	2024
Unrestricted revenues, gains and other support:					
Entrance fee amortization	$ 4,725	$ 6,280	$ 6,856	$ 7,434	$ 8,077
Entrance fee forfeitures	1,500	1,545	1,591	1,639	1,688
Service fees - Existing Independent Living Units	9,231	9,626	9,872	10,125	10,384
Service fees - New Independent Living Units	1,509	3,734	3,857	3,973	4,092
Medical Center revenue	3,437	3,505	3,937	3,989	4,057
Care Center revenue	1,491	1,415	1,431	1,438	1,444
Dietary revenue	4,005	4,285	4,462	4,547	4,632
Other revenue	87	118	122	125	129
Contributions	195	201	207	213	219
Interest income	267	285	366	391	413
Net assets released from restriction	-	-	-	-	-
Total unrestricted revenues, gains and other support	26,447	30,994	32,701	33,874	35,135
Expenses:					
General and administrative	2,939	3,153	3,248	3,346	3,446
Operation of plant	3,897	5,049	5,203	5,359	5,520
Housekeeping	811	894	921	949	977
Medical Center	5,856	6,120	6,395	6,683	6,984
Care Center	2,176	2,242	2,309	2,378	2,449
Dietary	4,646	4,959	5,085	5,213	5,345
Independent living services	805	829	854	879	906
Depreciation	4,499	5,290	5,557	5,832	6,115
Interest expense:					
Series 2017A Bonds	1,166	1,111	1,064	1,015	965
Series 2017B Bonds	690	899	894	894	894
Series 2017C Bonds	115	101	-	-	-
Amortization	179	124	125	31	31
Total expenses	27,779	30,771	31,655	32,579	33,632
Operating gain (loss)	(1,332)	223	1,046	1,295	1,503
Annuity expenditures	(30)	(30)	(30)	(30)	(30)
Annuity forfeitures	34	29	24	19	14
Excess of revenues (under) over expenses	(1,328)	222	1,040	1,284	1,487
Net assets without donor restrictions:					
Excess of revenues (under) over expenses	(1,328)	222	1,040	1,284	1,487
Net assets with donor restrictions:					
Change in net assets with donor restrictions	-	-	-	-	-
(Increase) decrease in net deficit	(1,328)	222	1,040	1,284	1,487
Net deficit, beginning of year	(6,971)	(8,299)	(8,077)	(7,037)	(5,753)
Net deficit, end of year	$ (8,299)	$ (8,077)	$ (7,037)	$ (5,753)	$ (4,266)

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

CAROLINA VILLAGE, INC.

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

	2020	2021	2022	2023	2024
Cash flows from operating activities:					
(Increase) decrease in net deficit	(1,328)	222	1,040	1,284	1,487
Adjustments to reconcile change in net deficit to net cash provided by operating activities:					
Depreciation	4,499	5,290	5,557	5,832	6,115
Amortization of deferred financing costs	205	150	151	57	57
Amortization of original issue discount	7	7	7	7	7
Amortization of original issue premium	(33)	(33)	(33)	(33)	(33)
Entrance fee amortization	(4,725)	(6,280)	(6,856)	(7,434)	(8,077)
Entrance fee forfeitures	(1,500)	(1,545)	(1,591)	(1,639)	(1,688)
Non-refundable entrance fees - resident turnover	7,004	8,148	8,101	8,812	8,069
Net change in current assets and liabilities	(1,750)	(87)	(25)	11	9
Net cash provided by operating activities	2,379	5,872	6,351	6,897	5,946
Cash flows used by investing activities:					
Change in assets limited as to use	(11,204)	12,933	(198)	(205)	(212)
Project costs	(12,874)	-	-	-	-
Capitalized interest	(514)	-	-	-	-
Routine capital additions	(2,553)	(2,630)	(2,708)	(2,790)	(2,873)
Net cash provided by (used in) investing activities	(27,145)	10,303	(2,906)	(2,995)	(3,085)
Cash flows provided (used) by financing activities:					
Proceeds from Series 2017C Bonds	15,384	-	-	-	-
Principal payments on Series 2017A Bonds	(1,490)	(1,545)	(1,590)	(1,640)	(1,690)
Principal payments on Series 2017C Bonds	(15,000)	(8,095)	-	-	-
Initial entrance fees - New Independent Living Units	27,797	3,475	-	-	-
Refundable entrance fees - resident turnover	-	-	-	-	-
Refunds of entrance fees	(341)	(535)	(630)	(581)	(426)
Change in deposits held in escrow for Project	(2,195)	(289)	-	-	-
Net cash provided by (used in) financing activities	24,155	(6,989)	(2,220)	(2,221)	(2,116)
Change in cash and investments	(611)	9,186	1,225	1,681	745
Cash and investments, beginning year	3,644	3,033	12,219	13,444	15,125
Cash and investments, end of year	$ 3,033	$ 12,219	$ 13,444	$ 15,125	$ 15,870

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

CAROLINA VILLAGE, INC.

Projected Balance Sheets
For the Years Ending March 31,
(In Thousands)

	2020	2021	2022	2023	2024
Assets					
Current assets					
Cash and investments	3,033	12,219	13,444	15,125	15,870
Assets limited as to use-current portion	694	678	678	678	678
Accounts receivable	1,239	1,422	1,485	1,517	1,551
Accounts receivable-other	121	139	145	148	151
Accounts receivable-entrance fees	355	355	355	355	355
Inventories and prepaid expenses	190	209	216	223	231
Total current assets	5,632	15,022	16,323	18,046	18,836
Assets limited as to use:					
Designated for Statutory Operating Reserve Fund	6,099	6,268	6,466	6,671	6,883
Debt Service Reserve Fund-Series 2017B Bonds	1,814	1,814	1,814	1,814	1,814
Entrance Fee Fund	12,797	-	-	-	-
Deposits held in escrow for Project	289	-	-	-	-
Endowment funds	362	362	362	362	362
Charitable remainder trusts	301	301	301	301	301
Deferred compensation in marketable securities	1,270	1,270	1,270	1,270	1,270
Other donor-restricted assets	805	805	805	805	805
Total assets limited as to use	23,737	10,820	11,018	11,223	11,435
Property and equipment	145,148	147,778	150,486	153,276	156,149
Less accumulated depreciation	(50,994)	(56,284)	(61,841)	(67,673)	(73,788)
Property and equipment, net	94,154	91,494	88,645	85,603	82,361
Total assets	$ 123,523	$ 117,336	$ 115,986	$ 114,872	$ 112,632

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

CAROLINA VILLAGE, INC.

Projected Balance Sheets (continued)
For the Years Ending March 31,
(In Thousands)

	2020	2021	2022	2023	2024
Liabilities and Net Deficit					
Current liabilities:					
Accounts payable	$ 487	$ 535	$ 553	$ 571	$ 590
Accrued interest-Series 2017A Bonds	98	94	90	86	81
Accrued interest-Series 2017B Bonds	447	452	452	452	452
Accrued interest-Series 2017C Bonds	20	-	-	-	-
Accrued payroll and benefits	1,030	1,134	1,171	1,210	1,250
Deposits on contracts	12	12	12	12	12
Deposits held in escrow for Project	289	-	-	-	-
Current maturities of charitable remainder trust annuities payable	29	29	29	29	29
Refundable entrance fees, current portion	219	219	219	219	219
Current maturities of Series 2017A Bonds	1,545	1,590	1,640	1,690	1,740
Current maturities of Series 2017C Bonds	8,095	-	-	-	-
Total current liabilities	12,271	4,065	4,166	4,269	4,373
Long-term liabilities:					
Long-term debt-Series 2017A Bonds	35,065	33,475	31,835	30,145	28,405
Long-term debt-Series 2017B Bonds	18,945	18,945	18,945	18,945	18,945
Original issue discount, net	(130)	(123)	(116)	(109)	(102)
Original issue premium, net	485	452	419	386	353
Deferred financing costs, net	(1,292)	(1,142)	(991)	(934)	(877)
Total long-term debt	53,073	51,607	50,092	48,433	46,724
Deferred compensation	1,270	1,270	1,270	1,270	1,270
Charitable remainder trust annuities payable	131	131	131	131	131
Deferred revenue from non-refundable entrance fees	65,077	68,340	67,364	66,522	64,400
Refundable entrance fees	-	-	-	-	-
Total long-term liabilities	119,551	121,348	118,857	116,356	112,525
Total liabilities	131,822	125,413	123,023	120,625	116,898
Net asset (deficit):					
Without donor restriction	(9,767)	(9,545)	(8,505)	(7,221)	(5,734)
With donor restriction	1,468	1,468	1,468	1,468	1,468
Total net deficit	(8,299)	(8,077)	(7,037)	(5,753)	(4,266)
Total liabilities and net deficit	$ 123,523	$ 117,336	$ 115,986	$ 114,872	$ 112,632

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

Basis of Presentation

The accompanying financial projection presents, to the best of the knowledge and belief of management of Carolina Village, Inc. (the "Corporation") ("Management') the expected financial position, results of operations and changes in net deficit, and cash flows of the Corporation as of and for each of the five years ending March 31, 2024. Accordingly, the accompanying projection reflects Management's judgment as of August 20, 2019, the date of this projection, of the expected conditions and its expected course of action. However, even if the hypothetical assumptions stated below were to occur, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

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

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

A hypothetical assumption is an assumption used in a financial projection to present a condition or course of action that is not necessarily expected to occur, but is consistent with the purpose of the presentation. Hypothetical assumptions are not derived from sources, which are based upon supporting documentation such as contracts, agreements, or other empirical data. Management has prepared its financial projection assuming the hypothetical assumption that the newly constructed independent living units are successfully marketed and achieve and maintain projected occupancy levels.

Description of the Community

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

The Community is located on an approximately 96-acre campus and currently consists of 319 existing independent living apartment and cottage units (the "Existing Independent Living Units"), a 60-unit assisted living facility (the "Assisted Living Units"), and 58 Medicare certified skilled nursing beds (the "Skilled Nursing Beds"), along with supportive common areas. The unit configuration, monthly fees ("Monthly Service Fee"), and entrance fees ("Entrance Fees") for the Existing Independent Living Units are summarized in the following table.

Table 1
Existing Units Configuration and Entrance Fees and Monthly Service Fees

Type of Unit	Units	Square Footage	Entrance Fees(1)(2)	Monthly Service Fees(1)
Studios				
Smokey Mountain – Studio (3)	1	300	$ -	$1,564
Smokey Mountain – Efficiency (3)	22	440	-	1,741
Total/weighted averages	23	434	$ -	$1,733
One Bedroom Apartments				
Pisgah – One Bedroom Standard	47	600	$ 164,700	$2,067
Pisgah – One Bedroom Deluxe	23	740	183,900	2,262
Summit – One Bedroom	12	814	204,200	2,761
Summit – One Bedroom with Den	12	1,050	262,400	3,414
Total/weighted averages	94	719	$ 186,913	$2,375
Two Bedroom Apartments				
Blue Ridge – Two Bedroom Standard	33	740	$183,900	$2,262
Blue Ridge – Two Bedroom Expanded	26	900	199,300	2,543
Blue Ridge – Two Bedroom Custom	20	1,040	220,300	2,727
Blue Ridge – Two Bedroom Deluxe	3	1,200	253,500	2,936
Pinnacle – Two Bedroom	27	1,160	265,200	3,582
Pinnacle – Two Bedroom with Den	3	1,372	307,800	4,031
Pinnacle – Two Bedroom Corner	3	1,366	306,500	4,052
Pinnacle – Two Bedroom Corner with Den	6	1,541	345,700	4,236
Total/weighted averages	121	1,000	$ 227,227	$2,897
Cottages				
Woods	27	945-1,260	$217,000-282,200	$2,601-3,013
Garden	27	1,482-1,742	332,700-386,600	3,417-3,771
Meadows	27	1,322-1,604	295,400-354,500	3,200-3,703
Total/weighted averages	81	1,389	$310,432	$3,276
Total ILUs /weighted average	**319**	**975**	**$220,092**	**$2,755**
Second person fees			$56,700	$1,264

Source: Management

(1) Fees effective January 1, 2019 through the calendar year ending December 31, 2019.

(2) The Corporation offers a zero percent refundable Entrance Fee plan. The Entrance Fee plan amortizes ten percent upon move-in, plus one percent per month for 90 months, after which time the Entrance Fee is fully amortized.

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

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

Table 2
Healthcare Center Configuration

Unit Type	Number of Units	Square Footage	Daily Service Fees (1)
Assisted Living Units	60	320	$ 155
Skilled Nursing Beds	58	255	265
Total Existing Nursing Beds	**118**		

Source: Management
(1) Daily Service Fees are effective January 1, 2019 through the calendar year ending December 31, 2019.

Description of the Project

The Corporation is in the final phase of an expansion project consisting of 54 independent living cottages ("Clear Creek Cottages"), 36 independent living apartments ("Lakeside Apartments") and related common areas (collectively, the "New Independent Living Units") (the "Project"). The Existing Independent Living Units and New Independent Living Units are collectivity defined as the "Independent Living Units".

Table 3
New Independent Living Unit Configuration

Unit Type	Number of Units	Square Footage	Entrance Fees(1)	Monthly Service Fees(2)
Clear Creek Cottages				
Cottage I	14	1,180	$ 292,400	$ 2,975
Cottage II	14	1,270	314,100	3,180
Cottage III	14	1,570	388,900	3,885
Cottage/Duplex	12	1,415	350,500	3,520
Total/weighted averages	54	1,357	$ 335,956	$ 3,385
Lakeside Apartments				
One Bedroom/Den	24	1,134	$ 274,700	$ 3,190
Two Bedroom	8	1,335	323,200	3,735
Two Bedroom/Den	4	1,609	390,400	4,475
Total / Weighted Averages	36	1,231	$ 298,333	$ 3,454
Grand Totals / Weighted Averages	**90**	**1,307**	**$ 320,907**	**$ 3,413**
Second person fees-Clear Creek Cottages			$ 55,500	$ 1,005
Second person fees-Lakeside Apartments			$ 55,500	$ 1,241

Source: Management
(1) Entrance Fees and Monthly Service Fees shown are effective January 2019. Entrance Fees shown are assumed to apply to second generation Residents. First Generation Residents paid approximately 3.0 percent and 1.3 percent less for the Clear Creek Cottages and Lakeside Apartment, respectively.
(2) The Corporation offers a zero percent refundable Entrance Fee plan. The plan amortizes ten percent upon move-in, plus one percent per month for 90 months, after which time the Entrance Fee refund is fully amortized.

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Project Timeline

The following table illustrates the anticipated timeline for construction completion and fill-up of the Project.

Table 4
Anticipated Project Timeline

Initial phase of Clear Creek Cottages available for occupancy	July 2019
Lakeside Apartments available for occupancy	November 2019
Second phase of Clear Creek Cottages available for occupancy	November 2019
New Independent Living Units achieve stabilized occupancy	April 2020

Source: Management

The following table summarizes the anticipated changes to the Community's unit configuration:

Table 5
Community Configuration Changes

Level of Care	Current Configuration	The Project	Total
Independent living units:			
Independent Living Apartments	238	36	274
Independent Living Cottages	81	54	135
Subtotal Independent living Units	319	90	409
Assisted Living Units	60	–	60
Nursing Beds	58	–	58
Total Units/Beds	**437**	**90**	**527**

Source: Management

Description of the Occupancy Agreement

Reservation Process

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

<u>New Independent Living Unit</u>

To reserve a New Independent Living Unit, prospective residents sign a reservation agreement (the "Reservation Agreement") and pay a $1,000 application fee and a $30,000 deposit (the "Expansion Deposit") (the "Depositor"). The Expansion Deposit shall be held in an escrow account in accordance with North Carolina General Statute §58-64-35 and earn market rate interest and is fully refundable (including interest earned), with the exception of unit upgrades selected. Depositors execute an occupancy agreement (the "Occupancy Agreement") upon payment of the balance of the Entrance Fee at or prior to move-in.

Under the terms of the Reservation Agreement, the Depositor is to provide a confidential financial data form and a medical report for final approval for residency at the Community approximately six months prior to completion of the New Independent Living Units. The Reservation Agreement does not guarantee the Depositor would be accepted for occupancy.

<u>Existing Independent Living Unit</u>

Prospective residents pay $1,000 to be added to the waitlist. In order to reserve an Existing Independent Living Unit, a prospective resident must execute an Occupancy Agreement, provide recent medical history, provide a self-disclosure of his or her finances and place a deposit equal to $10,000 (the "Deposit") on the selected Existing Independent Living Unit. The balance of the Entrance Fee is due on or before the occupancy date (the "Occupancy Date") of the Independent Living Unit.

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

Under the Occupancy Agreement, payment of the Entrance Fee and Monthly Service Fee entitles the Resident to occupy the selected Independent Living Unit (the "Residence") and receive the following services and amenities:

- Meal Plan (equivalent to one meal per day for apartment occupants; fifteen meals per month for cottage occupants);
- All utilities (except for phone services);
- Twenty-four hour maintenance and security;
- Semi-monthly housekeeping service;
- Flat laundry service weekly;
- Free parking for Residents and their guests;
- Wellness coordinator and fitness area;
- Emergency nurse call system;
- Access to assisted living and skilled nursing services (without increase in Monthly Service Fee, except meals, drugs, supplies and therapy services ordered by Resident's personal physician);
- Services of a chaplain;
- Planned activities, social, cultural, recreational and spiritual, some of which may require an additional payment; and
- Availability of shuttle bus at stated regular times

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

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

Entrance Fee Plan

The Corporation offers one Entrance Fee plan for occupancy of a Residence. The Resident agrees to pay an Entrance Fee as a condition of becoming a Resident under a zero percent refundable Entrance Fee plan. The plan amortizes ten percent (10%) at move in, plus one percent (1%) per month for a period of 90 months, after which time the Entrance Fee is no longer refundable. In the event the Resident moves out in less than 90 months, the unamortized portion of the Entrance Fee is refunded.

Health Care Benefit

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

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

Terminations and Refunds

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

The Resident may also voluntarily terminate the Occupancy Agreement after the 30-Day Rescission Period, and prior to the date of occupancy, provided that the Resident gives written notice of such termination. Any such refund paid will equal the deposit plus accrued interest, less any non-standard costs specifically incurred by the Resident's request. Any such refunds as described above would be paid by the Corporation within thirty (30) business days following the receipt of written notification of such termination.

Following expiration of the 30-Day Rescission Period and after the Resident's occupancy of the Residence, the Occupancy Agreement may be terminated at any time by the Resident by providing at least one hundred twenty (120) days' written notice. The amount of refund due would be the Entrance Fee paid, less 10 percent (10%) of the Entrance Fee, less one percent (1%) per month of occupancy, less the cost of special features requested by the Resident and any medical charges incurred for the Resident's care and any other periodic charges, including those incurred during the 120-day notice period. If a Resident, on account of illness, injury, incapacity or other good reason acceptable to the Board would be precluded from occupying a Residence, the amount retained by the Corporation would be the cost of any non-standard improvements requested by the Resident. After occupancy there is no refund at death.

Services Provided for Care Center Units

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

The resident will be required to pay any additional charges for services and meals that are not covered in the applicable base fees for the assisted living units.

Services Provided for Medical Center Units

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

Summary of Significant Accounting Policies

Basis of Accounting - The Corporation maintains its accounting and financial records according to the accrual basis of accounting.

Use of Estimates - The preparation of prospective financial statements in conformity with accounting principles generally accepted in the United States of America requires Management to make estimates and assumptions that affect the amounts reported in the prospective financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Investments - Cash and investments includes cash on hand, amounts on deposit in banks and highly liquid debt instruments with a maturity of 90 days or less when purchased, excluding amounts whose use is limited. Financial instruments that potentially subject the Corporation to concentration of credit risk consist principally of cash, accounts receivable and investments. The Corporation maintains its cash in bank accounts which, at times, may exceed federally depository insurance ("FDIC") limits. Management believes the credit risk associated with these deposits is minimal.

Assets Limited as to Use - Assets limited as to use represent funds required by the Corporation's bond documents or other regulatory requirements to be held by a trustee (the "Trustee") and include a statutory operating fund, various bond interest accounts, and a debt service reserve account. Management assumes no material changes in fair values that would result in material net realized or unrealized gains or losses during the projection period. North Carolina General Statute Section 58-64-33 requires CCRCs to maintain an operating reserve equal to 50 percent of the total budgeted operating expenses (adjusted for non-cash items) in a given year, or 25 percent of such total operating expenses (adjusted for non-cash items) if Independent Living Units and Assisted Living Units occupancy exceeds 90 percent.

Accounts Receivable - The Corporation considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. Generally, no finance charges are assessed on trade receivables.

Accounts Receivable Entrance Fees - Entrance Fees receivable consist of promissory notes signed by Residents where a portion of the Entrance Fee was paid upon signing the Occupancy Agreement and the remaining balance is due within 12 months. These notes are interest free for the first 12 months and after that are charged 8 percent interest annually.

Supplies and Inventories - Supplies and inventories are valued at cost determined by the first-in, first-out method.

Property and Equipment - Property and equipment are stated at cost less accumulated depreciation. Donated property is recorded at its estimated fair value at the time of receipt. Depreciation is computed using the straight-line method based on the following estimated useful lives:

Land improvements	20 years
Buildings	20 to 40 years
Furniture and equipment	3 to 20 years

Deferred Financing Costs - Costs associated with the issuance of debt is capitalized and amortized over the expected life of the debt instrument using the effective interest method. The debt issuance costs are netted against the related debt on the balance sheet and the amortization is included in interest expense on the statement of operations.

Deferred Compensation – The Corporation has a deferred compensation agreement with certain key employees. The agreement is to make contributions to their account at the discretion of the Corporation's board of directors (the "Board") with an intention to provide annual funding equal to at least 10 percent of the employee's annual compensation. The employee will be entitled to the funds upon the attainment of a minimum age of 62 and retirement, death or disability.

Deferred Revenue from Entrance Fees – Entrance Fees paid by a Resident upon entering into an Occupancy Agreement are recorded as deferred revenue and amortized into income using the straight-line method over the estimated remaining life expectancy of the Resident, adjusted on an annual basis. The estimated amount of the contractual refund obligations that are expected to be refunded in a subsequent year are classified as a current liability on the balance sheet. In the event of death of the Resident after occupying the Independent Living Unit, no refund is due to the Resident and the unamortized refundable portion is amortized into income as entrance fee forfeitures.

Advance Admission Deposits – New Independent Living Units – Potential Residents sign a Reservation Agreement and pay a deposit. The Expansion Deposits are kept in an escrow account in the Resident's name and identification number. Any interest earnings accumulate to the benefit of the respective Residents.

Advance Admission Deposits – Existing Independent Living Units – Potential Residents pay a $1,000 fee to be added to the waitlist. Once an Existing Independent Living Unit becomes available, potential Residents sign an Occupancy Agreement and pay a $10,000 Deposit on the Existing Independent Unit selected. The balance of the Entrance Fee is due on or before the Occupancy Date of the Independent Living Unit.

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

Contributions and Donor-Imposed Restrictions - All contributions are considered available for unrestricted use unless specifically restricted by the donor. The Corporation reports gifts of cash and other assets as restricted contributions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of operations as net assets released from restriction.

Income Taxes - The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue code: accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. For purposes of the projection, the Corporation has assumed no material unrecognized tax benefits or obligations during the projection period.

Obligation to Provide Future Services to Residents - The Corporation enters into continuing care contracts with various Residents. A continuing-care contract is an agreement between a Resident and the Corporation specifying the services and facilities to be provided to a Resident over his or her remaining life. Under the Occupancy Agreements, the Corporation has the ability to increase fees as deemed necessary. The Corporation calculates annually the present value of the net cost of future services and the use of facilities to be provided to current Residents and compares that amount with the balance of deferred revenue from advance fees. If the present value of the net cost of future services and the use of the facilities exceeds the deferred revenue from advance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. No liability was recorded at March 31, 2019, because the present value of the estimated net costs of future services and use of facilities is less than deferred revenue from entrance fees. For purposes of the projection, Management has assumed no future service obligation liability.

Revenue Recognition - During fiscal year 2019, the Corporation adopted Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 606, Revenue from Contracts with Customers ("ASC Topic 606"). Upon adoption of ASC Topic 606, entities should evaluate costs associated with acquiring life care contracts to determine if they meet the requirements for capitalization under FASB ASC 340-40-25. As such, the Corporation retrospectively adjusted the financial statements prior to fiscal year 2019 for the removal of deferred marketing costs previously recorded on the balance sheet.

Presentation of Financial Statements of Not-for-Profit Entities - During fiscal year 2019, the Corporation adopted Accounting Standard Update ("ASU") No. 2016-14 – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The ASU No. 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity of available resources, and the lack of consistency in the type of information provided about expenses and investment return. The fiscal year 2018 financial statements were adjusted to reflect the retrospective application of the new accounting guidance. The retrospective application resulted in temporarily restricted net assets being reported as net assets with donor restrictions and unrestricted net deficit being reported as net deficit without donor restrictions.

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Summary of Revenue and Entrance Fee Assumptions

Independent Living Revenue

Service fee revenue for Residents living in the Independent Living Units is based upon the assumed occupancy and the Monthly Service Fee of the respective units. The Independent Living Unit Monthly Service Fees are assumed to increase 3.0 percent beginning January 1, 2020 and annually thereafter.

The Existing Independent Living Units are assumed to maintain a 96.0 percent occupancy level throughout the projection period, and the New Independent Living Units are assumed to achieve a 95.0 percent occupancy level in April 2020 and remain at that level throughout the projection period. The following table summarizes the assumed utilization of both Existing Independent Living Units and New Independent Living Units during the projection period:

Table 6
Utilization of the Existing and New Independent Living Units

	Existing Independent Living Units			New Independent Living Units			
Years Ended March 31,	Average Units Occupied	Average Units Available [1]	Average Occupancy	Average Units Occupied	Average Units Available [2]	Average Occupancy	Total ILU Occupancy
Historical:							
2017	324.0	334.0	97.0%	-	-	-	97.0%
2018	312.3	325.0	96.1%	-	-	-	96.1%
2019	314.0	319.0	98.4%	-	-	-	98.4%
2020 [3]	304.9	319.0	95.6%	-	-	-	95.6%
Projected:							
2020	303.4	316.0	96.0%	35.5	47.0	75.5%	93.3%
2021	298.6	311.0	96.0%	85.3	90.0	94.7%	95.7%
2022	294.7	307.0	96.0%	85.5	90.0	95.0%	95.8%
2023	290.9	303.0	96.0%	85.5	90.0	95.0%	95.8%
2024	287.0	299.0	96.0%	85.5	90.0	95.0%	95.8%

Source: Management

(1) Management plans to continue to combine Existing Independent Living Units. Management estimates the Existing Independent Living Units will decrease to 299 by fiscal year 2024, due to unit reconfiguration and combining.

(2) The 90 New Independent Living Units are to be available for occupancy in three phases beginning in July 2019 through November 2019 and are assumed to fill to a 95.0 percent occupancy level over a 10-month period at an average of 8.6 move-ins per month.

(3) Average occupancy through June 30, 2019.

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Residents began moving into the New Independent Living Units in July 2019. The assumed monthly net move-in pattern is summarized below.

Table 7

Fill-Up Schedule – New Independent Living Units

Fiscal Year/Month	New Independent Living Units [(1)]	Cumulative Occupied	Units Available	Cumulative Occupancy
2020				
July	16.0	16.0	28.0	57.1%
August	6.0	22.0	28.0	78.6%
September	5.0	27.0	28.0	96.4%
October	-	27.0	28.0	96.4%
November	35.0	62.0	90.0	68.9%
December	13.0	75.0	90.0	83.3%
January	3.0	78.0	90.0	86.7%
February	1.0	79.0	90.0	87.8%
March	1.0	80.0	90.0	88.9%
2021				
April	5.5	85.5	90.0	95.0%
Total	**85.5**			**95.0%**

Source: Management

(1) The initial phase of the Clear Creek Cottages were available for occupancy in July 2019. The Lakeside Apartments and the second phase of the Clear Creek Cottages are to be available in November 2019.

The double occupancy percentage for the Existing Independent Living Units is assumed to approximate 33.2 percent throughout the projection period as provided by Management and A.V. Powell & Associates, LLC (the "Actuary"). Management assumes the double occupancy percentage for the New Independent Living Units to approximate 60.0 percent throughout the projection period.

Care Center Revenue

Management assumes Care Center revenue to increase approximately 3.0 percent annually throughout the projection period.

Management assumes the Assisted Living Units will maintain a 90.0 percent occupancy level throughout the projection period. The assumed occupancy levels for the Assisted Living Units are presented in the following table:

Table 8
Utilization of the Assisted Living Units

Years Ended March 31,	Average Units Occupied – Permanent	Average Units Occupied – Temporary	Average Units Occupied – Private Pay	Average Units Occupied - Total	Total Units Available	Average Occupancy
Historical:						
2017	37.8	5.8	7.9	51.5	60.0	85.8%
2018	40.6	5.6	6.8	53.0	60.0	88.3%
2019	37.7	4.8	7.7	50.2	60.0	83.7%
2020 (1)	32.0	5.9	8.3	46.2	60.0	77.0%
Projected:						
2020	39.1	4.1	7.9	51.1	60.0	90.0%
2021	43.4	7.2	3.4	54.0	60.0	90.0%
2022	44.4	7.2	2.4	54.0	60.0	90.0%
2023	45.4	7.4	1.2	54.0	60.0	90.0%
2024	46.4	7.5	0.1	54.0	60.0	90.0%

Source: Management and the Actuary
(1) Average occupancy through June 30, 2019.

Medical Center Revenue

Management assumes Medical Center revenues to increase approximately 1.6 percent annually throughout the projection period.

Management has assumed the Skilled Nursing Beds will increase to 90 percent occupancy during fiscal year 2022 and remain at that level throughout the projection period. The assumed occupancy levels for the Skilled Nursing Beds are presented in the following table:

Table 9
Average Utilization of the Skilled Nursing Beds

Years Ended March 31,	Permanent Lifecare Transfers	Temporary Lifecare Transfers	Private Pay	Medicare	Total	Total Beds Available	Occupancy Percentage
Historical:							
2017	21.7	13.8	3.0	13.6	52.1	58.0	89.8%
2018	23.3	14.0	3.1	11.4	51.8	58.0	89.3%
2019	22.5	10.3	2.2	13.3	48.3	58.0	83.3%
2020 (1)	17.8	14.9	2.6	14.4	49.7	58.0	85.7%
Projected:							
2020	23.3	9.9	2.1	13.0	48.3	58.0	83.3%
2021	23.2	11.0	2.1	13.0	49.3	58.0	85.0%
2022	23.3	12.0	2.3	14.6	52.2	58.0	90.0%
2023	23.4	12.0	2.3	14.5	52.2	58.0	90.0%
2024	23.5	12.0	2.3	14.4	52.2	58.0	90.0%

Source: Management and the Actuary
(1) Average occupancy through June 30, 2019.

Investment Income

Interest earnings are assumed to approximate 1.5 percent annually throughout the projection period on the Corporation's cash and investments, Debt Service Reserve Fund, Designated for Statutory Operating Reserve Fund and Board restricted funds.

Other Revenue

Management assumes meal revenue, other miscellaneous revenue, and unrestricted contributions to increase approximately 3.0 percent annually throughout the projection period.

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Entrance Fees

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

New Independent Living Units Entrance Fees for initial Residents are assumed to remain constant during the projection period, while Existing Independent Living Units and New Independent Living Units Entrance Fees from attrition are assumed to increase 3.0 percent annually throughout the projection period. The following table presents the assumed initial and attrition Entrance Fees received and the total Entrance Fees refunded.

Table 10

Entrance Fees Receipts and Entrance Fees Refunds (In Thousands)

	2020	2021	2022	2023	2024
Number of Entrance Fees Received					
New Independent Living Units – Initial [1]	80.0	10.0	-	-	-
Existing Independent Living Units - Attrition	28.1	29.5	26.2	27.0	22.0
New Independent Living Units - Attrition	.1	.3	1.5	3.0	3.0
Total Number of Entrance Fees Received	**108.2**	**39.8**	**27.7**	**30.0**	**25.0**
Entrance Fees Received					
New Independent Living Units - Initial	$ 27,797	$ 3,475	$ -	$ -	$ -
Existing Independent Living Units – Attrition	6,969	8,039	7,537	7,654	6,873
New Independent Living Units - Attrition	35	109	564	1,158	1,196
Total Entrance Fees Received	**$ 34,801**	**$ 11,623**	**$ 8,101**	**$ 8,812**	**$ 8,069**
Total Entrance Fees Refunded	(341)	(535)	(630)	(581)	(426)
Entrance Fees Received, Net of Refunds	**$ 34,460**	**$ 11,088**	**$ 7,471**	**$ 8,231**	**$ 7,643**

Source: Management and the Actuary

(1) For purposes of the projection, Management assumes initial Entrance Fees are received on all 90 New Independent Living Units. Due to vacancies and attrition, Management assumes an average stable occupancy for the New Independent Living Units of 95.0 percent.

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Summary of Operating Expense Assumptions

Management assumes departmental, residential, assisted living, and long-term care expenses to increase approximately 3.0 percent annually throughout the projection period.

Table 11
Schedule of Assumed Staffing Levels (FTEs)

Department	Total
General and administrative	19.2
Maintenance and grounds	27.2
Housekeeping	15.6
Medical center	67.1
Care center	48.2
Dietary	87.6
Independent living services	12.1
Total FTE's	**277.0**

Source: Management

Other non-salary operating expenses are assumed to include ongoing marketing costs, utilities, supplies, property taxes, maintenance, security, building and general liability insurance, legal and accounting fees, and other miscellaneous expenses and are assumed to increase 3.0 percent annually throughout the projection period. Dietary expenses are assumed to increase 2.5 percent annually throughout the projection period.

Assets Limited as to Use

Assets limited as to use represents funds required by the Corporation's bond documents to be held by a Trustee, statutory required funds, and Board designated funds. Amounts required to meet current liabilities of the Corporation have been classified as current assets in the balance sheet.

(1) Designated for Statutory Operating Reserve Fund, required by the North Carolina General Statute Section 58-64-33 maintain an operating reserve equal to 50 percent of the total operating expenses (adjusted for non-cash items) in a given year, or 25 percent of such total operating expenses (adjusted for non-cash items) if the Community's occupancy exceeds 90 percent. The Statutory Operating Reserve Fund requirement as of March 31, 2019 was $5,529,000

(2) The Debt Service Reserve Fund for the Series 2017B Bonds was funded at the closing of the Series 2017B Bonds.

(3) Entrance Fee Fund, funded with initial Project Entrance Fees, up to the amount of the Series 2017C Bonds, less any principal amount paid on the Series 2017C Bonds to be released for the repayment of the Series 2017C Bonds.

(4) Deposits held in escrow for Project, funded with initial refundable deposits from prospective Residents to hold a New Independent Living Unit.

(5) Endowment funds, include investments that carry a donor-imposed restriction that permits the Corporation to use or expend the donated investments as specified and is satisfied by the passage of time or the actions of the Corporation.

(6) Charitable remainder trust, is where the Corporation acts as trustee under several charitable remainder annuity trusts. These trusts are given to the Corporation with the condition that a specified payment is made to the contributor over his or her life. A liability is established based on the present value of the payments to be made. The anticipated remainder interest is recorded as a contribution.

(7) Deferred compensation in marketable securities includes contributions under a deferred compensation agreement between the Corporation and key employees. The Corporation is to make contributions at the discretion of the Board with an intention to provide annual funding equal to at least 10 percent of the employees' annual compensation.

(8) Other donor-restricted assets include other funds and accounts that have been received by donors. These funds and accounts are donor-restricted as specified by the donor and is satisfied by the passage of time or the actions of the Corporation.

Property and Equipment and Depreciation Expense

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

Table 12
Schedule of Property and Equipment
(In Thousands)

Years Ended March 31,	**2020**	**2021**	**2022**	**2023**	**2024**
Property and equipment, gross					
Beginning balance	$ 129,207	$ 145,148	$ 147,778	$ 150,486	$ 153,276
Project costs	12,874	-	-	-	-
Capitalized interest, net	514	-	-	-	-
Routine capital additions	2,553	2,630	2,708	2,790	2,873
Property and equipment, gross	145,148	147,778	150,486	153,276	156,149
Accumulated depreciation	(50,994)	(56,284)	(61,841)	(67,673)	(73,788)
Property and equipment, net					
Ending balance	**$ 94,154**	**$ 91,494**	**$ 88,645**	**$ 85,603**	**$ 82,361**

Source: Management

Long-Term Debt and Interest Expense

Series 2017A Bonds

The Series 2017A Bonds were issued in December 2017 at a par amount of approximately $39,885,000 with an average interest rate of 3.057 percent per annum. The Series 2017A Bonds had as outstanding balance of $38,100,000 as of March 31, 2019. Interest on the Series 2017A Bonds is to be paid monthly and commenced on February 1, 2018. Principal on the Series 2017A Bonds is to be paid monthly and commenced on February 1, 2018, with a final maturity on April 1, 2038.

Series 2017B Bonds

The Series 2017B Bonds were issued in December 2017 at a par amount of approximately $18,945,000 with average interest rates of 4.250 and 5.000 percent per annum. The Series 2017B Bonds include serial bonds issued at both a discount and premium. Interest on the Series 2017B Bonds is to be paid semi-annually on April 1 and October 1 of each year beginning April 1, 2018. Principal on the Series 2017B Bonds is to be paid annually commencing on April 1, 2037, with a final maturity on April 1, 2047.

The following table presents the projected debt service for the Series 2017A Bonds and the Series 2017B Bonds.

Table 13
Principal Payments and Interest Payments-Series 2017A Bonds and Series 2017B Bonds
(In Thousands)

Years Ended March 31,	Series 2017A Bonds Principal Payment	Series 2017A Bonds Interest Payment	Series 2017B Bonds Principal Payment	Series 2017B Bonds Interest Payment	Total Debt Service
2020	$ 1,490	$ 1,166	$ -	$ 894	$ 3,550
2021	1,545	1,115	-	894	3,554
2022	1,590	1,068	-	894	3,552
2023	1,640	1,019	-	894	3,553
2024	1,690	969	-	894	3,553
Thereafter	30,145	7,242	18,945	17,329	73,661
Total	**$ 38,100**	**$ 12,579**	**$ 18,945**	**$ 21,799**	**$ 91,423**

Source: Management

Series 2017C Bonds

The Series 2017C Bonds were issued in December 2017 at a par amount of up to $25,000,000 with average interest rates of 3.00 percent per annum. As of March 31, 2019, approximately $7,711,000 had been drawn from the available Series 2017C Bond proceeds. Management anticipates total draws on the Series 2017C Bonds to approximate $23,095,000. Interest on the Series 2017C Bonds is to be paid monthly and commenced on February 1, 2018. Principal on the Series 2017C Bonds is to be paid with initial Entrance Fees from the New Independent Living Units in October 2021.

Table 14
Principal and Interest Payments-Series 2017C Bonds
(In Thousands)

Years Ended March 31,	Principal Payment	Interest Payment	Total Debt Service
2020	$ 15,000	$ 428	$ 15,428
2021	8,095	121	8,216
Total	**$ 23,095**	**$ 549**	**$ 23,644**

Source: Management

Current Assets and Current Liabilities

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

Table 15
Working Capital – Days on Hand

Accounts receivables-Residents	23 days of operating revenues
Accounts receivables-other	2 days of operating revenues
Inventories and prepaid expenses	3 days of operating expenses
Accounts payable	8 days of operating expenses
Other accrued liabilities	18 days of operating expenses

Source: Management

CAROLINA VILLAGE, INC.

Report on material variances between prior year's forecast and actual audited results
For the year ended March 31, 2019

	Statement of Operations	FORECASTED	AUDITED	Variance greater then $250,000 and 5%	
	Revenues:				
	Resident Service Fees	$ 9,190,000	$ 9,116,010		
1)	Entrance Fee amortization and forfeitures	5,880,000	5,430,229	(449,771)	-7.6%
	Medical Center	3,784,000	3,593,834		
	Care Center	1,533,000	1,408,396		
	Dietary	3,760,000	3,894,428		
	Investment Income	480,000	505,462		
2)	Miscellaneous Income	252,000	1,042,459	790,459	313.7%
	Unrealized Gain / (Loss) on Swap Agreement		-		
	Total Revenues	24,879,000	24,990,818		
	Expenses:				
	General and Administration	3,499,000	3,702,200		
	Operation of Plant	3,550,000	3,536,138		
	Housekeeping	656,000	695,604		
	Medical Center	5,877,000	5,792,104		
	Care Center	2,124,000	2,131,415		
	Dietary	4,529,000	4,362,358		
	Annuity Expenditures	31,000	29,019		
3)	Depreciation	3,842,000	3,353,594	(488,406)	-12.7%
	Amortization of Bond Issue Costs	96,000	-		
	Interest Expense	1,209,000	1,399,042		
	Total Expenses	25,413,000	25,001,474		
	Change in Net Assets	(534,000)	(10,656)		
	Net Deficits - Beginning Of Year	(6,935,000)	(6,960,707)		
	Net Assets - End Of Year	$ (7,469,000)	$ (6,971,363)		

CAROLINA VILLAGE, INC.

Report on material variances between prior year's forecast and actual audited results
For the year ended March 31, 2019

		FORECASTED	AUDITED	Variance greater then $250,000 and 5%	
	Cash flows from operating activities				
	Change in Net Assets	$ (534,000)	$ (10,656)		
	Adjustment to reconcile change in net assets to net cash provided by operating activities:				
3)	Depreciation	3,842,000	3,353,594	(488,406)	-12.7%
	Entrance Fee amortization and forfeitures	(5,880,000)	(5,792,811)		
4)	Entrance Fees received - net of refunds	6,951,000	6,017,771	(933,229)	-13.4%
	Write-off of unamortized deferred financing cost	96,000	170,428		
5)	Realized gains on investments	-	(462,883)	(462,883)	100.0%
	Unrealized gains on investments		(82,286)		
6)	Change in current & other assets and liabilities	(256,000)	(896,357)	(640,357)	250.1%
	Net Cash provided by operating activities	4,219,000	2,296,800		
	Cash flows used by Investing activities:				
7)	Change in assets limited to use	4,573,000	13,428,855	8,855,855	193.7%
8)	Purchases of property and equipment	(31,628,000)	(22,842,583)	8,785,417	-27.8%
	Net cash (used) by investing activities	(27,055,000)	(9,413,728)		
	Cash flows provided (used) by financing activities:				
9)	Proceeds from Debt Refinancing	24,775,000	7,486,244	(17,288,756)	-69.8%
	Change in Deposits held in Escrow for Project	(106,000)	-		
	Principal payments on long-term debt	(1,481,000)	(1,284,411)		
	Net Cash Flows (used) by Financing Activities	23,188,000	6,201,833		
	Change in cash and cash equivalents	352,000	(915,095)		
	Cash and cash equivalents, beginning of year	4,842,000	3,293,666		
	Cash and cash equivalents end of year	$ 5,194,000	$ 2,378,571		

CAROLINA VILLAGE, INC.

Report on material variances between prior year's forecast and actual audited results
For the year ended March 31, 2019

	Balance Sheets	FORECASTED	AUDITED	Variance greater then $250,000 and 5%	
	Assets				
	Current Assets:				
10)	Cash and Investments :	$ 5,194,000	$ 3,636,737	(1,557,263)	-30.0%
	Assets limited as to use - current portion				
	Accounts receivable	1,663,000	1,688,160		
	Inventories And Prepaid Expenses	235,000	117,331		
	Total Current Assets	7,092,000	5,442,228		
	Non-Current Assets:				
11)	Designated for Operating Reserve	5,898,000	5,536,000	(362,000)	-6.1%
12)	Funds held by a trustee under Bond Indenture	3,056,000	2,476,065	(579,935)	-19.0%
	Total Assets Limited to Use	8,954,000	8,012,065		
	Property and Equipment:				
8)	Total Property and Equipment, net	89,536,000	82,712,191	(6,823,809)	-7.6%
	Assets limited as to use:				
13)	Construction Accounts	6,809,000	-	(6,809,000)	
	Deposits held in escrow for expansion units	2,346,000	2,483,760		
14)	Long-Term Restricted Investments	3,113,000	2,737,979	(375,021)	-12.0%
	Total Other Assets	12,268,000	5,221,739		
	Total Assets	$ 117,850,000	$ 101,388,223		
	Liabilities and Net Assets				
	Current Liabilities:				
15)	Accounts Payable	$ 3,093,000	$ 3,951,255	858,255	27.7%
	Deposits on Contracts	2,346,000	2,495,760		
	Current Maturities-Long Term Debt	1,454,000	1,519,152		
	Total Current Liabilities	6,893,000	7,966,167		
	Long term Liabilities:				
	Exclusive Of Current Maturities				
9)	Long-Term Debt	79,364,000	62,150,022	(17,213,978)	-21.7%
	Other Long-term Liabilities	1,229,000	1,401,093		
	Total Long-Term Liabilities	80,593,000	63,551,115		
	Deferred revenue:				
	Deferred revenue from entrance fees	37,833,000	36,842,304		
	Total Liabilities	125,319,000	108,359,586		
	Net Assets:				
	Unrestricted:	(8,758,000)	(8,439,432)		
	Temporarily Restricted	927,000	1,106,069		
	Permanently Restricted	362,000	362,000		
	Total Net Assets	(7,469,000)	(6,971,363)		
	Total Liabilities and Net Assets	$ 117,850,000	$ 101,388,223		

CAROLINA VILLAGE, INC.

Report on material variances between prior year's forecast and actual audited results
For the year ended March 31, 2019

1) Entrance Fee forfeitures forecasted at $1,800,000. Actual forfeitures were $1,385,000.

2) Misc. Income exceeded projections related to construction project and new resident upgrade contributions

3) Depreciation expense projected is greater than actual by $488K. This is due to timing of assets being placed into service.

4) Entrance Fee Projected is greater than Actual due to low turnover rate in 2019

5) Realized gains on Investments not detailed in Projected Financial Statements.

6) Change in Current and Other Assets and Liabilities Actual exceeded Projections.

7) Change in assets limited to use greater in Audited then Projected due to timing of Bond funds distribution.

8) Purchases of Property and Equipment less than projection due to progress of project.

9) Projection anticipated full issuance of 2017C bonds while actual draw down at year end was $7.5M

10) Actual Cash and Investments did not keep pace with Projections.

11) Audited Non-current Assets Designated for Operating Reserve was less than Projection computation.

12) Funds held by bond trustee is less than projected due to timing of bond payments

13) Construction accounts are less than projected due to the funds in the 2017B construction account being used towards the project during the fiscal year.

14) Long term assets restricted actual lagged behind projections due to market conditions.

15) Accounts Payable Actual is above Projections due to timing of payables.

OVERVIEW

We have developed a set of actuarial projections of future population flows for Carolina Village. The population projection models are based the contractholder census as of March 31, 2017, and information provided from management on presale demographic statistics for the independent living expansion project. The assumed opening date of the new independent living units is July, 2019. Fill-up of the 90 units is assumed over the next 16 months. New entrants are projected in order to maintain the assumed 96.3% (364 out of 378 independent living units) occupancy level after the expansion opening and combining of existing studio and efficiency units.

Table 2.1 shows a summary of the projection results. The annual independent living turnover is expected to range between 30 and 33 units per year after the expansion fill-up in 2020 and combining of existing studio and efficiency units in 2026. Based on projections in Table 2.1, contractholders who were direct entrants to independent living are expected to annually utilize 53 assisted living beds and 38 nursing care beds by the end of the 20-year projection period. Variation in expected health care utilization is not likely to exceed plus-or-minus 20%.

ASSUMPTIONS

The distribution of the current census by level of care and by age is shown on Tables 0.1.1 and 0.1.2. Table 0.2 shows the entrance fees by unit type. Table 0.3.1 shows the number of units by level of care. Beginning-of-year and average occupancy assumptions by unit type are shown on Tables 0.3.2 and 0.3.3. Table 0.5 contains age- and gender-specific probabilities of actuarial decrement assumptions.

Our projections are based on assumptions regarding rates of death (mortality), rates of assisted living and nursing care utilization (morbidity), and probabilities of move-out. Assuming that residents will leave Carolina Village at these rates, we added new entrants to achieve occupancy levels defined by the community's management.

The selection of the mortality, morbidity, and move-out assumptions was influenced by the contract provisions and levels of care offered at Carolina Village. To develop assumptions, we used the experience of similar communities in A.V. Powell & Associates' database of CCRC residents.

We developed life expectancies for individuals and couples (Table 1.3) based on the mortality and morbidity rate assumptions for Carolina Village. The individual life expectancies are provided in five-year intervals in total and in each level of care. For couples, the last survivor life expectancy is the number of years that at least one member of a couple is expected to live in the community.

To project new entrants into the community, we made assumptions concerning the gender, age, and double occupancy rate of future residents. These assumptions, based on Carolina Village's pre-sales experience, are shown in Table 1.4. We assumed that the average age at entry increases by one year for every five years of operation to correspond to the "aging in place" of the existing population and the difficulty in attracting younger entrants that most CCRCs experience.

Refund calculations were based on the entrance fees shown on Table 0.2 and the following refund provisions:

- ***Contract 10.*** The refund for death is zero after the first month. The refund for withdrawal is reduced 10% during the first month of occupancy, then 1% thereafter for 90 months with a zero refund after 92 months.

The assumed contract distribution for new entrants is shown on Table 1.4.

METHODOLOGY

To simulate the future population flow, we performed the following steps 500 times for each year of the 20 -year projection period:

1. The assumptions described above were applied to the resident census at the beginning of the projection year to generate the number of deaths, withdrawals, and permanent and temporary transfers to health care. In determining turnover, only deaths or permanent transfers from single residents in independent living cause a unit turnover.

2. New entrants were generated to fill the appropriate number of double or single units.

This process produces expected values as well as a range of possible values for certain statistics. Our methodology is defined in *Continuing Care Retirement Communities: An Empirical, Financial, and Legal Analysis* by H.E. Winklevoss and A.V. Powell and the *Society of Actuaries' Textbook on Life Contingencies* by C.W. Jordan.

DETAILED RESULTS

Detailed results of the projections are presented in Tables 2.1 through 2.16.

Table 2.1 contains a ***summary*** of the projection results. The table shows the independent living turnover, including sales of units that were not previously occupied, the annual number of new entrants, and total deaths or move-outs. The table also shows the average number of contractholders and the assisted living and nursing care usage by permanent and temporary residents, for each year in the projection period.

Table 2.2 shows the ***demographic statistics*** at the beginning of each year in the projection period, including resident counts, average age, and years in the community.

Table 2.3 shows projected resident ***movement statistics*** by level of care.

Table 2.4 contains independent living ***turnover statistics*** and new entrant characteristics. Columns three and four reflect the number of new entrants and the total turnover associated with units that were previously occupied and new sales of units that were not previously occupied. This table also shows the number of deaths, move-outs, and permanent transfers that caused unit turnover. New sales represent the difference between the beginning of year occupancy from one year to the next.

Table 2.5 shows the projected average number of ***contractholder days by level of care***. Permanent and temporary nursing care usage is shown separately, since temporary residents are expected to return to their permanent care level. The sum of total contractholder days will exceed the total number of residents given in Table 2.2 since residents on temporary transfer are counted in both their permanent status and their temporary status.

Tables 2.7, 2.8, and 2.9 contain first and second person ***resident days*** by contract type for each level of care.

Table 2.13 contains the projected independent living ***turnover by unit type***. Unit types are assigned to one of six groupings, as shown at the bottom of the table.

Table 2.14 contains the number of direct admissions to assisted living and transfers from independent livings to assisted living. It also contains the ***projected refunds due to death or move-out*** and the number of contract terminations with paid refunds.

Table 2.15 contains the ***range in independent living turnover and health care utilization***. Health care utilization is the sum of the projected assisted living and nursing care usage. The likely minimum, average, and likely maximum values are provided for turnover and health care utilization. The minimum and maximum values are also expressed as a percentage of the average.

Table 2.16 shows the number of ***assisted living and nursing care contractholders per 100 independent living residents***. The likely minimum and likely maximum values are also given.

Table 6.1 shows the projected ***entry fees received and refund payouts.***

CERTIFICATION

A.V. Powell & Associates LLC believes that these projections form a reasonable basis for financial projections of Carolina Village. It should be noted that our projections of health care usage and independent living turnover due to resident moves are based on assumptions that residents will move to different levels of care as their needs dictate. Also, future health care usage can be influenced by several factors that may change in the future or cannot be effectively modeled such as:

- contract provisions or health screening criteria at admission
- management philosophy in regard to aging-in-place
- number and acuity mix of health care beds
- availability of home care services and private duty nurses

Therefore, based on the preceding issues and actuarially small census size, it is unlikely that actual experience will match these projections exactly. The projections should be re-evaluated from time to time to reflect updated community experience.

Appendix B

Internal Financial Statements

For the four months ended

July 31, 2019

CAROLINA VILLAGE, INC.
BALANCE SHEETS
July 31, 2019

ASSETS	July 31 2019	March 31 2019
CURRENT ASSETS:		
Cash and Cash Investments	$ 1,931,831	$ 2,378,571
Investments in Marketable Securities	8,056,951	7,629,017
Accounts Receivable	1,123,268	1,333,511
Entrance Fees Receivable	1,975,732	354,650
Inventories and Prepaid Expenses	144,529	117,314
Total Current Assets	13,232,311	11,813,063
PROPERTY, PLANT AND EQUIPMENT:		
Land and Improvements	5,384,781	5,369,533
Building and Cottages	90,045,143	89,300,031
Construction in Progress	34,173,974	26,932,182
Equipment	7,680,634	7,605,285
Total	137,284,532	129,207,031
Less: Accumulated Depreciation	47,842,840	46,494,840
Total Property, Plant & Equipment --net	89,441,692	82,712,191
OTHER ASSETS:		
Bond Funds - held by trustee	667,622	661,669
Debt Service Reserve Fund	1,827,936	1,814,396
Entrance Fee Fund	3,681,518	0
Long - Term Investments	1,674,139	1,602,622
Assets held in Charitable Trusts	316,455	300,522
Deposits held in escrow for expansion	2,003,369	2,483,760
Total Other Assets	10,171,039	6,862,969
TOTAL ASSETS	$ 112,845,042	$ 101,388,223
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	$ 2,223,562	$ 2,723,629
Accrued Payroll and Payroll Taxes	2,760,645	2,278,923
Current Maturities of Long Term Debt	1,490,000	1,455,000
Total Current Liabilities	6,474,207	6,457,552
LONG TERM LIABILITIES:		
Long-Term Debt	69,420,352	62,185,022
Annuity and Trust Payables	160,335	160,335
Total Long Term Liabilities	69,580,687	62,345,357
DEFERRED INCOME:		
Deferred Entrance Fee Income	41,479,955	37,060,917
Deposits held in escrow for expansion	2,003,369	2,483,760
Occupancy Contracts - deposits	608,753	12,000
Total Deferred Income	44,092,077	39,556,677
Total Liabilities	120,146,971	108,359,586
NET ASSETS:		
Without Donor Restrictions	(8,753,624)	(8,380,258)
With Donor Restrictions	1,451,695	1,408,895
Total Net Assets	(7,301,929)	(6,971,363)
TOTAL LIABILITIES AND NET ASSETS	$ 112,845,042	$ 101,388,223

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

	April 2019 thru July 2019	12 months ended March 2019
Revenues		
Apartments:		
Service Fees	$ 3,114,973	$ 9,116,010
Entrance Fee Amortization	1,227,783	4,045,690
Entrance Fee Forfeitures	796,841	1,384,539
Other Apartment revenue	51,503	570,112
Medical Center	1,203,173	3,881,785
Care Center	405,390	1,564,001
Dietary - Main Complex	681,592	2,158,083
Dietary - Nursing	570,076	1,292,789
Contributions	167,849	189,608
Miscellaneous	(5,275)	226,096
Total Revenues	8,213,905	24,428,713
Expenses		
General and Administrative	1,295,332	3,731,219
Operation of Plant	1,160,350	3,536,138
Housekeeping	266,701	695,604
Medical Center	2,101,199	5,792,104
Care Center	791,670	2,131,415
Dietary - Main Complex	1,004,564	2,720,059
Dietary - Medical	587,026	1,642,299
Depreciation	1,348,000	3,353,594
Interest Expense	460,388	1,399,042
Total Expenses	9,015,230	25,001,474
Operating Loss	(801,325)	(572,761)
Non-operating revenues		
Unrealized/Realized Gain (Loss) on Investments	370,892	106,593
Investment Income	99,867	455,512
Net Non-operating revenues(expenses)	470,759	562,105
Change in Net Assets	(330,566)	(10,656)
Net Assets - beginning of period	(6,971,363)	(6,960,707)
Net Assets - end of period	$ (7,301,929)	$ (6,971,363)

CAROLINA VILLAGE, INC.
STATEMENT OF CASH FLOWS

	April 2019 thru July 2019	12 months ended March 2019
Cash Flows from Operating Activities:		
Change in Net Assets	$ (330,566)	$ (10,656)
Entrance Fee Amortization	(1,227,783)	(4,045,690)
Entrance Fee Forfeitures	(796,841)	(1,384,539)
Depreciation	1,348,000	3,353,594
Deferred Income LCP	(87,988)	(362,582)
Entrance Fees (New Contracts) - net of refunds	1,229,050	6,017,771
Net Trust Forfeitures & Actuarial Adjustments	0	0
Changes in Operating Assets and Liabilities:		
Receivables	210,243	(188,319)
Inventories & Prepaid Expenses	(27,215)	19,578
Accounts Payable	(18,345)	38,732
Accrued Bond Interest	59,752	170,428
Deposits on Occupancy Contracts	596,753	(605,759)
Net Cash Flows from Operating Activities	955,060	3,002,558
Cash Flows Used by Investing Activities:		
Change in Assets held in Charitable Remainder Trusts:	(15,933)	8,823
Change in Investments	(71,517)	(459,590)
Capital Additions	(8,077,501)	(22,842,583)
Net Cash Used in Investing Activities	(8,164,951)	(23,293,350)
Cash Flows Provided (Used) by Financing Activities:		
Principal Payments - Long-Term debt	(500,000)	(1,445,000)
Expansion Entrance Fees Received	3,681,518	
Payment to Entrance Fee Fund	(3,681,518)	
Bond Proceeds 2017 series	7,710,578	7,486,244
Funds held by Trustee - net of transfers	(19,493)	13,732,784
Net Cash Used in Financing Activities	7,191,085	19,774,028
Net Increase or (Decrease)	(18,806)	(516,764)
Cash and Cash Investments - Beginning of Period	10,007,588	10,524,352
Cash and Cash Investments - End of Period	$ 9,988,782	$ 10,007,588

Appendix C

Occupancy Agreement

Carolina Village

Incorporated

600 Carolina Village Road

Hendersonville, NC 28792

(828) 692-6275

STATE OF NORTH CAROLINA

COUNTY OF HENDERSON

OCCUPANCY AGREEMENT

This agreement made and entered into this ______day of ________________, ________, by and between Carolina Village, Inc., hereinafter referred to as the Village, and ___________________________________hereafter referred to as Occupant.

WITNESSETH:

(1) THE OCCUPANT, having made application for residence number ___________, a ___________________________, at Carolina Village, and the Village, having accepted Occupant's application, agree that the Occupant shall comply with policies and operating procedures now existing or as hereinafter amended by the Village. It is further agreed that such residence shall be subject to the following terms and conditions. A copy of Applicant's financial disclosure is attached hereto and by this reference made a part of hereof.

(2) THE OCCUPANT agrees to pay the Village an Entrance Fee in the amount of $___________________ for the particular living unit selected by the Occupant as follows:

The occupant shall have a period of not to exceed 90 days to assume occupancy. Extension of the occupancy period can be granted only in writing by the Village. The full Entrance Fee is payable at or before assuming occupancy.

(3) THE PRIVILEGE of occupying said living unit shall continue throughout the lifetime of the Occupant unless cancelled in the manner hereinafter provided. It being understood, however, and agreed that this Agreement is neither a lease nor shall it inure to the use or benefit of the heirs, assignees, or representatives of the Occupant.

(4) A MONTHLY service fee shall be paid by the Occupant upon receipt of a statement from the Village for the month to follow, in such amounts as determined by the Board of Directors of the Village for which the Village proposes to provide the following services and facilities:

*Meal Plan (equivalent to one meal per day for apartment occupants; fifteen meals per month for cottage occupants)
*All Utilities (Except for phone services)
*24 Hour Maintenance & Security
*Semi-Monthly Housekeeping Service
*Flat Laundry Service Weekly
*Free Parking for Residents and Their Guests
*Available Beauty, Barber Shop for an additional payment
*Wellness Coordinator and Fitness Area
*Emergency Nurse Call System
*Access to Assisted Living & Skilled Nursing Services without Increase in Monthly Service Fee (except meals, drugs, supplies and therapy services ordered by Occupant's personal physician.)
*Services of a Chaplain
*Planned Activities--social, cultural, recreational and spiritual, some of which may require an additional payment
*Availability of Shuttle Bus at Stated Regular Times
*On Site Pharmacy, for an additional payment

(4a) The Monthly service fee at the time of occupancy shall be $___________for one person and $__________for two persons. The Village will provide thirty days' notice before rate changes.

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

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

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

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

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

(7) FURNISHINGS WITHIN the individual living units will be provided by the Occupant. Occupant further agrees to keep unit in a neat and orderly fashion to avoid fire and health hazards.

(8) IN THE EVENT the personal physician and/or the Medical Director determines in his/her sole judgment that the Occupant is infected with a dangerous or contagious disease, or that the Occupant has become mentally or emotionally disturbed to the degree that his/her presence in the Village shall be deemed detrimental to the health or peace of other residents, or is adjudged incapacitated or incompetent by virtue of any disease or condition for which the Village is not permitted to provide care, the Village shall have authority to immediately transfer the Occupant to an appropriate hospital or other care facility that can, in the sole opinion of the Village, meet the Occupant's needs. In the event the Village cannot meet the Occupant needs pursuant to this paragraph, reimbursement to the Occupant will be made as determined in Section 9c.

If Occupant has been transferred to another facility as provided in this paragraph and Occupant's personal physician certifies in writing that Occupant is no longer infectious or contagious or has recovered from such mental or emotional disturbance to the degree that his/her presence in the Village no longer poses any risk of detriment to the health or peace of other residents and that the Village can provide the appropriate level of care, Occupant will be allowed to return to his/her most recent place of residency at the Village.

Changes in the location of an occupant's living unit or in services provided may be required if, in the judgment of the Medical Director, the health or safety or general interest or welfare of the Village or its residents would be best served by such change in location or services or if the level of services necessary to care for the Occupant can be better provided in a different living unit or area within the Village or cannot be provided by the Village.

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

(9) THE OCCUPANT shall have the right to terminate this Agreement after assuming residency in the Village for reasons under the following terms and conditions:

(9a) The Occupant shall not under any circumstance terminate this agreement after Occupancy without serving the Village with 120 days written notice of intention to so terminate. The Occupant will be charged with the established Monthly service fee until the expiration of the 120-day period mentioned above.

(9b) In the event Occupancy is terminated by an Occupant who is competent to make a valid decision as provided in this paragraph, the departing Occupant will be reimbursed for the amount of the Entrance Fee paid less an appropriate charge for the period of Occupancy as stated in 9c. The refund will be made within 30 business days from the date when the 120-day notice period expires.

(9c) If a resident moves out with notice as provided in this paragraph, the amount retained by the Village shall be 10% of the entrance fee plus one percent (1%) per month of Occupancy plus the cost of special features requested by the Occupant. In addition, any medical charges, incurred for Occupant's care during residency and any other periodic charges, including any charges occurring during the 120-day notice period, shall be considered as credit to the Village and shall reduce the amount refunded to Occupant. No refund will be made to or on behalf of an Occupant who is not personally competent to make the decision as to their plan of care or place of residence.

(9d) After Occupancy there is no refund in the event of the death of Occupant.

(9e) In the event the Occupant finds it necessary to cancel the agreement for good reason before Occupancy, and after expiration of the 30-day period provided in paragraph 18 herein below, the Village shall be allowed to retain all costs of non-standard improvements requested by the resident.

(9f) Nothing in this paragraph 9 shall be construed to limit or modify Occupant's right to rescind this contract as provided in paragraph 18 herein below.

(10) THE VILLAGE shall not be responsible for the loss or damage suffered by the Village as a result of negligence or actions of the Occupant. The Occupant agrees to indemnify and hold harmless the Village for any injury to the person or property of others resulting from the negligence or intentional act of the Occupant.

(11) WITHIN SIXTY days following the assuming of Occupancy in the Village, provisions for final testamentary disposition of all furniture, possessions and property located on the property of the Village should be made by Occupant. In the event such disposition is not made or in the event removal is not accomplished within 30 days after termination of occupancy by reason of death or otherwise, the Village shall have the right to remove and store the said furniture, possessions and property at the expense of the Occupant or the Occupant's estate.

(12) THE VILLAGE may terminate the Occupant's residency upon a showing of good cause that the Occupant is not complying with the operating procedures and/or is creating a disturbance within the Village detrimental to the health or peaceful lodging of others. In the event the Occupant's residency is terminated as provided in this paragraph 12, reimbursement shall be made as described in Section 9 (except for the 120-day notice which shall not be required).

(13) OCCUPANT AGREES to make payment herein provided for at the time and in the manner specified by the Village. Upon failure to do so, the Board of Directors shall have the right to terminate and cancel this Agreement if any such payment shall be in default for more than ninety (90) days, without any obligation to make any refunds of monies. It is the declared policy of the Village that an Occupant's residence shall not be terminated solely by reason of the financial inability of the Occupant to pay monthly fees. The Occupant may apply for and establish facts to justify special financial consideration and dispensation provided such application can be granted (within the sole discretion of the Board of Directors of the Village) without impairing the ability of the Village to operate on a sound financial basis. The Village does not require residents to apply for public assistance programs such as Medicaid. The Occupant may be requested to move to a smaller size living unit upon receiving special financial consideration.

(14) VILLAGE AND OCCUPANT recognize that a situation may arise where it may become necessary for Occupant to be admitted to the Medical or Care Center for an extended period of time, and the parties hereto further recognize that it is not economically possible for Village to provide unlimited Medical or Care Center care while at the same time allowing Occupant to retain his/her living unit indefinitely. Accordingly, the parties hereto agree that at such time as Village shall be advised by the Occupant's physician that in his/her medical opinion, Occupant will not be able to return permanently to his/her living unit to live, then and in that event, Village shall make such information, together with all other facts and circumstances, known to its Board of Directors which shall be authorized to

reacquire possession of said unit from Occupant for reassigning, and upon such approval being obtained, Village shall be authorized to forfeit Occupant's interest in said unit and to reassign the same; provided, that in the event Occupant's condition becomes such that Occupant's physician certifies that Occupant may return to a living unit, Village will provide Occupant a living unit substantially equivalent to the one formerly possessed by Occupant within such period of time as Village may reasonably have such unit available. However, no provision of this paragraph shall be construed to deprive a Co-Occupant of his/her use of the living unit unless said Co-Occupant also becomes admitted to the Medical or Care Center according to the terms of this paragraph.

(15) THE OCCUPANT agrees that his/her rights under this agreement shall at all times be subordinate and junior to the lien of all mortgages executed by the Village covering the real estate known as Carolina Village.

(16) THE INVALIDITY of a restriction, condition, or other provisions of this agreement, or any part of the same, shall not impair or affect in any way the validity, enforceability, or effect of the rest of this agreement.

(17) NO AMENDMENT between the parties hereto is valid unless contained in writing executed by the Village and Occupant.

(18) THE CONTRACT may be rescinded within 30 days following the later of the execution of the contract or the receipt of a Disclosure statement and the Occupant is not required to move in during the rescission period. The refund of all money or property transferred shall be made to the Occupant, or the Occupant's legal representative less periodic charges applicable to period a unit was occupied, nonstandard costs set out in contract incurred at the request of the Occupant, nonrefundable fees set out in this Agreement, and a reasonable service charge, not to exceed the greater of $1,000 or 2% of the entrance fee.

(19) THE CONTRACT shall be automatically canceled due to death, illness, injury, or incapacity prior to occupancy that would preclude the Occupant from occupying a living unit. The resident or the resident's legal representative shall receive a refund of all money or property transferred to the provider, less (i) those nonstandard costs specifically incurred by the provider or facility at the request of the resident and described in the contract or any contract amendment signed by the resident; (ii) nonrefundable fees, if set out in the contract; and (iii) a reasonable service charge, if set out in the contract, not to exceed the greater of one thousand dollars ($1,000) or two percent (2%) of the entrance fee

(20) THE EXECUTION of this contract vests the privilege in the applicant to change his/her mind within the first 30 days of execution of this contract or receipt of a Disclosure statement as provided in paragraph 18 herein above and receive a full refund from the Village.

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

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

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

______________________________	______________________________
ATTEST	OCCUPANT
______________________________	______________________________
ATTEST	OCCUPANT

CAROLINA VILLAGE, INC

BY:______________________________
PRESIDENT OF BOARD OF DIRECTORS