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

Disclosure Statement

August 31, 2020

In accordance with Article 64 of Chapter 58 of the NC General Statutes, this Disclosure Statement may be delivered only through January 27, 2022, 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, 2020

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, 2022;**

- **Delivery of the Disclosure Statement to a contracting party before execution of a contract for continuing care is required;**

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

ACKNOWLEDGMENT OF RECEIPT
of
DISCLOSURE STATEMENT

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

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

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

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

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

____
PRINTED NAME *of* PROSPECTIVE RESIDENT 1

______________________________ ____________________
SIGNATURE *of* PROSPECTIVE RESIDENT 1 DATE *of* SIGNATURE

____
PRINTED NAME *of* PROSPECTIVE RESIDENT 2

______________________________ ____________________
SIGNATURE *of* PROSPECTIVE RESIDENT 2 DATE *of* SIGNATURE

______________________________ ____________________
SIGNATURE *of* FACILITY REPRESENTATIVE DATE *of* SIGNATURE

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DISCLOSURE STATEMENT

CAROLINA VILLAGE, INC.
HENDERSONVILLE, NORTH CAROLINA 28792

The date of this Disclosure Statement is August 31, 2020. This Disclosure Statement may be delivered only through January 27, 2022, if not earlier revised. Delivery of this Disclosure Statement before the execution of a contract for the provision of continuing care is required by North Carolina law. This Disclosure Statement has not been reviewed or approved by any governmental agency or representative to ensure accuracy or completeness of the information set forth. This Disclosure Statement is to comply with North Carolina General Statute Chapter 58, Article 64.

ORGANIZATION INTRODUCTION

WHO WE ARE AND WHAT WE DO

Carolina Village, Inc., a not-for-profit corporation and 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. 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, 2020, the current directors are:

President:	Kohlan Flynn, 327 Alpine Dr., Hendersonville Retired Educator
Vice-President:	Marcia Caserio, 113 Kenmure Drive, Flat Rock Certified Gerontologist
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, 13 Lakemoor Lane., Hendersonville Retired Business Person
Assistant Secretary:	Adam Shealy, 224 6th Ave. East, Hendersonville Local Attorney
Director:	Dick Bobb, 600 Carolina Village Rd., Hendersonville Retired Financial Executive/Resident
Director:	Dr. Jerry Pyles, 1218 Ashby Lane, Hendersonville Retired Physician
Director:	Lynn Killian, 1212 Forest Hill Dr., Hendersonville Professional Fundraiser
Director:	Ruth Birge, 1A Westridge Ct., Hendersonville Retired Executive
Director:	Kimbela McMinn, 539 N. Main St., Hendersonville Local Banker
Director:	Sherri Metzger, 30 Kestrel Court, Hendersonville Retired Realtor/Resident
Director:	Lee Mulligan, 104 North Washington St., Hendersonville Local Attorney
Director:	Trina Strokes, 75 Ridgeway Dr., Flat Rock Local Executive
Director:	Justin Ward, 4436 Green River Rd., Zirconia Deputy Fire Chief of Hendersonville
Director:	Rick Wood, 2206 Evergreen Dr., Hendersonville Retired Educator

ADMINISTRATION

The operation of Carolina Village is the responsibility of professionals experienced in life-care management. Key management persons as of August, 2020, are:

Executive Director:	Kevin Parries, 17 years at Carolina Village, 32 years of experience in long-term care, Master's in Business Administration from Wingate University, Nursing Home Administrator, Assisted Living Certified, Certified Gerontologist and Certified Aging Service Professional
Director of Operations:	Jon Renegar, 17 years of experience in long-term care, 12 years as administrator, 9 years at Carolina Village, Certified Aging Service Professional, Master's in Business Administration, Nursing Home Administrator
Chief Financial Officer:	Amber Anderson, C.P.A., Master of Accountancy and B.S. Business Administration, Western Carolina University, 1 year at Carolina Village, 7 years of experience as a financial statement auditor
Medical Center Administrator:	Alex Tucker, 11 years of experience in long-term care, 7 years at Carolina Village as administrator, Certified Aging Service Professional, Nursing Home Administrator, Assisted Living Certified
Medical Director:	Dr. Larry J. Russell M.D. CMD. 34 years of experience, Certified Medical Director for Long Term Care Facilities
Director of Nursing:	Kelli Russell, 18 years of experience as a Registered Nurse, over 11 years as a Director of Nursing, 8 years at Carolina Village as Director of Nursing
Director of Dining Services:	Maria Rich, Certified Dietary Manager, 27 years as a Certified Dietician, 7 years at Carolina Village
Dietary Supervisor	Chris Olson, Associate of Arts Degree from Blue Ridge Community College, Healthcare; certified with Dietary Managers Association, 23 years at Carolina Village
Director of Facility Services:	Michael Lance, 13 years of experience in construction and maintenance, 3 years at Carolina Village
Housekeeping Supervisor:	David Auxier, 8 years of experience as Housekeeping Supervisor, 3 years 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.

RESIDENT ASSOCIATION

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

LOCATION

We are located on approximately 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, hospitals, and other services are nearby. The community has a secondary gated entrance located on Clear Creek Road, which is currently closed.

FACILITIES

The Village is comprised of four three-story and two four-story fire-resistant buildings containing 266 apartments and 135 free-standing cottages. Types of living units available include: various sized one- and two-bedroom apartments and two-bedroom cottages. Common areas include a pool, Main Street, multipurpose meeting rooms, a media room, business center, pharmacy, market, dining room, lounges, libraries, personal laundry facilities, craft centers, 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 570-580 residents.

MEDICAL CENTER (SNF) AND CARE CENTER (AL)

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

(1) two meals per day (in addition to the meal plan provided in the monthly service fee) for a total of three meals per day

(2) drugs and supplies

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

(4) private physician

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

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

CHARGES, FEES, AND CONTRACTS

APPLICATION CHARGES

Persons applying for an independent 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 they select. This $1,000 is non-refundable but is applied 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 an independent 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. In other words, the applicant longest on the waiting list for the type of unit available will be offered occupancy before any others. If occupancy is declined, then the applicant next longest on the waiting list will be offered occupancy. Offers will continue to be made in sequential order until occupancy is accepted. When the applicant indicates acceptance of the living unit offered, the applicant and Carolina Village will enter into a formal contract 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:

COMMUNITY PRICING

Apartments

Apartment Type	Square Footage	SINGLE OCCUPANCY	
		Entrance Fee	Monthly Fee[1]
Pisgah			
1-BEDROOM STANDARD	600	$169,600 [2]	$2,115
1-BEDROOM DELUXE	740	$189,400 [2]	$2,316
Summit			
1-BEDROOM	814	$210,300	$2,830
1-BEDROOM + DEN	1,050	$270,300	$3,502
Blue Ridge			
2-BEDROOM STANDARD	740	$189,400 [2]	$2,316
2-BEDROOM EXPANDED	900	$205,300 [2]	$2,605
2-BEDROOM CUSTOM	1,040	$228,900 [2]	$2,800
2-BEDROOM DELUXE	1,200	$261,100 [2]	$3,010
Pinnacle			
2-BEDROOM	1,160	$273,200	$3,675
2-BEDROOM CORNER	1,366	$315,700	$4,159
2-BEDROOM + DEN	1,372	$319,000	$4,138
2-BEDROOM CORNER + DEN	1,541	$358,100	$4,349
Smoky Mountain			
1-BEDROOM + DEN	1,134	$282,900 [2]	$3,272
2-BEDROOM	1,335	$332,900 [2]	$3,833
2-BEDROOM + DEN	1,609	$402,100 [2]	$4,595

Second Occupant Entrance Fee: $59,000
Second Occupant Monthly Fee: $1,288

We are available to answer your questions:

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

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

Prices effective January 1, 2020. See notes on reverse.

Carolina Village

Cottages

Cottage Type	Square Footage	SINGLE OCCUPANCY	
		Entrance Fee	Monthly Fee[1]
Woods			
2-BEDROOM EXPANDED	945	$223,500 [3]	$2,665
2-BEDROOM CUSTOM	1,092	$255,600 [3]	$2,863
2-BEDROOM DELUXE	1,260	$290,700 [3]	$3,089
Garden			
2-BEDROOM STANDARD + DEN	1,482	$344,700	$3,505
2-BEDROOM EXPANDED + DEN	1,612	$370,700	$3,681
2-BEDROOM CUSTOM + DEN	1,742	$400,200	$3,870
Meadows			
2-BEDROOM STANDARD	1,322	$306,300	$3,282
2-BEDROOM EXPANDED	1,422	$328,100	$3,494
2-BEDROOM CUSTOM + DEN	1,504	$344,900	$3,584
2-BEDROOM DELUXE + DEN	1,604	$367,100	$3,800
Clear Creek			
1-BEDROOM + DEN	1,180	$301,200	$3,293
2-BEDROOM TERRACE	1,270	$323,500	$3,504
2-BEDROOM DUPLEX	1,415	$361,000	$3,855
2-BEDROOM + DEN	1,570	$400,600	$4,230
Second Occupant Entrance Fee: $59,000 *Second Occupant Monthly Fee: $1,288*			

1. *Monthly fee includes basic utilities, as well as high-definition basic cable television and high-speed public Wi-Fi. Phone service not included. Monthly fee also includes: declining balance meal plan equivalent to one meal per day, property insurance (excluding personal belongings), interior and exterior home maintenance, bi-weekly housekeeping services, weekly flat laundry service, social programs, events, emergency nursing services and security available 24/7, fitness center and exercise/therapy pools, and lifetime care in our skilled nursing or assisted living facility when ordered by a physician. Fees are subject to change with Board approval and 30-day notice to residents.*
2. *Units with a premier view of Tranquil Lake will have a one-time $5,000 premium added to Entrance Fee.*
3. *Woods Cottages with winterized patios will have a one-time $5,000 premium added to Entrance Fee.*

The execution of the Occupancy Agreement by the Village will be withheld until the applicant submits a medical statement from his or her personal physician indicating that the applicant's physical and mental health meets the requirement for entry into the Village and also submits a financial statement indicating that he/she can meet the financial obligations that will be incurred during his/her period of residency. Both 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 90 days to assume occupancy. A new resident may move in prior to 90 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.

MONTHLY FEES

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

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

POLICIES

ELIGIBILITY

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

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

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

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

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

REFUNDS

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

<u>Before Move-In</u>

(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) In the event the Occupant finds it necessary to cancel the Occupancy Agreement for good reason before occupancy, and after expiration of the 20-day period, the Village shall provide a full refund of the Entrance Fee less any costs of non-standard improvements requested by the Occupant.

(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 an independent living unit. A full refund of Entrance Fee paid less any costs of non-standard improvements as requested by the Occupant from the Village will be made within 5 working days

<u>After Move-In</u>

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 the Occupancy Agreement, the departing Occupant will be reimbursed for the amount of the Entrance Fee paid less an appropriate charge for the period of Occupancy as stated below. The refund will be made within 30 business days.

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.

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, including the health and/or behavior of the resident. Please refer to sections 8 and 12 of the Occupancy Agreement for complete details regarding these policies.

FINANCIAL INFORMATION

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, 2021, determined from the 2021 forecast for expenses and the March 31, 2020 occupancy numbers:

March 31, 2021		
Total Operating Expenses	$	29,198,000
Principle payment on LTD	$	1,545,000
Depreciation Expense	$	(4,800,000)
Amortization Expense	$	(180,000)
Extraordinary items as approved by the Commissioner	$	0
Debt service portion, if provided for by way of a separate reserve account:	$	(2,582,000)
Total Operating Cost	$	23,181,000
Occupancy Factor	X	25%
Operating Reserve Requirement	$	5,795,250
Available Funds Toward Reserves		
Total Cash & Marketable Securities	$	11,985,639

The Board of Directors has established that all funds above working cash needs, including reserve funding, are to be managed by professional investment 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 decisions. Edward Jones & Co. has the responsibility of management and the selection process for investments. This firm selects only investment grade stocks and bonds to purchase and sell within the investment portfolio.

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, 2020	$ 74	$ 104
January 1, 2019	$ 65	$ 89
January 1, 2018	$ 83	$ 107
January 1, 2017	$ 70	$ 96
January 1, 2016	$ 95	$ 144
Average Annual Increase	$ 77	$ 108

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

(a) **Financial -** In cases where personal financial resources prove inadequate after a period of residence, the occupant may apply for special consideration to the Board of Directors. It is 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) **Change in Marital Status (Non-Resident) -** If a resident marries a non-resident, the new spouse must meet the same age, health, and financial standards required of other applicants, and, in addition, pay an added entrance fee to cover the additional expense of providing life-care to an additional resident. If the new spouse does not meet the required age, health, and financial requirements, the Board of Directors may--in their discretion--consider alternative fees to cover the estimated additional cost.

(c) **Change in Marital Status (Among Residents) -** If two residents marry one another they may occupy the living unit of either resident. No refund or credit will be given for the vacated living unit. A calculation 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.

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 (the Village) determined that it was prudent to plan for the future now to ensure the long-term viability of the Village. Leadership developed a plan to utilize approximately 23 acres of undeveloped land on the campus, located near the Clear Creek entrance of the Village (the Community's secondary entrance). The Board and Management believed utilizing this land to develop Independent Living Units best positioned the Village to meet the future demand for independent living units and would provide new revenue to strengthen the Village's future financial position.

After carefully examining future needs in the skilled nursing, assisted living, and independent living segments, it was determined the Village should develop the land as independent living. The Village determined that (1) the existing Healthcare facilities (SNF and AL) would meet the internal demand for the foreseeable future and (2), the Village 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 the Village'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.

Carolina Village engaged the architectural firm Reece, Lower, Patrick and Scott based in Pennsylvania. They have a long history of working with the Village in the past as the firm developed and led the skilled nursing project in 1999, the Meadows Cottage expansion in 2003, and 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 was completed as of March 31, 2020 and consists of 90 new independent living units:

(a) 54 Clear Creek Cottages consisting of 7 buildings with six units for 42 cottages and six duplexes for 12 cottages
(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 nor known of by management.

Appendix A

Audited Financial Statements

For the year ended March 31, 2020

Forecasted Financial Statements

For the years ending

March 31, 2021 thru March 31, 2025

Report on Variances

Carolina Village, Inc.

Financial Statements

Years Ended March 31, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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, in fiscal year 2020, the Village changed its method of classification and presentation of restricted cash in the statement of cash flows. Our opinion is not modified with respect to these matters.

Dixon Hughes Goodman LLP

Greenville, South Carolina
June 23, 2020

Carolina Village, Inc.
Balance Sheets
March 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 5,581,384**	$ 2,378,571
Investments in marketable securities	**460,518**	1,265,166
Accounts receivable–residents, net	**1,049,376**	1,218,272
Accounts receivable–entrance fees	**2,566,940**	354,650
Accounts receivable–other	**346,222**	115,238
Supplies, inventories and prepaid expenses	**233,531**	117,331
Total current assets	**10,237,971**	5,449,228
Assets limited as to use:		
Funds held by a trustee under bond indenture	**1,870,167**	2,476,065
Endowment funds	**362,192**	362,192
Investments restricted for statutory operating reserve	**6,099,000**	5,529,000
Assets held in charitable remainder trusts	**223,122**	300,522
Assets held for deferred compensation	**1,054,338**	1,269,910
Other donor restricted assets held	**856,043**	805,355
Deposits held in escrow for expansion units	**-**	2,483,760
Total assets limited as to use	**10,464,862**	13,226,804
Property and equipment–net	**95,505,101**	82,712,191
Total assets	**$ 116,207,934**	$ 101,388,223

See accompanying notes.

	2020	2019
LIABILITIES AND NET DEFICIT		
Current liabilities:		
Accounts payable–trade	**$ 671,984**	$ 226,474
Accounts payable–construction	**156,628**	2,509,987
Accrued payroll and related withholdings	**343,480**	212,107
Accrued vacation	**1,287,145**	784,074
Deposits on contracts	**720,770**	2,495,760
Current maturities of charitable remainder trust annuities payable	**20,150**	29,152
Refundable entrance fees	**171,308**	218,613
Current maturities of long-term debt	**1,545,000**	1,490,000
Total current liabilities	**4,916,465**	7,966,167
Long-term liabilities:		
Exclusive of current maturities:		
Long-term debt, net	**53,136,948**	62,150,022
Charitable remainder trust annuities payable	**76,571**	131,183
Deferred compensation	**1,054,338**	1,269,910
Deferred revenue from entrance fees	**66,036,604**	36,842,304
Total long-term liabilities	**120,304,461**	100,393,419
Total liabilities	**125,220,926**	108,359,586
Net assets (deficit):		
Without donor restriction	**(10,454,349)**	(8,439,432)
With donor restriction	**1,441,357**	1,468,069
Total net deficit	**(9,012,992)**	(6,971,363)
Total liabilities and net deficit	**$ 116,207,934**	$ 101,388,223

See accompanying notes.

Carolina Village, Inc.
Statements of Operations and Changes in Net Deficit
Years Ended March 31, 2020 and 2019

	2020	2019
Revenues, gains, and other support:		
Revenues:		
Apartments:		
Service fees	**$ 10,714,482**	$ 9,116,010
Entrance fee amortization	**4,949,029**	4,045,690
Entrance fee forfeitures	**1,183,762**	1,384,539
Other apartments revenue	**810,775**	570,112
Medical Center	**3,931,758**	3,881,785
Care Center	**1,505,953**	1,564,001
Dietary	**2,123,954**	2,158,083
Dietary–Medical Center	**1,235,653**	1,292,789
Net assets released from restrictions for operations	**89,371**	67,061
Miscellaneous	**162,846**	226,096
Total revenues	**26,707,583**	24,306,166
Expenses:		
General and administrative	**4,323,637**	3,702,200
Operation of plant	**3,667,078**	3,536,138
Housekeeping	**901,149**	695,604
Medical Center	**6,330,841**	5,792,104
Care Center	**2,444,597**	2,131,415
Dietary	**3,219,287**	2,720,059
Dietary–Medical Center	**1,851,560**	1,642,299
Annuity expenditures	**28,119**	29,019
Depreciation	**3,684,732**	3,353,594
Interest	**2,074,142**	1,399,042
Total expenses	**28,525,142**	25,001,474
Operating loss	**(1,817,559)**	(695,308)
Non-operating gains (losses):		
Unrealized gain (loss) on investments	**(369,799)**	66,886
Investment income	**172,441**	438,576
Excess of revenues under expenses	**$ (2,014,917)**	$ (189,846)

See accompanying notes.

	2020	2019
Net assets with donor restrictions:		
Split interest agreement	**$ 63,614**	$ -
Contributions	**49,962**	189,608
Interest and dividends	**11,950**	16,936
Unrealized (loss) gain on investments	**(53,221)**	15,400
Realized (loss) gain on investments	**(9,646)**	24,307
Net assets released from restrictions for operations	**(89,371)**	(67,061)
Change in net assets with donor restrictions	**(26,712)**	179,190
Change in net deficit	**(2,041,629)**	(10,656)
Net deficit–beginning of year	**(6,971,363)**	(6,960,707)
Net deficit–end of year	**$ (9,012,992)**	$ (6,971,363)

See accompanying notes.

Carolina Village, Inc.
Statements of Cash Flows
Years Ended March 31, 2020 and 2019

	2020	2019 (As Adjusted)
Cash flows from operating activities:		
Change in net deficit	**$ (2,041,629)**	$ (10,656)
Adjustments to reconcile change in net deficit to net cash (used) provided by operating activities:		
Depreciation	**3,684,732**	3,353,594
Unrealized loss (gain) on investments	**423,020**	(82,286)
Realized gain on investments	**(162,795)**	(462,883)
Amortization of deferred loan costs	**264,256**	175,614
Amortization of bond discount	**7,224**	7,228
Amortization of bond premium	**(18,310)**	(12,414)
Change in value of split interest agreements	**(35,495)**	29,019
Entrance fee amortization (1)	**(5,274,612)**	(4,408,272)
Entrance fee forfeitures	**(1,183,762)**	(1,384,539)
Entrance fees–new occupancy contracts–existing units	**3,870,539**	6,017,771
Restricted contributions	**(49,962)**	(189,608)
Changes in operating assets and liabilities:		
Accounts receivable–residents	**168,896**	(200,004)
Accounts receivable–other	**(230,984)**	11,685
Supplies, inventories and prepaid expenses	**(116,200)**	19,578
Accounts payable–trade	**445,510**	(229,933)
Accounts payable–construction	**(404)**	97,093
Accrued payroll	**131,373**	26,370
Accrued vacation	**503,071**	(29,838)
Deferred compensation	**(215,572)**	175,040
Deposits on contracts–existing units	**708,770**	(605,759)
Net cash provided by operating activities	**877,666**	2,296,800
Cash flows from investing activities:		
Net change in investments and assets limited as to use	**216,707**	938,736
Purchase of property and equipment	**(18,830,597)**	(22,842,583)
Net cash used by investing activities	**(18,613,890)**	(21,903,847)

See accompanying notes.

	2020	2019 (As Adjusted)
Cash flows from financing activities:		
Payments on long-term debt	**$ (23,556,749)**	$ (1,445,000)
Proceeds from bonds	**14,345,505**	7,486,244
Annuity payments	**(28,119)**	(29,019)
Refunds of entrance fees	**(152,637)**	-
Proceeds from restricted contributions	**49,962**	189,608
Entrance fees–new occupancy contracts–first generation units	**29,675,177**	-
Deposits on contracts–expansion units	**(2,483,760)**	31,523
Net cash provided by financing activities	**17,849,379**	6,233,356
Net increase (decrease) in cash, cash equivalents, and restricted cash	**113,155**	(13,373,691)
Cash, cash equivalents, and restricted cash–beginning of year	**7,338,396**	20,712,087
Cash, cash equivalents, and restricted cash–end of year	**$ 7,451,551**	$ 7,338,396
Interest paid	**$ 2,426,442**	$ 2,153,951
Non-cash investing activities:		
Purchase of property and equipment in accounts payable at year-end	**$ 156,628**	$ 2,509,987

Reconciliation of cash, cash equivalents, and resident refundable fees and deposits in escrow reported within the balance sheet that sum to the total of the same such amounts in the statements of cash flows:

	2020	2019 (As Adjusted)
Cash and cash equivalents	**$ 5,581,384**	$ 2,378,571
Funds held by a trustee under bond indenture	**1,870,167**	2,476,065
Deposits held in escrow for expansion units	**-**	2,483,760
Cash, cash equivalents, and restricted cash–end of year	**$ 7,451,551**	$ 7,338,396

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

Basis of presentation

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

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

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

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

Use of estimates

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

Cash and cash equivalents

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

Assets limited as to use

Assets limited as to use represent; (1) funds required by the Village's bond documents to be held by a Trustee, (2) funds that have been restricted by donors, (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, 2020 and 2019.

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 provision of the fair value option for financial asset 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 $500. 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 $624,000 and $942,000 for the years ended March 31, 2020 and 2019, 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 $46,300,000 and $21,000,000 at March 31, 2020 and 2019, respectively. Based on historical experience, the estimated amount of the contractual refund obligations that are expected to be refunded in the coming year is $171,308 and $218,613 at March 31, 2020 and 2019, 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 1.9 and 2.9 percent for 2020 and 2019, respectively based on the Federal long-term rate. There was no obligation at March 31, 2020 or 2019.

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, 2020.

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, interest, and depreciation. Salaries and benefits are allocated based on an estimate of time spent on each activity and interest and depreciation are estimated based on square footage.

Concentration of credit risk

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

New accounting pronouncements

Restricted Cash

During fiscal year 2020, the Village adopted Accounting Standards Update (ASU) No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This guidance is intended to improve the classification and presentation of changes in restricted cash on the statements of cash flows and will provide more consistent application of GAAP by reducing diversity in practice. The ASU also requires an entity to disclose information about the nature of restricted cash. The statement of cash flows for the year ended March 31, 2019 has been adjusted to reflect retrospective application of the new accounting guidance. Previously, the Village reflected changes in deposits held in escrow for expansion units in operating activities, and changes in funds held by a trustee under bond indenture in investing activities. The Village has retrospectively removed these items from their respective sections in the statement of cash flows, resulting in an increase in cash used by investing activities from $(9,413,728) to $(21,903,847) and an increase in cash provided by financing activities from $6,201,833 to $6,233,356. In addition, total ending cash presented on the statement of cash flows as of March 31, 2019 increased from $2,378,571 (exclusive of restricted cash and restricted cash equivalents) to $7,338,396 (inclusive of restricted cash and restricted cash equivalents).

Subsequent events

The Village evaluated the effect subsequent events would have on the financial statements through June 23, 2020, 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 third party payors. Most rates are predetermined from Medicare. Under ASC Topic 606, management has elected to utilize the portfolio approach in aggregating the revenues under these revenue streams.

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, 2020			
	Independent Living	**Care Center**	**Medical Center**	**Total**
Private pay	**$ 12,838,436**	**$ 2,132,352**	**$ 931,770**	**$ 15,902,558**
Government reimbursement	**-**	**-**	**3,609,242**	**3,609,242**
Total	**$ 12,838,436**	**$ 2,132,352**	**$ 4,541,012**	**$ 19,511,800**

	March 31, 2019			
	Independent Living	**Care Center**	**Medical Center**	**Total**
Private pay	$ 11,274,093	$ 2,226,131	$ 953,206	$ 14,453,430
Government reimbursement	-	-	3,559,238	3,559,238
Total	$ 11,274,093	$ 2,226,131	$ 4,512,444	$ 18,012,668

3. Fair Value of Financial Assets and Liabilities

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

There were no changes during the years ended March 31, 2020 and 2019 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, 2020 and 2019. 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, 2020 and 2019 consist of the following:

	Assets and Liabilities at Fair Value as of March 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments and assets limited as to use:				
Mutual funds--index funds	$ 3,836,122	$ -	$ -	$ 3,836,122
Stocks (1)	3,383,882	-	-	3,383,882
Corporate bonds	-	715,093	-	715,093
Government and agency securities	-	1,091,019	-	1,091,019
Total investments and assets limited as to use	7,220,004	1,806,112	-	$9,026,116
Liabilities:				
Charitable remainder trust annuities	-	-	96,721	96,721
Total liabilities	$ -	$ -	$ 96,721	$ 96,721

(1) These assets consist of the following: 46% domestic stocks and 54% international stocks.

	Assets and Liabilities at Fair Value as of March 31, 2019			
	Level 1	**Level 2**	**Level 3**	**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 sectors: 47% domestic stocks and 53% international stocks.

Marketable equity securities have a market value of approximately $7,220,004 and $7,474,822 with a cost of approximately $6,248,272 and $5,357,526 for the years ended March 31, 2020 and 2019, respectively. Net unrealized gains on marketable equity securities totaled approximately $971,732 and $2,117,296 for the years March 31, 2020 and 2019, respectively.

The Village has $1,899,264 and $4,988,503 of money market funds included in investments and assets limited as to use on the balance sheets as of March 31, 2020 and 2019, 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, 2020 and 2019.

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.

	Charitable Remainder Trust Annuity
Balance, March 31, 2019	160,335
Unrealized losses	(64,064)
Balance, March 31, 2020	$ 96,721

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:

	2020	2019
Capitalized interest fund	$ 20,965	$ 661,363
Bond Project Fund Series 2017B	381	306
Debt reserve fund	1,848,821	1,814,396
Total assets limited as to use	$ 1,870,167	$ 2,476,065

5. Property and Equipment

Property and equipment consist of the following at March 31:

	2020	2019
Land and improvements	**$ 5,397,276**	$ 5,369,533
Buildings and improvements	**92,398,711**	74,729,195
Cottages	**39,525,723**	14,570,837
Kitchen equipment	**2,031,469**	2,004,512
Medical and care centers equipment	**1,928,761**	1,862,995
Furniture and fixtures	**3,271,495**	3,185,926
Motor vehicles	**582,968**	551,853
Total property and equipment	**145,136,403**	102,274,851
Less: accumulated depreciation	**(50,179,574)**	(46,494,842)
	94,956,829	55,780,009
Construction in progress	**548,272**	26,932,182
Total	**$ 95,505,101**	$ 82,712,191

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:

	2020	2019
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 $220,000.	**$ 36,600,000**	$ 38,100,000
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. 2017 C bonds paid off as of March 31, 2020.	**-**	7,711,244
	55,545,000	64,756,244

Less current maturities	**(1,545,000)**	(1,490,000)
Less original issue discount	**(129,559)**	(136,783)
Less net unamortized debt issuance costs	**(1,232,835)**	(1,497,091)
Plus net unamortized bond premium	**499,342**	517,652
	$ 53,136,948	$ 62,150,022

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 lent the proceeds of the bonds to the Village as the expansion project progressed until completed in fiscal year 2020. The Series 2017 C bonds were repaid as of March 31, 2020 with project entrance fees collected.

The Village opened a $2,500,000 line of credit with First Citizens Bank & Trust Company on July 29, 2019. This line of credit bears a variable interest rate based on the Prime Rate (4.75% at March 31, 2020) and is due August 1, 2020. There was no outstanding balance at March 31, 2020.

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

The aggregate annual principal maturities of long-term debt at March 31, 2020 are as follows:

2021	$ 1,545,000
2022	1,590,000
2023	1,640,000
2024	1,690,000
2025	1,745,000
Thereafter	47,335,000
	$ 55,545,000

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 or until the trust agreement expires, whichever comes first. A liability is established based on the present value of the payments to be made. The anticipated remainder interest is recorded as a contribution. All variances in income earned and changes to life expectancy are recorded as changes in value of split interest agreements annually.

Endowment Fund

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

Quality Assurance Fund

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

Operating Reserve Fund

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

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:

	2020	2019
Charitable remainder trust annuities	**$ 126,399**	$ 140,185
Endowment fund earnings	**280,624**	294,724
Endowment funds	**362,192**	362,192
Quality assurance fund	**46,030**	52,762
Other restrictions	**626,112**	618,206
Total	**$ 1,441,357**	$ 1,468,069

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, 2020 and 2019, the Village expended earnings on the endowment of $27,954 and $32,000, respectively.

Changes in endowment net assets for the year ended March 31, 2020 are as follows:

	Earnings	Endowment	Total
Endowment net assets March 31, 2019	$ 294,724	$ 362,192	$ 656,916
Contributions	37,997	-	37,997
Investment earnings	528	-	528
Net depreciation	(24,671)	-	(24,671)
Appropriation of endowment assets for expenditure	(27,954)	-	(27,954)
Endowment net assets March 31, 2020	$ 280,624	$ 362,192	$ 642,816

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

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 $206,840 and $184,106 for the years ended March 31, 2020 and 2019, 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 $130,000 and $38,000 at March 31, 2020 and 2019, 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 $68,453 and $70,656 for the years ended March 31, 2020 and 2019, respectively. The long-term deferred compensation liability at March 31, 2020 and 2019 was $1,054,338 and $1,269,910, respectively with current maturities of approximately $111,000 at March 31, 2020 which is included in accounts payable—trade on the balance sheet.

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.

COVID-19

The outbreak and spread of the COVID-19 virus was classified as a pandemic by the World Health Organization in March 2020. The spread of the virus may disrupt our business along with the business of our residents and suppliers. As of the balance sheet date, we have significant receivable balances outstanding. The full economic impact of this pandemic has not been determined, including the impact on the creditworthiness of our payors. Additionally, the Village carries a significant balance of marketable equity securities. As of the balance sheet date, the economic uncertainty caused by the outbreak has resulted in a severe decline in the value of marketable securities, including many of those held by the Village. The financial statements do not reflect any adjustments as a result of the increase in economic uncertainty.

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020. One provision of the CARES Act is the establishment of the Paycheck Protection Program (PPP) under the Small Business Administration's 7(a) program. The PPP provides for loans to be made to small businesses effected by the COVID-19 pandemic. If certain criteria are met, small businesses receiving PPP loans may have all or a portion of the loans forgiven, effectively converting the outstanding balance and accrued interest to a grant. Any portion of PPP loans not forgiven have a term of five years and bear interest at 1.0%, with repayments deferred for six months. In April 2020, the Village received a PPP loan of approximately $2,800,000. It is uncertain at this time what portion of the PPP loan may be forgiven, if any. However, management is tracking the use of these funds in a manner to help ensure the maximum amount of loan forgiveness. Additionally, the Village received two grants from the Department of Health and Human Services for $153,000 in April 2020 and $195,000 in May 2020 for COVID related expenses.

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 on a $2,500,000 line of credit (as discussed in Note 6).

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

	2020	2019
Cash and cash equivalents	**$ 5,581,384**	$ 2,378,571
Investments	**460,518**	1,265,166
Accounts receivable – residents, net	**1,049,376**	1,218,272
Accounts receivable – entrance fees	**2,566,940**	354,650
Accounts receivable – other	**346,222**	115,238
	$ 10,004,440	$ 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, 2020:

	Program Services	Administrative and General	Marketing and Fundraising	Total
Salaries and benefits	**$ 12,147,378**	**$ 3,115,674**	**$ -**	**$ 15,263,052**
Advertising	**-**	**-**	**180,375**	**180,375**
Occupancy	**1,956,674**	**3,432**	**-**	**1,960,106**
Depreciation	**3,353,106**	**331,626**	**-**	**3,684,732**
Interest	**1,887,425**	**186,668**	**-**	**2,074,093**
Other	**4,819,727**	**543,057**	**-**	**5,362,784**
Total expenses included in the expenses section on the statement of operations and changes in net deficit	**$ 24,164,310**	**$ 4,180,457**	**$ 180,375**	**$ 28,525,142**

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	3,051,771	301,823	-	3,353,594
Interest	1,273,128	125,914	-	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	$ 21,272,146	$ 3,553,903	$ 175,425	$ 25,001,474

CAROLINA VILLAGE, INC.

Compilation of a Financial Forecast

For Each of the Five Years Ending

March 31, 2025

(with Independent Accountants’ Compilation Report thereon)

CAROLINA VILLAGE, INC.

Compilation of a Financial Forecast

Five Years Ending March 31, 2025

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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 forecast of the Corporation, which comprises the forecasted balance sheets as of and for each of the five years ending March 31, 2025 and the related forecasted 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 rationale in accordance with guidelines for the presentation of a financial forecast established by the American Institute of Certified Public Accountants ("AICPA").

The accompanying forecast and this report were prepared for inclusion with the disclosure statement filing requirements of North Carolina General Statutes, Chapter 58, Article 64 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 promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the financial forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by Management. Accordingly, we do not express an opinion, a conclusion, or provide any form of assurance on this financial forecast. The forecasted results may not be achieved as there will usually be differences between the prospective and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The highly contagious respiratory disease named "coronavirus disease 2019" ("COVID-19") and associated pandemic has resulted in significant disruption of the United States' economy and financial markets, increased demands for health care services and safety protocols and has curtailed certain aspects of public life. What, if any, long-term impact of COVID-19 on the economy, the senior living industry, and the Corporation is unknown as the date of this report. The financial forecast is based on Management's assumptions that, while there are impacts to the Corporation for fiscal year ending March 31, 2021, there will not be any long-term impact to the Corporation as a result of COVID-19.

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 27, 2020

CAROLINA VILLAGE, INC.

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

	2021	2022	2023	2024	2025
Unrestricted revenues, gains and other support:					
Entrance fee amortization	$ 5,700	$ 5,824	$ 6,199	$ 6,369	$ 6,678
Entrance fee forfeitures	1,524	1,570	1,617	1,665	1,715
Independent living unit service fees	12,774	13,546	13,762	13,982	14,206
Medical center revenue	3,709	3,667	3,730	3,804	3,879
Care center revenue	1,331	1,429	1,599	1,612	1,624
Dietary revenue	4,006	4,249	4,327	4,407	4,487
Other revenue	116	126	130	134	137
Grants - Coronavirus Aid, Relief and Economic Security Act	357	-	-	-	-
Contributions	35	35	35	35	35
Interest income	272	351	381	407	429
Total unrestricted revenues, gains and other support	29,824	30,797	31,780	32,415	33,190
Expenses:					
General and administrative	3,031	3,122	3,216	3,312	3,412
Operation of plant	3,784	3,899	4,016	4,136	4,260
Housekeeping	860	885	912	939	968
Medical center	6,323	6,607	6,904	7,215	7,540
Care center	2,344	2,414	2,487	2,562	2,638
Dietary	5,005	5,131	5,262	5,394	5,531
Independent living services	828	853	878	904	932
Depreciation	4,800	4,941	5,083	5,226	5,368
Interest expense:					
Series 2017A Bonds	1,144	1,082	1,031	979	859
Series 2017B Bonds	899	893	893	893	893
Amortization	180	31	31	31	31
Total expenses	29,198	29,858	30,713	31,591	32,432
Operating gain	626	939	1,067	824	758
Paycheck Protection Program Grant Income	2,758	-	-	-	-
Annuity expenditures	(24)	(24)	(24)	(24)	(24)
Excess of revenues (under) over expenses	3,360	915	1,043	800	734
Net assets without donor restrictions:					
Excess of revenues (under) over expenses	3,360	915	1,043	800	734
Net assets with donor restrictions:					
Change in net assets with donor restrictions	-	-	-	-	-
Change in net deficit	3,360	915	1,043	800	734
Net deficit, beginning of year	(9,013)	(5,653)	(4,738)	(3,695)	(2,895)
Net deficit, end of year	$ (5,653)	$ (4,738)	$ (3,695)	$ (2,895)	$ (2,161)

See accompanying Summary of Significant Forecast Assumptions and Rationale and Independent Accountants' Compilation Report

CAROLINA VILLAGE, INC.

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

	2021	2022	2023	2024	2025
Cash flows from operating activities:					
Change in net deficit	3,360	915	1,043	800	734
Adjustments to reconcile change in net deficit to net cash provided by operating activities:					
Depreciation	4,800	4,941	5,083	5,226	5,368
Amortization of deferred financing costs	206	57	57	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	(5,700)	(5,824)	(6,199)	(6,369)	(6,678)
Entrance fee forfeitures	(1,524)	(1,570)	(1,617)	(1,665)	(1,715)
Entrance fees - resident turnover	6,535	8,101	8,112	8,069	8,143
Net change in current assets and liabilities	1,792	(30)	13	24	12
Net cash provided by operating activities	9,443	6,564	6,466	6,116	5,895
Cash flows used by investing activities:					
Change in assets limited as to use	(408)	(179)	(190)	(197)	(188)
Routine capital additions	(2,200)	(2,266)	(2,334)	(2,404)	(2,476)
Net cash used by investing activities	(2,608)	(2,445)	(2,524)	(2,601)	(2,664)
Cash flows used by financing activities:					
Principal payments on Series 2017A Bonds	(1,545)	(1,590)	(1,640)	(1,690)	(1,745)
Initial entrance fees - New Independent Living Units	695	-	-	-	-
Refundable entrance fees - resident turnover	-	-	-	-	-
Refunds of entrance fees	(535)	(630)	(581)	(426)	(387)
Net cash used by financing activities	(1,385)	(2,220)	(2,221)	(2,116)	(2,132)
Change in cash, investments and restricted cash	5,450	1,899	1,721	1,399	1,099
Cash, investments and restricted cash, beginning year	7,912	13,362	15,261	16,982	18,381
Cash, investments and restricted cash, end of year	$ 13,362	$ 15,261	$ 16,982	$ 18,381	$ 19,480
Reconciliation of cash, investments and restricted cash:					
Cash and investments	11,492	13,391	15,112	16,511	17,610
Debt Service Reserve Fund-Series 2017B Bonds	1,870	1,870	1,870	1,870	1,870
Cash, investments, and restricted cash	13,362	15,261	16,982	18,381	19,480

See accompanying Summary of Significant Forecast Assumptions and Rationale and Independent Accountants' Compilation Report

CAROLINA VILLAGE, INC.

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

	2021	2022	2023	2024	2025
Assets					
Current assets:					
Cash and investments	11,492	13,391	15,112	16,511	17,610
Assets limited as to use-current portion	712	712	712	712	712
Accounts receivable	1,326	1,392	1,424	1,447	1,471
Accounts receivable-other	182	191	195	198	202
Accounts receivable-entrance fees	500	500	500	500	500
Inventories and prepaid expenses	205	212	219	226	234
Total current assets	14,417	16,398	18,162	19,594	20,729
Assets limited as to use:					
Designated for Statutory Operating Reserve Fund	5,795	5,974	6,164	6,361	6,549
Debt Service Reserve Fund-Series 2017B Bonds	1,870	1,870	1,870	1,870	1,870
Endowment funds	362	362	362	362	362
Charitable remainder trusts	223	223	223	223	223
Deferred compensation in marketable securities	1,054	1,054	1,054	1,054	1,054
Other donor-restricted assets	856	856	856	856	856
Total assets limited as to use	10,160	10,339	10,529	10,726	10,914
Property and equipment	147,884	150,150	152,484	154,888	157,364
Less: accumulated depreciation	(54,979)	(59,920)	(65,003)	(70,229)	(75,597)
Property and equipment, net	92,905	90,230	87,481	84,659	81,767
Total assets	$ 117,482	$ 116,967	$ 116,172	$ 114,979	$ 113,410

See accompanying Summary of Significant Forecast Assumptions and Rationale and Independent Accountants' Compilation Report

CAROLINA VILLAGE, INC.

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

	2021	2022	2023	2024	2025
Liabilities and Net Deficit					
Current liabilities:					
Accounts payable	$ 540	$ 557	$ 576	$ 595	$ 615
Accrued interest-Series 2017A Bonds	92	88	84	80	64
Accrued interest-Series 2017B Bonds	452	452	452	452	452
Accrued payroll and benefits	1,183	1,222	1,263	1,305	1,349
Deposits on contracts	721	721	721	721	721
Current maturities of charitable remainder trust annuities payable	20	20	20	20	20
Refundable entrance fees, current portion	630	581	426	387	380
Current maturities of Series 2017A Bonds	1,590	1,640	1,690	1,745	1,800
Total current liabilities	5,228	5,281	5,232	5,305	5,401
Long-term liabilities:					
Long-term debt-Series 2017A Bonds	33,465	31,825	30,135	28,390	26,590
Long-term debt-Series 2017B Bonds	18,945	18,945	18,945	18,945	18,945
Original issue discount, net	(123)	(116)	(109)	(102)	(95)
Original issue premium, net	467	434	401	368	335
Deferred financing costs, net	(1,027)	(970)	(913)	(856)	(800)
Total long-term debt	51,727	50,118	48,459	46,745	44,975
Deferred compensation	1,054	1,054	1,054	1,054	1,054
Charitable remainder trust annuities payable	77	77	77	77	77
Deferred revenue from non-refundable entrance fees	65,049	65,175	65,045	64,693	64,064
Refundable entrance fees	-	-	-	-	-
Total long-term liabilities	117,907	116,424	114,635	112,569	110,170
Total liabilities	123,135	121,705	119,867	117,874	115,571
Net deficit:					
Without donor restriction	(7,094)	(6,179)	(5,136)	(4,336)	(3,602)
With donor restriction	1,441	1,441	1,441	1,441	1,441
Total net deficit	(5,653)	(4,738)	(3,695)	(2,895)	(2,161)
Total liabilities and net deficit	$ 117,482	$ 116,967	$ 116,172	$ 114,979	$ 113,410

See accompanying Summary of Significant Forecast Assumptions and Rationale and Independent Accountants' Compilation Report

Basis of Presentation

The accompanying financial forecast presents, to the best of the knowledge and belief of management of Carolina Village, Inc. (the "Corporation") ("Management') the expected financial position, results of operations and changes in net deficit, and cash flows of the Corporation as of and for each of the five years ending March 31, 2025. Accordingly, the accompanying forecast reflects Management's judgment as of August 27, 2020, the date of this forecast, of the expected conditions and its expected course of action during the forecast period. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Management's purpose in releasing this financial forecast is for inclusion in the Corporation's annual Disclosure Statement in accordance with Chapter 58, Article 64, of the North Carolina General Statutes. Accordingly, this report should not be used for any other purpose. The assumptions disclosed herein are those that Management believes are significant to the prospective financial statements. The Corporation recognizes that there will usually be differences between prospective and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

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

Description of the Community

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

The Community is located on an approximately 96-acre campus and currently consists of 311 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 Independent Living Units Configuration

Type of Unit	Units	Square Footage	Entrance Fees[1][2]	Monthly Service Fees[1]
Studios				
Smokey Mountain – Studio [3]	2	300	$ -	$1,630
Smokey Mountain – Efficiency [3]	20	440	-	1,819
Total/weighted averages	22	427	$ -	$1,802
One Bedroom Apartments				
Pisgah – One Bedroom Standard	43	600	$ 169,600	$2,115
Pisgah – One Bedroom Deluxe	23	740	189,400	2,316
Summit – One Bedroom	12	814	210,300	2,830
Summit – One Bedroom with Den	12	1,050	270,300	3,502
Total/weighted averages	90	724	$ 193,513	$2,447
Two Bedroom Apartments				
Blue Ridge – Two Bedroom Standard	33	740	$189,400	$2,316
Blue Ridge – Two Bedroom Expanded	19	900	205,300	2,605
Blue Ridge – Two Bedroom Custom	25	1,040	228,900	2,800
Blue Ridge – Two Bedroom Deluxe	2	1,200	261,100	3,010
Pinnacle – Two Bedroom	27	1,160	273,200	3,675
Pinnacle – Two Bedroom with Den	3	1,372	319,000	4,138
Pinnacle – Two Bedroom Corner	3	1,366	315,700	4,159
Pinnacle – Two Bedroom Corner with Den	6	1,541	358,100	4,349
Total/weighted averages	118	1,006	$ 235,803	$2,984
Cottages				
Woods	27	945-1,260	$223,500-290,700	$2,665-3,089
Garden	27	1,482-1,742	344,700-400,200	3,505-3,870
Meadows	27	1,322-1,604	306,300-367,100	3,282-3,800
Total/weighted averages	81	1,389	$321,075	$3,360
Total ILUs /weighted averages	**311**	**983**	**$229,093**	**$2,843**
Second person fees			$59,000	$1,288

Source: Management
(1) Fees effective January 1, 2020 through the calendar year ending December 31, 2020.
(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.

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 / weighted averages	**118**	**288**	**$ 209**

Source: Management
(1) Daily Service Fees are effective January 1, 2020 through the calendar year ending December 31, 2020.

Description of the New Independent Living Units

The Corporation completed a two-phased expansion project consisting of 54 independent living cottages ("Clear Creek Cottages"), 36 independent living apartments ("Smokey Mountain Apartments") and related common areas (collectively, the "New Independent Living Units") in July 2019 and November 2019, respectively. The Existing Independent Living Units and New Independent Living Units are collectively defined as the "Independent Living Units".

Table 3
New Independent Living Units Configuration

Unit Type	Number of Units	Square Footage	Entrance Fees(1)	Monthly Service Fees(2)
Clear Creek Cottages				
One Bedroom/Den	14	1,180	$ 301,200	$ 3,293
Two Bedroom Terrace	14	1,270	323,500	3,504
Two Bedroom Duplex	12	1,415	361,000	3,855
Two Bedroom/Den	14	1,570	400,600	4,230
Total/weighted averages	54	1,357	$ 346,041	$ 3,716
Smokey Mountain Apartments				
One Bedroom/Den	24	1,134	$ 282,900	$ 3,272
Two Bedroom	8	1,335	332,900	3,833
Two Bedroom/Den	4	1,609	402,100	4,595
Total /weighted averages	36	1,231	$ 307,256	$ 3,544
Grand Totals / Weighted Averages	**90**	**1,307**	**$ 330,527**	**$ 3,647**
Second person fees			$ 59,000	$ 1,288

Source: Management
(1) Entrance Fees and Monthly Service Fees shown are effective January 2020. 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 Smokey Mountain 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.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the highly contagious respiratory disease named "coronavirus disease 2019" ("COVID-19") to be a pandemic, and on March 13, 2020, a national emergency was declared in the United States and the Centers for Disease Control and Prevention has confirmed the spread of COVID-19 to the United States, including North Carolina. In response, the federal government and a large number of state and district governments, including North Carolina, have imposed strict measures to curtail certain aspects of public life in an effort to contain COVID-19.

In addition to the direct impact to the health care industry, global investment and financial markets (including in the United States) have experienced substantial volatility, with significant declines attributed to COVID-19 concerns and associated economic impacts of the curtailment of public life described above. As with nearly all industries and companies operating through the COVID-19 pandemic, the Corporation expects to encounter further volatility and disruption in its operations and in the local, national and global economies.

An outbreak of an infectious disease, including the growth in the magnitude or severity of COVID-19 cases in the Corporation's service area, could result in an abnormally high demand for health care services. Further, the changing global economic conditions or global health concerns surrounding the COVID-19 pandemic may also affect the Corporation's partners, suppliers, distributors and payors, potentially disrupting or delaying the Corporation's supply chain and reimbursement by private payors.

The extent of COVID-19's effect on the Corporation's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, the potential impact of the COVID-19 pandemic could materially adversely impact the Corporation's financial condition, liquidity and results of operations, as well as national and local economies.

Under provision of the Coronavirus Aid, Relief, and Economy Security ("CARES Act"), as of August 1, 2020, the Corporation had received approximately $357,000 in Public Health and Social Services Emergency Fund stimulus payments, as a provider of Medicare reimbursed nursing services, to reimburse the Corporation for healthcare related expenses and lost revenue that are attributable to COVID-19. The Corporation obtained an approximate $2,758,000 Paycheck Protection Program Grant Income from a participating bank created under the CARES Act as amended by the Flexibility Act. Management has included both the CARES Act stimulus payment and the proceeds from the Paycheck Protection Program Grant Income in its forecast for fiscal year 2021 but has not estimated any additional impact of COVID-19 for the remainder of the forecast period.

Description of the Occupancy Agreement

Reservation Process

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

Prospective residents pay $1,000 to be added to the waitlist. In order to reserve an Independent Living Unit, a prospective resident must execute 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 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 are able to care for themselves with limited or no assistance and are able to demonstrate the necessary financial resources to meet the Corporation's minimum fee requirements. As defined in the Occupancy Agreement, a Resident is required to pay an initial Entrance Fee and 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.

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

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

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 Healthcare Center;
- 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 per day.

Summary of Significant Accounting Policies

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

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

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

(d) 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 forecast 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.

(e) 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.

(f) 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.

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

(h) 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

(i) 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.

(j) 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.

(k) 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.

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

(m) 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.

(n) 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.

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

(p) 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, 2020, because the present value of the estimated net costs of future services and use of facilities is less than deferred revenue from entrance fees. For purposes of the forecast, Management has assumed no future service obligation liability.

(q) 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.

(r) Restricted Cash - During fiscal year 2020, the Corporation adopted Accounting Standards Update (ASU) No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This guidance is intended to improve the classification and presentation of changes in restricted cash on the statements of cash flows and will provide more consistent application of GAAP by reducing diversity in practice. The ASU also requires an entity to disclose information about the nature of restricted cash.

(s) 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.

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, 2021 and annually thereafter.

The Existing Independent Living Units and the New Independent Living Units are assumed to maintain an approximate 96 percent occupancy level throughout the forecast period. The following table summarizes the assumed utilization of both Existing Independent Living Units and New Independent Living Units during the forecast period:

Table 4
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:							
2018	312.3	325.0	96.1%	-	-	-	96.1%
2019	314.0	319.0	98.4%	-	-	-	98.4%
2020	300.0	313.3	95.8%	54.8	55.1	99.5%	96.3%
2021 (3)	294.3	310.5	94.7%	88.3	90.0	98.1%	95.5%
Forecasted:							
2021	293.0	306.0	95.7%	86.0	90.0	95.6%	95.7%
2022	289.0	302.0	95.7%	86.0	90.0	95.6%	95.7%
2023	285.2	298.0	95.7%	86.0	90.0	95.6%	95.7%
2024	281.4	294.0	95.7%	86.0	90.0	95.6%	95.7%
2025	277.5	290.0	95.7%	86.0	90.0	95.6%	95.7%

Source: Management

(1) Management plans to continue to combine Existing Independent Living Units. Management estimates the Existing Independent Living Units will decrease to 290 by fiscal year 2025, due to unit reconfiguration and combining.

(2) The 90 New Independent Living Units were available for occupancy in phases beginning in July 2019 through November 2019 (fiscal year 2020).

(3) Average occupancy for the Existing Independent Living Units and the New Independent Living Units through July 31, 2020 were 94.7 percent and 98.1 percent, respectively.

The double occupancy percentage for the Existing Independent Living Units is assumed to approximate 33.2 percent throughout the forecast period as provided by Management and Management's actuary. Management assumes the double occupancy percentage for the New Independent Living Units to approximate 60.0 percent throughout the forecast period.

Care Center Revenue

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

Management assumes the Assisted Living Units will achieve 81.5 percent occupancy in fiscal year 2021, 85.0 percent occupancy in fiscal year 2022, 90.0 percent occupancy in fiscal year 2023, and remain at that level throughout the remainder of the forecast period. The assumed occupancy levels for the Assisted Living Units are presented in the following table:

Table 5
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:						
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	34.8	6.0	8.3	49.1	60.0	81.8%
2021 (1)	32.3	8.0	8.3	48.6	60.0	81.0%
Forecasted:						
2021	33.2	6.8	8.9	48.9	60.0	81.5%
2022	34.4	7.2	9.4	51.0	60.0	85.0%
2023	35.4	7.4	11.2	54.0	60.0	90.0%
2024	36.4	7.5	10.1	54.0	60.0	90.0%
2025	37.4	7.7	8.9	54.0	60.0	90.0%

Source: Management
(1) Average occupancy through July 31, 2020.

Medical Center Revenue

Management assumes Medical Center revenues to increase approximately 1.6 percent annually throughout the forecast 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 remainder of the forecast period. The assumed occupancy levels for the Skilled Nursing Beds are presented in the following table:

Table 6
Average Utilization of the Skilled Nursing Beds

Years Ended March 31,	Permanent Lifecare Transfers	Temporary Lifecare Transfers	Private Pay	Medicare	Total	Total Beds Available	Average Occupancy
Historical:							
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	16.9	13.9	3.9	12.8	47.5	58.0	81.9%
2021 (1)	20.3	14.3	4.5	5.0	44.1	58.0	76.0%
Forecasted:							
2021	17.4	14.4	3.5	13.2	48.5	58.0	83.6%
2022	23.3	14.4	1.3	13.2	52.2	58.0	90.0%
2023	23.4	14.4	1.2	13.2	52.2	58.0	90.0%
2024	23.5	14.4	1.1	13.2	52.2	58.0	90.0%
2025	23.6	14.4	1.0	13.2	52.2	58.0	90.0%

Source: Management
(1) Average occupancy through July 31, 2020.

Investment Income

Interest earnings are assumed to approximate 1.5 percent annually throughout the forecast 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 and other miscellaneous revenue to increase approximately 3.0 percent annually throughout the forecast period.

Coronavirus Aid, Relief, and Economy Security Act

Under provision of the CARES Act, the Corporation received approximately $357,000 in stimulus payments, as a provider of Medicare reimbursed nursing services, to reimburse the Corporation for healthcare related expenses and lost revenue that are attributable to COVID-19. Management assumes recognition of these payments as grant revenue during fiscal year ending March 31, 2021.

Paycheck Protection Program Grant Income

The Corporation obtained an approximate $2,758,000 Paycheck Protection Program Grant Income from a participating bank created under the CARES Act as amended by the Flexibility Act. The Paycheck Protection Program Grant Income is unsecured, and an interest rate is 1 percent per annum would apply if the Paycheck Protection Program Grant Income is deemed a loan.

The Cares Act and the subsequent Flexibility Act provide that the Paycheck Protection Program Grant Income is anticipated to be earned, rather than a loan, if certain conditions are substantially met, including, among other things, during the 24-week period after the Paycheck Protection Program Grant Income was made, at least 60 percent of the Paycheck Protection Program Grant Income proceeds were used for eligible payroll costs and the average number of full-time employees of the Corporation was not reduced during an applicable reference period. The Corporation intends to submit a timely forgiveness application to the Small Business Administration ("SBA") and anticipates meeting all of the conditions of the Paycheck Protection Program Grant Income. For purposes of the forecast, the Paycheck Protection Program Grant Income is assumed to be earned and classified as grant revenue during fiscal year ending March 31, 2021.

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.

Existing Independent Living Units and New Independent Living Units Entrance Fees from attrition are assumed to increase 3.0 percent annually throughout the forecast period. The following table presents the assumed initial and attrition Entrance Fees received and the total Entrance Fees refunded.

Table 7
Entrance Fees Receipts and Entrance Fees Refunds (In Thousands)

	2021	2022	2023	2024	2025
New Independent Living Units – Initial	2.0	-	-	-	-
Existing Independent Living Units – Attrition	23.3	26.2	23.0	22.0	19.0
New Independent Living Units - Attrition	0.3	1.5	3.0	3.0	4.0
Total Number of Entrance Fees Received	**25.6**	**27.7**	**26.0**	**25.0**	**23.0**
New Independent Living Units – Initial	$ 695	$ -	$ -	$ -	$ -
Existing Independent Living Units – Attrition	6,426	7,537	6,954	6,873	6,501
New Independent Living Units - Attrition	109	564	1,158	1,196	1,642
Total Entrance Fees Received	**$ 7,230**	**$ 8,101**	**$ 8,112**	**$ 8,069**	**$ 8,143**
Total Entrance Fees Refunded	(535)	(630)	(581)	(426)	(387)
Entrance Fees Received, Net of Refunds	**$ 6,695**	**$ 7,471**	**$ 7,531**	**$ 7,643**	**$ 7,756**

Source: Management and the actuary

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 forecast period. The table below illustrates the assumed staffing during the forecast period.

Table 8
Schedule of Assumed Staffing Levels (FTEs)

Department	Total
General and administrative	17.4
Maintenance and grounds	22.4
Housekeeping	16.8
Medical Center	70.1
Care Center	34.5
Dietary	90.7
Independent living services	16.9
Total FTE's	**268.8**

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 forecast period. Medical Center and dietary expenses are assumed to increase 4.5 percent and 2.5 percent, respectively, annually throughout the forecast 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 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 the Community's occupancy exceeds 90 percent. The Statutory Operating Reserve Fund requirement as of March 31, 2020 was $6,099,000.

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

(3) 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.

(4) 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.

(5) 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.

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

Table 9
Schedule of Property and Equipment
(In Thousands)

Years Ended March 31,	**2021**	**2022**	**2023**	**2024**	**2025**
Property and equipment, gross					
Beginning balance	$ 145,684	$ 147,884	$ 150,150	$ 152,484	$ 154,888
Routine capital additions	2,200	2,266	2,334	2,404	2,476
Property and equipment, gross	147,884	150,150	152,484	154,888	157,364
Accumulated depreciation	(54,979)	(59,920)	(65,003)	(70,229)	(75,597)
Property and equipment, net					
Ending balance	**$ 92,905**	**$ 90,230**	**$ 87,481**	**$ 84,659**	**$ 81,767**

Source: Management

Long-Term Debt and Interest Expense

In December 2017, the Corporation 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 an interest rate swap, and provide initial funds for the construction of the expansion project. As of March 31, 2020, approximately $55,545,000 of the Series 2017 Bonds were outstanding.

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 $36,600,000 as of March 31, 2020. 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 interest rates ranging from 4.25 to 5.00 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 forecasted debt service for the Series 2017A Bonds and the Series 2017B Bonds.

Table 10
Principal Payments and Interest Payments
(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
2021	$ 1,545	$ 1,131	$ -	$ 893	$ 3,569
2022	1,590	1,082	-	893	3,565
2023	1,640	1,031	-	893	3,564
2024	1,690	979	-	893	3,562
2025	1,745	859	-	893	3,497
Thereafter	28,390	5,203	18,945	17,601	70,139
Total	**$ 36,600**	**$ 10,285**	**$ 18,945**	**$ 22,066**	**$ 87,896**

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 11
Working Capital – Days on Hand

Accounts receivables-Residents	22 days of operating revenues
Accounts receivables-other	3 days of operating revenues
Inventories and prepaid expenses	3 days of operating expenses
Accounts payable	9 days of operating expenses
Other accrued liabilities	19 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, 2020

The threshold of $581,000 is calculated as .5% of total assets.

	Statement of Operations	**FORECASTED**	**AUDITED**	**Variance greater than $581,000**	**and 5%**
	Revenues:				
	Resident Service Fees	$ 10,740,000	$ 10,714,482		
	Entrance Fee amortization and forfeitures	6,259,000	6,132,791		
	Medical Center	3,437,000	3,931,758		
	Care Center	1,491,000	1,505,953		
1)	Dietary	4,005,000	3,359,607	(645,393)	-16.1%
	Investment Income	267,000	(197,358)		
2)	Miscellaneous Income	282,000	1,036,280	754,280	267.5%
	Total Revenues	26,481,000	26,483,513		
	Expenses:				
	General and Administration	3,744,000	4,323,637		
	Operation of Plant	3,897,000	3,667,078		
	Housekeeping	811,000	901,149		
	Medical Center	5,856,000	6,330,841		
	Care Center	2,176,000	2,444,597		
	Dietary	4,646,000	5,070,847		
	Annuity Expenditures	30,000	28,119		
3)	Depreciation	4,499,000	3,684,732	(814,268)	-18.1%
	Amortization	179,000	-		
	Interest Expense	1,971,000	2,074,142		
	Total Expenses	27,809,000	28,525,142		
	Change in Net Assets	(1,328,000)	(2,041,629)		
	Net Deficits - Beginning Of Year	(6,971,000)	(6,971,363)		
	Net Assets - End Of Year	$ (8,299,000)	$ (9,012,992)		

CAROLINA VILLAGE, INC.

Report on material variances between prior year's forecast and actual audited results
For the year ended March 31, 2020

			FORECASTED	AUDITED	Variance greater than $581,000	and 5%
	Cash flows from operating activities					
	Change in Net Assets		$ (1,328,000)	$ (2,041,629)		
	Adjustment to reconcile change in net assets to net cash provided by operating activities:					
3)	Depreciation		4,499,000	3,684,732	(814,268)	-18.1%
	Amortization of Deferred Marketing & Financing Costs		179,000	253,170		
	Entrance Fee amortization and forfeitures		(6,225,000)	(6,458,374)		
4)	Entrance Fees received - net of refunds		7,004,000	3,870,539	(3,133,461)	-44.7%
	Realized gains on investments	*	-	(162,795)		
	Unrealized gains on investments		-	423,020		
5)	Change in current & other assets and liabilities		(1,750,000)	1,309,003	3,059,003	-174.8%
	Net Cash provided by operating activities		2,379,000	877,666		
	Cash flows used by Investing activities:					
6)	Change in assets limited to use		(11,204,000)	216,707	11,420,707	-101.9%
7)	Purchases of property and equipment		(15,941,000)	(18,830,597)	(2,889,597)	18.1%
	Net cash (used) by investing activities		(27,145,000)	(18,613,890)		
	Cash flows provided (used) by financing activities:					
8)	Proceeds from Bonds		15,384,000	14,367,348	(1,016,652)	100.0%
9)	Entrance Fees- NEW ILU		27,797,000	29,675,177	1,878,177	6.8%
	Change in deposits held in escrow		(2,195,000)	(2,483,760)		
	Refunds of Entrance Fees		(341,000)	(152,637)		
10)	Principal payments on long-term debt		(16,490,000)	(23,556,749)	(7,066,749)	42.9%
	Net Cash Flows (used) by Financing Activities		24,155,000	17,849,379		
	Change in cash and cash equivalents		(611,000)	113,155		
	Cash and cash equivalents, beginning of year		3,644,000	7,338,396		
	Cash and cash equivalents end of year		$ 3,033,000	$ 7,451,551		

CAROLINA VILLAGE, INC.

Report on material variances between prior year's forecast and actual audited results
For the year ended March 31, 2020

	Balance Sheets	FORECASTED	AUDITED	Variance greater than $581,000 and 5%	
	Assets				
	Current Assets:				
11)	Cash and Investments :	$ 3,727,000	$ 6,041,902	2,314,902	62.1%
12)	Accounts receivable	1,715,000	3,962,538	2,247,538	131.1%
	Inventories And Prepaid Expenses	190,000	233,531		
	Total Current Assets	5,632,000	10,237,971		
	Non-Current Assets:				
	Designated for Operating Reserve	6,099,000	6,099,000		
13)	Funds held by a trustee under Bond Indenture	14,611,000	1,870,167	(12,740,833)	-87.2%
	Total Assets Limited to Use	20,710,000	7,969,167		
	Property and Equipment:				
	Total Property and Equipment, net	94,154,000	95,505,101		
	Assets limited as to use:				
	Deposits held in escrow for expansion units	289,000	-		
	Long-Term Restricted Investments	2,738,000	2,495,695		
	Total Other Assets	3,027,000	2,495,695		
	Total Assets	$ 123,523,000	$ 116,207,934		
	Liabilities and Net Assets				
	Current Liabilities:				
	Accounts Payable	$ 2,330,000	$ 2,650,695		
	Deposits on Contracts	301,000	720,770		
14)	Current Maturities-Long Term Debt	9,640,000	1,545,000	(8,095,000)	-84.0%
	Total Current Liabilities	12,271,000	4,916,465		
	Long term Liabilities:				
	Exclusive Of Current Maturities				
	Long-Term Debt	53,073,000	53,136,948		
	Other Long-term Liabilities	1,401,000	1,130,909		
	Total Long-Term Liabilities	54,474,000	54,267,857		
	Deferred revenue:				
	Deferred revenue from entrance fees	65,077,000	66,036,604		
	Total Liabilities	131,822,000	125,220,926		
	Net Assets:				
15)	Without Donor Restrictions	(9,767,000)	(10,454,349)	(687,349)	7.0%
	With Donor Restrictions	1,468,000	1,441,357		
	Total Net Assets	(8,299,000)	(9,012,992)		
	Total Liabilities and Net Assets	$ 123,523,000	$ 116,207,934		

CAROLINA VILLAGE, INC.

Report on material variances between prior year's forecast and actual audited results
For the year ended March 31, 2020

1) Audited dietary income was roughly $645k lower than the forecast. The forecast showed a significant increase this year due to expansion, however dietary income remained comparable to previous years.

2) Misc. Income exceeded projections related to construction project and new resident upgrades. There was a substantial amount of new resident upgrades in the current year due to all of the resident move ins.

3) Depreciation was ~$800,000 lower than projected due to the timing of each phase of the project going live during FY2020.

4) Entrance Fees Received projections were greater than actual due to a lower turnover rate in 2020.

5) Change in Current and Other Assets and Liabilities actual were more than projections. This is primarily due to the forecast projecting deposits on contracts in escrow to have a balance at year end FY20, however all were closed in FY2020. The change was also due to the influx of cash in FY20 from the expansion project move ins.

6) Audited change in assets limited to use were more than projected due to timing of bond funds distribution.

7) Purchases of Property and Equipment more than projection due to progress of project.

8) Projection anticipated full issuance of 2017C, however Carolina Village used draw downs ~$7 million in FY19 and ~$14 million in FY20 and also paid 2017C bonds off in full during FY2020

9) The majority of the expansion residents moved in during FY20 whereas the forecast projected more move ins in FY21.

10) The difference in principal payments on long term debt is due to the Village paying off the 2017C bonds in full in FY2020.

11) Audited cash is ~2.3 million higher than the forecasted numbers. Over 100 residents moved in during FY20 which substantially increased cash.

12) Audited accounts receivable is much higher due to the many move ins for both expansion and existing units during the last quarter of FY2020. The majority of Accounts Receivable at year end was entrance fees receivable.

13) Funds held by bond trustee is less than projected. This is due to the projection including a debt service reserve fund (DSRF) for both the 2017A and 2017B bonds and a construction fund for 2017C bonds. However, a DSRF is only required for the 2017B bonds and 2017C Bonds were paid off in full in FY2020.

14) Projected short term debt includes the 2017C bonds, however the 2017C bonds had no outstanding balance at year end FY2020.

15) Change in net assets without donor restrictions is a direct result of the audited decrease in net assets for FY2020.

Appendix B

<u>Interim Financial Statements</u>

For the four months ended

July 31, 2020

CAROLINA VILLAGE, INC.
BALANCE SHEETS
July 31, 2020

ASSETS		July 31 2020		March 31 2020
CURRENT ASSETS:				
Cash and Cash Investments	$	9,329,478	$	5,581,384
Investments in Marketable Securities		8,686,029		7,304,576
Accounts Receivable		877,672		1,395,598
Entrance Fees Receivable		1,098,652		2,566,940
Inventories and Prepaid Expenses		351,448		233,516
Total Current Assets		20,343,279		17,082,014
PROPERTY, PLANT AND EQUIPMENT:				
Land and Improvements		5,402,251		5,397,275
Building and Cottages		132,444,627		131,924,433
Construction in Progress		610,266		548,272
Equipment		7,963,062		7,814,693
Total Property, Plant & Equipment		146,420,206		145,684,673
Less: Accumulated Depreciation		51,476,120		50,179,572
Total Property, Plant & Equipment --net		94,944,086		95,505,101
OTHER ASSETS:				
Bond Funds - held by trustee		1,611		21,346
Debt Service Reserve Fund		1,850,345		1,848,821
Long - Term Investments		1,901,327		1,527,530
Assets held in Charitable Trusts		233,734		223,122
Total Other Assets		3,987,017		3,620,819
TOTAL ASSETS	$	119,274,382	$	116,207,934
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts Payable	$	461,986	$	696,211
Accrued Payroll and Payroll Taxes		3,060,404		2,817,364
Current Maturities of Long Term Debt		1,590,000		1,545,000
Total Current Liabilities		5,112,390		5,058,575
LONG TERM LIABILITIES:				
Long-Term Debt		52,601,212		53,136,948
Refundable Advance-PPP		2,756,700		-
Annuity and Trust Payables		39,466		96,721
Total Long Term Liabilities		55,397,378		53,233,669
DEFERRED INCOME:				
Deferred Entrance Fee Income		64,795,358		66,207,912
Deferred Revenue-Stimulus		179,309		-
Occupancy Contracts - deposits		548,945		720,770
Total Deferred Income		65,523,612		66,928,682
Total Liabilities		126,033,380		125,220,926
NET ASSETS:				
Without Donor Restrictions		(8,310,808)		(10,401,908)
With Donor Restrictions		1,551,810		1,388,916
Total Net Assets		(6,758,998)		(9,012,992)
TOTAL LIABILITIES AND NET ASSETS	$	119,274,382	$	116,207,934

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

	April 2020 thru July 2020	12 months ended March 2020
Revenues		
Apartments:		
Service Fees	$ 4,353,847	$ 10,714,482
Entrance Fee Amortization	2,106,518	4,949,029
Entrance Fee Forfeitures	408,346	1,183,762
Other Apartment revenue	11,516	150,780
Medical Center	799,894	3,525,635
Care Center	481,794	1,297,038
Dietary - Main Complex	870,370	2,123,954
Dietary - Nursing	544,950	1,828,937
Contributions	223,172	857,850
Miscellaneous	10,937	8,276
Total Revenues	9,811,344	26,639,743
Expenses		
General and Administrative	1,282,410	4,324,452
Operation of Plant	1,072,628	3,675,212
Housekeeping	282,928	886,089
Medical Center	1,977,000	6,310,485
Care Center	759,150	2,433,323
Dietary - Main Complex	1,019,664	3,208,642
Dietary - Medical	626,912	1,842,802
Depreciation	1,296,548	3,684,732
Interest Expense	676,837	2,074,093
Total Expenses	8,994,077	28,439,830
Operating Gain (Loss)	817,267	(1,800,087)
Non-Operating Revenues (Expenses)		
Unrealized/Realized Gain (Loss) on Investments	1,158,154	(515,275)
Investment Income	278,573	273,733
Net Non-Operating Revenues (Expenses)	1,436,727	(241,542)
Change in Net Assets	2,253,994	(2,041,629)
Net Assets - beginning of period	(9,012,992)	(6,971,363)
Net Assets - end of period	$ (6,758,998)	$ (9,012,992)

CAROLINA VILLAGE, INC.
STATEMENT OF CASH FLOWS

	April 2019 thru July 2020	12 months ended March 2020
Cash Flows from Operating Activities:		
Change in Net Assets	$ 2,253,994	$ (2,041,629)
Entrance Fee Amortization	(2,106,518)	(4,949,029)
Entrance Fee Forfeitures	(408,346)	(1,183,762)
Depreciation	1,296,548	3,684,732
Deferred Income LCP	(115,356)	(325,583)
Entrance Fees (New Contracts) - net of refunds	2,685,954	5,684,350
Net Trust Forfeitures & Actuarial Adjustments	(57,255)	(63,614)
Changes in Operating Assets and Liabilities:		
Receivables	517,926	(62,087)
Inventories & Prepaid Expenses	(117,932)	(116,217)
Deferred Revenue-Stimulus	179,309	-
Accounts Payable	8,815	(1,488,962)
Accrued Bond Interest	19,264	(1,747,829)
Deposits on Occupancy Contracts	(171,825)	708,770
Refundable Advance-PPP	2,756,700	-
Net Cash Flows Provided (Used) by Operating Activities	6,741,278	(1,900,860)
Cash Flows from Investing Activities:		
Change in Assets held in Charitable Remainder Trusts	(10,612)	77,400
Change in Investments	(373,797)	75,092
Capital Additions	(735,533)	(16,477,642)
Net Cash Used by Investing Activities	(1,119,942)	(16,325,150)
Cash Flows from Financing Activities:		
Principal Payments - Long-Term debt	(510,000)	(23,556,749)
Expansion Entrance Fees Received	-	27,708,729
Bond Proceeds 2017 series	-	16,346,504
Funds held by Trustee - net of transfers	18,211	605,898
Net Cash Provided (Used) by Financing Activities	(491,789)	21,104,382
Net Increase (Decrease) in Cash and Cash Investments	5,129,547	2,878,372
Cash and Cash Investments - Beginning of Period	12,885,960	10,007,588
Cash and Cash Investments - End of Period	$ 18,015,507	$ 12,885,960

Appendix C

<u>Occupancy Agreement</u>

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:

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

(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