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

Disclosure Statement

August 31, 2021

In accordance with Article 64 of Chapter 58 of the NC General Statutes, this Disclosure Statement may be delivered only through January 27, 2023, 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, 2021

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, 2023;**
- **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, 2021. This Disclosure Statement may be delivered only through January 27, 2023, 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, 2021, 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:	Ruth Birge, 1A Westridge Ct., Hendersonville Retired Executive
Director:	Dick Bobb, 600 Carolina Village Rd., Hendersonville Retired Financial Executive/Resident
Director:	Lynn Killian, 1212 Forest Hill Dr., Hendersonville Professional Fundraiser
Director:	Dr. Wilder Glover Little, 1216 6th Ave W, Hendersonville Physician
Director:	Kimbela McMinn, 539 N. Main St., Hendersonville Local Banker
Director:	Sherri Metzger, 30 Kestrel Court, Hendersonville Retired Realtor/Resident
Director:	Mark Morse, 411 Sabine Dr., Hendersonville Local Executive
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, 2021, are:

Executive Director:	Kevin Parries, 18 years at Carolina Village, 33 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, 18 years of experience in long-term care, 13 years as administrator, 10 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, 2 years at Carolina Village, 7 years of experience as a financial statement auditor
Medical Center Administrator:	Alex Tucker, 12 years of experience in long-term care, 8 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. 35 years of experience, Certified Medical Director for Long Term Care Facilities
Director of Nursing:	Kelli Russell, 19 years of experience as a Registered Nurse, over 12 years as a Director of Nursing, 9 years at Carolina Village as Director of Nursing
Director of Dining Services:	Maria Rich, Certified Dietary Manager, 28 years as a Certified Dietician, 8 years at Carolina Village
Dietary Supervisor:	Lindsey Colecio, in progress of obtaining Associate of Arts Degree from AB Tech; certified with Dietary Managers Association, 12 years at Carolina Village, 6 months in Dietary Supervisor role
Director of Facility Services:	Michael Lance, 14 years of experience in construction and maintenance, 4 years at Carolina Village
Housekeeping Supervisor:	David Auxier, 9 years of experience as Housekeeping Supervisor, 4 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 96 acres at 600 Carolina Village Road, Hendersonville, North Carolina 28792. The site is bordered by Interstate Highway 26 on the east and U.S. 64 on the south. The facility's main 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 operating as exit only.

FACILITIES

The Village is comprised of four three-story and two four-story fire-resistant buildings containing 254 apartments and 135 free-standing cottages. Types of living units available include: various sized one- and two-bedroom apartments and two-bedroom cottages. Common areas include a pool, Main Street, multipurpose meeting rooms, a media room, business center, clubhouse, pharmacy, market, dining room, lounges, libraries, personal laundry facilities, 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 10.

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	COUPLE OCCUPANCY		SINGLE OCCUPANCY	
		Entrance Fee	Monthly Fee[1]	Entrance Fee	Monthly Fee[1]
Pisgah					
1-BEDROOM STANDARD	600	$233,800 [2]	$3,464	$173,800 [2]	$2,156
1-BEDROOM DELUXE	740	$254,100 [2]	$3,670	$194,100 [2]	$2,362
Summit					
1-BEDROOM	814	$275,600	$4,197	$215,600	$2,889
1-BEDROOM + DEN	1,050	$337,100	$4,886	$277,100	$3,578
Blue Ridge					
2-BEDROOM STANDARD	740	$254,100 [2]	$3,670	$194,100 [2]	$2,362
2-BEDROOM EXPANDED	900	$270,400 [2]	$3,966	$210,400 [2]	$2,658
2-BEDROOM CUSTOM	1,040	$296,600 [2]	$4,171	$236,600 [2]	$2,863
2-BEDROOM DELUXE	1,200	$327,600 [2]	$4,381	$267,600 [2]	$3,073
Pinnacle					
2-BEDROOM	1,160	$340,000	$5,063	$280,000	$3,755
2-BEDROOM CORNER	1,366	$383,600	$5,559	$323,600	$4,251
2-BEDROOM + DEN	1,372	$389,000	$5,538	$329,000	$4,230
2-BEDROOM CORNER + DEN	1,541	$429,100	$5,754	$369,100	$4,446
Smoky Mountain					
1-BEDROOM + DEN	1,134	$350,000 [2]	$4,650	$290,000 [2]	$3,342
2-BEDROOM	1,335	$401,200 [2]	$5,225	$341,200 [2]	$3,917
2-BEDROOM + DEN	1,609	$472,200 [2]	$6,006	$412,200 [2]	$4,698

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, 2021. See notes on reverse.

Carolina Village

Cottages

Cottage Type	Square Footage	COUPLE OCCUPANCY		SINGLE OCCUPANCY	
		Entrance Fee	Monthly Fee[1]	Entrance Fee	Monthly Fee[1]
Woods					
2-BEDROOM EXPANDED	945	$289,100 [3]	$4,028	$229,100 [3]	$2,720
2-BEDROOM CUSTOM	1,092	$322,000 [3]	$4,231	$262,000 [3]	$2,923
2-BEDROOM DELUXE	1,260	$358,000 [3]	$4,462	$298,000 [3]	$3,154
Garden					
2-BEDROOM STANDARD + DEN	1,482	$415,300	$4,889	$355,300	$3,581
2-BEDROOM EXPANDED + DEN	1,612	$442,000	$5,069	$382,000	$3,761
2-BEDROOM CUSTOM + DEN	1,742	$472,200	$5,263	$412,200	$3,955
Meadows					
2-BEDROOM STANDARD	1,322	$376,000	$4,660	$316,000	$3,352
2-BEDROOM EXPANDED	1,422	$398,300	$4,878	$338,300	$3,570
2-BEDROOM CUSTOM + DEN	1,504	$415,500	$4,970	$355,500	$3,662
2-BEDROOM DELUXE + DEN	1,604	$438,300	$5,191	$378,300	$3,883
Clear Creek					
1-BEDROOM + DEN	1,180	$368,700	$4,672	$308,700	$3,364
2-BEDROOM TERRACE	1,270	$391,600	$4,888	$331,600	$3,580
2-BEDROOM DUPLEX	1,415	$430,000	$5,248	$370,000	$3,940
2-BEDROOM + DEN	1,570	$470,600	$5,632	$410,600	$4,324

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, 2022, determined from the 2022 forecast for expenses and the March 31, 2021 occupancy numbers:

March 31, 2022		
Total Operating Expenses	$	28,705,000
Principle payment on LTD	$	1,590,000
Depreciation Expense	$	(4,080,000)
Amortization Expense	$	(67,000)
Extraordinary items as approved by the Commissioner	$	0
Debt service portion, if provided for by way of a separate reserve account:	$	(2,573,000)
Total Operating Cost	$	23,575,000
Occupancy Factor	X	25%
Operating Reserve Requirement	$	5,893,750
Available Funds Toward Reserves		
Total Cash & Marketable Securities	$	19,186,449

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, 2021	$ 70	$ 92
January 1, 2020	$ 74	$ 104
January 1, 2019	$ 65	$ 89
January 1, 2018	$ 83	$ 107
January 1, 2017	$ 70	$ 96
Average Annual Increase	$ 72	$ 98

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.

The Village is currently constructing a permanent gatehouse at the main entrance of campus. This new structure will house security staff, who will continue to screen each individual that comes onto campus. This project is expected to be completed in the fall of 2021.

After carefully considering the needs of current and future residents, through focus groups and the expertise of consultants, it was determined that the Village should add additional dining venues. To this end, Carolina Village plans to renovate the existing dining venues and certain common areas, as well as relocate several administration offices. At the end of this project, Carolina Village will offer a greater variety of dining options, as well as larger meeting spaces. This project is expected to begin in the fall of 2021 and be completed in the fall of 2023.

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, 2021

Forecasted Financial Statements

For the years ending

March 31, 2022 thru March 31, 2026

Report on Variances

Carolina Village, Inc.

Financial Statements

Years Ended March 31, 2021 and 2020

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Independent Auditors' Report

Board of Directors
Carolina Village, Inc.
Hendersonville, NC

We have audited the accompanying financial statements of Carolina Village, Inc. (the "Village"), which comprise the balance sheets as of March 31, 2021 and 2020, 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, 2021 and 2020, 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.

Dixon Hughes Goodman LLP

Greenville, SC
June 23, 2021

Carolina Village, Inc.
Balance Sheets
March 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 10,095,867**	$ 5,581,384
Investments in marketable securities	**3,295,582**	460,518
Accounts receivable, residents, net	**613,691**	1,049,376
Accounts receivable, entrance fees	**588,150**	2,566,940
Accounts receivable, other	**139,801**	346,222
Supplies, inventories and prepaid expenses	**353,143**	233,531
Total current assets	**15,086,234**	10,237,971
Assets limited as to use:		
Funds held by a trustee under bond indenture	**1,850,474**	1,870,167
Endowment funds	**362,192**	362,192
Investments restricted for statutory operating reserve	**5,795,000**	6,099,000
Assets held in charitable remainder trusts	**291,544**	223,122
Assets held for deferred compensation	**1,591,251**	1,054,338
Other donor restricted assets held	**1,109,998**	856,043
Total assets limited as to use	**11,000,459**	10,464,862
Property and equipment, net	**94,181,877**	95,505,101
Total assets	**$ 120,268,570**	$ 116,207,934

	2021	2020
LIABILITIES AND NET DEFICIT		
Current liabilities:		
Accounts payable–trade	**$ 794,184**	$ 671,984
Accounts payable–construction	**177,857**	156,628
Accrued payroll and related withholdings	**374,297**	343,480
Accrued vacation	**1,184,437**	1,287,145
Deposits on contracts	**124,000**	720,770
Current maturities of charitable remainder trust annuities payable	**13,467**	20,150
Refundable entrance fees	**367,157**	171,308
Current maturities of long-term debt	**1,590,000**	1,545,000
Provider Relief Funds liability	**144,134**	-
Total current liabilities	**4,769,533**	4,916,465
Long-term liabilities:		
Exclusive of current maturities:		
Long-term debt, net	**51,604,740**	53,136,948
Charitable remainder trust annuities payable	**45,787**	76,571
Deferred compensation	**1,591,251**	1,054,338
Deferred revenue from entrance fees	**63,540,608**	66,036,604
Total long-term liabilities	**116,782,386**	120,304,461
Total liabilities	**121,551,919**	125,220,926
Net assets (deficit):		
Without donor restriction	**(3,047,083)**	(10,454,349)
With donor restriction	**1,763,734**	1,441,357
Total net deficit	**(1,283,349)**	(9,012,992)
Total liabilities and net deficit	**$ 120,268,570**	$ 116,207,934

Carolina Village, Inc.
Statements of Operations and Changes in Net Deficit
Years Ended March 31, 2021 and 2020

	2021	2020
Revenues, gains, and other support:		
Revenues:		
Apartments:		
Service fees	**$ 13,033,180**	$ 10,714,482
Entrance fee amortization	**6,301,807**	4,949,029
Entrance fee forfeitures	**1,870,016**	1,183,762
Other apartments revenue	**202,403**	810,775
Medical Center	**2,529,484**	3,931,758
Care Center	**1,564,702**	1,505,953
Dietary	**2,359,511**	2,123,954
Dietary–Medical Center	**1,250,585**	1,235,653
Net assets released from restrictions for operations	**254,338**	89,371
Miscellaneous	**230,149**	162,846
Federal Provider Relief Fund income	**428,865**	-
State Provider Relief Fund income	**220,200**	-
Total revenues	**30,245,240**	26,707,583
Expenses:		
General and administrative	**4,318,039**	4,323,637
Operation of plant	**3,780,581**	3,667,078
Housekeeping	**863,431**	901,149
Medical Center	**5,891,266**	6,330,841
Care Center	**2,256,473**	2,444,597
Dietary	**3,115,946**	3,219,287
Dietary–Medical Center	**1,888,923**	1,851,560
Annuity expenditures	**17,582**	28,119
Depreciation	**3,891,052**	3,684,732
Interest	**2,047,150**	2,074,142
Total expenses	**28,070,443**	28,525,142
Operating income (loss)	**2,174,797**	(1,817,559)
Non-operating income (expense):		
Unrealized gain (loss) on investments	**1,770,125**	(369,799)
Investment income	**706,344**	172,441
Paycheck Protection Program loan income	**2,756,000**	-
Excess of revenues over (under) expenses	**7,407,266**	(2,014,917)

	2021	2020
Net assets with donor restrictions:		
Split interest agreement	**37,467**	63,614
Contributions	**121,125**	49,962
Interest and dividends	**10,596**	11,950
Unrealized gain (loss) on investments	**246,943**	(53,221)
Realized gain (loss) on investments	**160,584**	(9,646)
Net assets released from restrictions for operations	**(254,338)**	(89,371)
Change in net assets with donor restrictions	**322,377**	(26,712)
Change in net deficit	**7,729,643**	(2,041,629)
Net deficit–beginning of year	**(9,012,992)**	(6,971,363)
Net deficit–end of year	**$ (1,283,349)**	$ (9,012,992)

Carolina Village, Inc.
Statements of Cash Flows
Years Ended March 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net deficit	**$ 7,729,643**	$ (2,041,629)
Adjustments to reconcile change in net deficit to net cash provided by operating activities:		
Depreciation	**3,891,052**	3,684,732
Unrealized (gain) loss on investments	**(2,017,068)**	423,020
Realized gain on investments	**(866,928)**	(162,795)
Amortization of deferred loan costs	**66,368**	264,256
Amortization of bond discount	**7,224**	7,224
Amortization of bond premium	**(15,800)**	(18,310)
Change in value of split interest agreements	**(19,885)**	(35,495)
Entrance fee amortization (1)	**(6,680,723)**	(5,274,612)
Entrance fee forfeitures	**(1,870,016)**	(1,183,762)
Entrance fees–new occupancy contracts–existing units	**8,764,877**	3,870,539
Restricted contributions	**(121,125)**	(49,962)
Changes in operating assets and liabilities:		
Accounts receivable–residents	**435,685**	168,896
Accounts receivable–other	**206,421**	(230,984)
Supplies, inventories and prepaid expenses	**(119,612)**	(116,200)
Accounts payable–trade	**122,200**	445,510
Accounts payable–construction	**-**	(404)
Accrued payroll	**30,817**	131,373
Accrued vacation	**(102,708)**	503,071
Deferred compensation	**536,913**	(215,572)
Deposits on contracts–existing units	**(596,770)**	708,770
Provider Relief Funds liability	**144,134**	-
Net cash provided by operating activities	**9,524,699**	877,666
Cash flows from investing activities:		
Purchase of investments	**(4,301,660)**	(1,209,458)
Sale of investments	**3,795,302**	1,426,165
Purchase of property and equipment	**(2,546,599)**	(18,830,597)
Net cash used by investing activities	**$ (3,052,957)**	$ (18,613,890)

	2021	2020
Cash flows from financing activities:		
Payments on long-term debt	**$ (1,545,000)**	$ (23,556,749)
Proceeds from bonds	**-**	14,345,505
Annuity payments	**(17,582)**	(28,119)
Refunds of entrance fees	**(535,495)**	(152,637)
Proceeds from restricted contributions	**121,125**	49,962
Entrance fees–new occupancy contracts–first generation units	**-**	29,675,177
Deposits on contracts–expansion units	**-**	(2,483,760)
Net cash (used) provided by financing activities	**(1,976,952)**	17,849,379
Net increase in cash, cash equivalents, and restricted cash	**4,494,790**	113,155
Cash, cash equivalents, and restricted cash–beginning of year	**7,451,551**	7,338,396
Cash, cash equivalents, and restricted cash–end of year	**$ 11,946,341**	$ 7,451,551
Interest paid	**$ 1,973,558**	$ 2,426,442
Non-cash investing activities:		
Purchase of property and equipment in accounts payable at year-end	**$ 177,857**	$ 156,628

Reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheets that sum to the total of the same such amounts in the statements of cash flows:

	2021	2020
Cash and cash equivalents	**$ 10,095,867**	$ 5,581,384
Funds held by a trustee under bond indenture	**1,850,474**	1,870,167
Cash, cash equivalents, and restricted cash–end of year	**$ 11,946,341**	$ 7,451,551

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

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

Basis of presentation

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

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

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

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

Use of estimates

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

Cash and cash equivalents

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

Assets limited as to use

Assets limited as to use represent; (1) funds required by the Village's bond documents to be held by a Trustee, (2) funds that have been restricted by donors including endowment funds, (3) investments designated by the board for the statutory operating reserve, (4) assets held in charitable remainder trusts and (5) assets held under deferred compensation agreements. Amounts required to meet current liabilities of the Village have been classified as current assets in the balance sheets as of March 31, 2021 and 2020.

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.

Property and equipment

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

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

Capitalized interest

Interest costs incurred on borrowed funds during the period of capital asset construction are capitalized as a component of the cost of acquisition and were approximately $- and $624,000 for the years ended March 31, 2021 and 2020, 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 $42,600,000 and $46,300,000 at March 31, 2021 and 2020, respectively. Based on historical experience, the estimated amount of the contractual refund obligations that are expected to be refunded in the coming year is $367,157 and $171,308 at March 31, 2021 and 2020, respectively, and is classified as a current liability on the balance sheets.

Contributions and donor-imposed restrictions

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

Resident revenue

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

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 1.6 and 1.9 percent for 2021 and 2020, respectively based on the Federal long-term rate. There was no obligation at March 31, 2021 or 2020.

Statements of operations

The statements of operations includes excess of revenues over (under) expenses. Changes in net assets which are excluded from excess of revenues over (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 over (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, 2021.

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 17. The Village allocates expenses on a functional basis among its various programs and supporting services. The schedule of expenses in Note 17 reports certain categories of expenses that are attributable to one or more program or supporting services of the retirement community. These expenses include salaries and benefits, interest, and depreciation. Salaries and benefits are allocated based on an estimate of time spent on each activity and interest and depreciation are estimated based on square footage.

Concentration of credit risk

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

Subsequent events

The Village evaluated the effect subsequent events would have on the financial statements through June 23, 2021, 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 Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 606, management has determined that the performance obligation for the standing obligation to provide the appropriate level of care is the predominate component and does not contain a lease component under ASC Topic 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 sheets until the performance obligations are satisfied. Management has determined the contracts do not contain a significant financing component as the advanced payment assures residents the access to health care in the future. These deferred amounts are then amortized on a straight-line basis into revenue on a monthly basis over the estimated life of the resident as the performance obligation is the material right associated with access to future services as described in FASB ASC 606-10-55 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, 2021			
	Independent Living	**Care Center**	**Medical Center**	**Total**
Private pay	**$ 15,392,691**	**$ 2,228,163**	**$ 1,414,084**	**$ 19,034,938**
Government reimbursement	**-**	**-**	**1,702,524**	**1,702,524**
Total	**$ 15,392,691**	**$ 2,228,163**	**$ 3,116,608**	**$ 20,737,462**

	March 31, 2020			
	Independent Living	**Care Center**	**Medical Center**	**Total**
Private pay	$ 12,838,436	$ 2,133,287	$ 1,415,076	$ 16,386,799
Government reimbursement	-	-	3,125,001	3,125,001
Total	$ 12,838,436	$ 2,133,287	$ 4,540,077	$ 19,511,800

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, 2021 and 2020 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, 2021 and 2020. 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, 2021 and 2020 consist of the following:

	Assets and Liabilities at Fair Value as of March 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments and assets limited as to use:				
Mutual funds--index funds	**$ 5,269,995**	**$ -**	**$ -**	**$ 5,269,995**
Stocks (1)	**4,936,865**	**-**	**-**	**4,936,865**
Corporate bonds	**-**	**1,212,335**	**-**	**1,212,335**
Government and agency securities	**-**	**1,140,576**	**-**	**1,140,576**
Total investments and assets limited as to use	**10,206,860**	**2,352,911**	**-**	**12,559,771**
Liabilities:				
Charitable remainder trust annuities	**-**	**-**	**59,254**	**59,254**
Total liabilities	**$ -**	**$ -**	**$ 59,254**	**$ 59,254**

(1) These assets consist of the following: 61% domestic stocks and 39% international stocks.

	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 sectors: 46% domestic stocks and 54% international stocks.

The Village has $1,736,270 and $1,899,264 of money market funds included in investments and assets limited as to use on the balance sheets as of March 31, 2021 and 2020, 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, 2021 and 2020.

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

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

The following table illustrates the activity of Level 3 assets measured at fair value on a recurring basis from March 31, 2019 to March 31, 2021:

	Charitable Remainder Trust Annuity
Balance, March 31, 2019	$ 160,335
Unrealized losses	(63,614)
Balance, March 31, 2020	96,721
Withdrawals	(102,180)
Unrealized gains	64,713
Balance, March 31, 2021	$ 59,254

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:

	2021	2020
Capitalized interest fund	**$ -**	$ 20,965
Bond Project Fund Series 2017B	**-**	381
Debt reserve fund	**1,850,474**	1,848,821
Total assets limited as to use	**$ 1,850,474**	$ 1,870,167

5. Property and Equipment

Property and equipment consist of the following at March 31:

	2021	2020
Land and improvements	**$ 5,480,227**	$ 5,397,276
Buildings and improvements	**94,110,470**	92,398,711
Cottages and improvements	**39,852,933**	39,525,723
Kitchen equipment	**2,111,444**	2,031,469
Medical and care centers equipment	**1,979,729**	1,928,761
Furniture and fixtures	**3,490,654**	3,271,495
Motor vehicles	**628,739**	582,968
Total property and equipment	**147,654,196**	145,136,403
Less: accumulated depreciation	**(54,070,626)**	(50,179,574)
	93,583,570	94,956,829
Construction in progress	**598,307**	548,272
Total	**$ 94,181,877**	$ 95,505,101

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:

	2021	2020
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 $220,000.	**$ 35,055,000**	$ 36,600,000
Series 2017 B bonds:		
Bonds with interest stated below and payable each April 1 and October 1. Principal payments beginning fiscal year 2038 through 2048 ranging from $800,000 to $2,360,000.		
4.25% Serial Bonds	**7,200,000**	7,200,000
5.00% Serial Bonds	**11,745,000**	11,745,000
	54,000,000	55,545,000
Less: current maturities	**(1,590,000)**	(1,545,000)
Less: original issue discount	**(122,335)**	(129,559)
Less: net unamortized debt issuance costs	**(1,147,802)**	(1,232,835)
Plus: net unamortized bond premium	**464,877**	499,342
	$ 51,604,740	$ 53,136,948

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.

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 (4.00% at March 31, 2021) and is due November 1, 2021. There was no outstanding balance at March 31, 2021.

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, 2021 are as follows:

2022	$ 1,590,000
2023	1,640,000
2024	1,690,000
2025	1,750,000
2026	1,805,000
Thereafter	45,525,000
	$ 54,000,000

7. Other Funds

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

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:

	2021	2020
Charitable remainder trust annuities	**$ 232,287**	$ 126,399
Endowment fund earnings	**562,274**	280,624
Endowment funds	**362,192**	362,192
Quality assurance fund	**76,930**	46,030
Other restrictions	**530,051**	626,112
Total	**$ 1,763,734**	$ 1,441,357

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, 2021 and 2020, the Village expended earnings on the endowment of $30,000 and $27,954, respectively.

Changes in endowment net assets for the year ended March 31, 2021 are as follows:

	Earnings	Endowment	Total
Endowment net assets March 31, 2020	**$ 280,624**	**$ 362,192**	**$ 642,816**
Contributions	**96,255**	**-**	**96,255**
Investment earnings	**806**	**-**	**806**
Net appreciation	**214,589**	**-**	**214,589**
Appropriation of endowment assets for expenditure	**(30,000)**	**-**	**(30,000)**
Endowment net assets March 31, 2021	**$ 562,274**	**$ 362,192**	**$ 924,466**

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

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 compensation, as defined in the plan document. The Village then matches employee contributions, up to a maximum rate set by the Board of Directors. The matching rate was up to 4 percent of gross employee earnings. The total matching portion expensed was $221,779 and $206,840 for the years ended March 31, 2021 and 2020, respectively.

The Village also has a qualified Welfare Benefit Plan providing comprehensive health care coverage. The Plan includes coverage provided by the Plan underwriter as well as self-funded coverage provided by the Village. The Village’s self-funded liability is limited to $90,000 per person per year. The liability for estimated unpaid claims was approximately $130,000 at March 31, 2021 and 2020 and is included in accounts payable—trade 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 $60,007 and $68,453 for the years ended March 31, 2021 and 2020, respectively. The long-term deferred compensation liability at March 31, 2021 and 2020 was $1,591,251 and $1,054,338, respectively with current maturities of approximately $156,000 at March 31, 2021 which is included in accounts payable—trade on the balance sheets.

13. Contingencies

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

14. 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. Many state and local governments, including North Carolina, have imposed strict measures to curtail certain aspects of public life in an effort to contain COVID-19 as U.S. cases have risen sharply, and such curtailments have resulted in significant disruption of the U.S. economy and financial markets.

Management has activated plans to address risks associated with the impact of COVID-19, including various cost saving measures, including but not limited to significant reductions in discretionary expenses, and an evaluation of available sources of liquidity and other resources. It is not currently possible to predict the ongoing or long-term impact of COVID-19 on the Village, and therefore the accompanying financial statements do not reflect any adjustment as a result of this uncertainty. The Village's financial condition, liquidity, and results of operations could be adversely affected from the continuing impact of COVID-19, and such impact could be material. The potential impact on the Village and its operations from these new measures is currently uncertain.

On March 27, 2020, the federal Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was signed into law, which is intended to provide economic relief and emergency assistance for individuals, families and businesses affected by COVID-19. Various state governments are also taking action to provide economic relief and emergency assistance. The Village received CARES Act Provider Relief Funds ("PRF") of $572,999 during the year ended March 31, 2021, of which approximately $429,000 has been recognized as Federal Provider Relief Fund income in the statements of operations and changes in net deficit to the extent the eligibility requirements with the terms and conditions for entitlement to such funding for healthcare related expenses or lost revenues to prevent, prepare for or respond to COVID-19, have been met. The remaining $144,134 is included in the balance sheets as Provider Relief Funds liability. Additionally, throughout fiscal year 2021, the Village received a total of $220,200 in funds from the North Carolina Department of Health and Human Services ("NCDHHS") for reimbursements of mandatory COVID-19 testing of state residents residing in medical centers. This is included in the statements of operations and changes in net deficit as State Provider Relief Fund income.

In October and November 2020, as well as January 2021, HHS issued Post-Payment Notices of Reporting Requirements ("PPNRR") which establish the reporting criteria for providers which received PRF funding under the CARES Act. The January 2021 PPNRR is considered to be clarifying in nature to guidance released in 2020 and not a substantive modification. The Village is applying the most recent guidance. The guidance provided in the PPNRR and subsequently issued responses to frequently asked questions is advisory in nature, and subject to change, and it is unknown at the report date what impacts this, and future guidance, will have on PRF funding and revenue recognition. As such, amounts recognized as operating revenue for the year ended March 31, 2021 are subject to change and those changes could be material. The funds are also subject to future audits and potential adjustment and certain amounts may need to be repaid to the government.

15. Payroll Protection Program

The CARES Act also provides for the establishment of the Payroll Protection Program ("PPP"), a new loan program under the Small Business Administration's 7(a) program providing loans to qualifying businesses. Loans originated under this program may be forgiven, in whole or in part, if certain criteria are met.

The Village received a PPP loan of approximately $2,800,000 and believes that it was eligible under the PPP to receive the funds and expects to meet the requirements under the program to have the loan forgiven. Therefore, management has concluded that the receipt of these funds represents a government grant.

Accounting principles generally accepted in the United States of America do not provide explicit guidance on accounting for government grants provided to business entities. The Village elected to account for the receipt of these funds as a government grant by analogy to ASC 958-605. These funds were recognized as a refundable advance when received and classified in accordance with the scheduled maturity outlined in the PPP loan agreement assuming a ten-month deferral of payments from the end of the Village's covered period. Grant income under this method of accounting may only be recognized when the conditions attached to the grant have been substantially met. The Village has fully utilized the proceeds of the loan for qualifying expenses under the PPP and the covered period was closed as of the balance sheet date. A forgiveness calculation has been prepared and was submitted to the Village's lender indicating that the full amount of the loan qualifies for forgiveness. The Village believes it has substantially met the conditions attached to the grant as of the balance sheet date. Grant income has been recognized on the statements of operations and changes in net deficit as Paycheck Protection Program income. The loan was forgiven in full on May 25, 2021.

16. 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.

	2021	2020
Cash and cash equivalents	**$ 10,095,867**	$ 5,581,384
Investments	**3,295,582**	460,518
Accounts receivable, residents, net	**613,691**	1,049,376
Accounts receivable, entrance fees	**588,150**	2,566,940
Accounts receivable, other	**139,801**	346,222
	$ 14,733,091	$ 10,004,440

17. Schedule of Expenses by Nature and Function

The following is a schedule of expenses by both nature and function for the years ended March 31, 2021 and 2020:

	2021			
	Program Services	Administrative and General	Marketing and Fundraising	Total
Salaries and benefits	**$ 11,601,309**	**$ 3,085,769**	**$ -**	**$ 14,687,078**
Advertising	**-**	**-**	**144,656**	**144,656**
Occupancy	**1,957,846**	**3,514**	**-**	**1,961,360**
Depreciation	**3,540,857**	**350,195**	**-**	**3,891,052**
Interest	**1,862,907**	**184,243**	**-**	**2,047,150**
Other	**4,758,874**	**580,273**	**-**	**5,339,147**
Total expenses	**$ 23,721,793**	**$ 4,203,994**	**$ 144,656**	**$ 28,070,443**

	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	1,887,474	186,668	-	2,074,142
Other	4,819,678	543,057	-	5,362,735
Total expenses	$ 24,164,310	$ 4,180,457	$ 180,375	$ 28,525,142

CAROLINA VILLAGE, INC.

Compilation of a Financial Forecast

For Each of the Five Years

Ending March 31, 2026

(with Independent Accountants'
Compilation Report thereon)

CAROLINA VILLAGE, INC.

Compilation of a Financial Forecast

Five Years Ending March 31, 2026

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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, 2026 and the related forecasted statements of operations and changes in net assets, and cash flows for each of the years then ending, and the related summaries of significant forecast assumptions and rationale in accordance with guidelines for the presentation of a financial forecast established by the American Institute of Certified Public Accountants ("AICPA").

The accompanying forecast and this report were prepared for inclusion with the disclosure statement filing requirements of North Carolina General Statutes, Chapter 58, Article 64 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.

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 30, 2021

CAROLINA VILLAGE, INC.

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

	2022	2023	2024	2025	2026
Unrestricted revenues, gains and other support:					
Apartments:					
Entrance fee amortization	$ 5,940	$ 6,368	$ 6,433	$ 6,678	$ 7,232
Entrance fee forfeitures	1,560	1,607	1,655	1,705	1,756
Independent living unit service fees	13,317	13,540	13,766	13,996	14,233
Medical center revenue	2,410	2,805	3,347	3,511	3,564
Care center revenue	1,425	1,523	1,695	1,775	1,788
Dietary revenue	3,929	4,175	4,342	4,439	4,517
Other revenue	36	36	35	35	35
Coronavirus Aid, Relief and Economic Security Act					
Employee Retention Credit	1,633	-	-	-	-
Grants	144	-	-	-	-
Contributions	159	159	159	159	159
Interest income	402	381	407	429	429
Total unrestricted revenues, gains and other support	30,955	30,594	31,839	32,727	33,713
Expenses:					
General and administrative	3,135	3,229	3,326	3,426	3,528
Independent living services	1,036	1,067	1,099	1,132	1,166
Operation of plant	4,048	4,170	4,295	4,424	4,557
Housekeeping	893	920	947	976	1,005
Medical center	5,915	6,181	6,459	6,750	7,054
Care center	2,293	2,362	2,433	2,506	2,581
Dietary	5,188	5,319	5,728	5,874	6,024
Depreciation	4,080	4,349	4,537	4,684	4,749
Interest expense:					
Series 2017A Bonds	1,157	1,031	979	859	724
Series 2017B Bonds	893	893	893	893	893
Construction Loans	-	-	204	331	304
Amortization	67	31	31	31	31
Total expenses	28,705	29,552	30,931	31,886	32,616
Operating income	2,250	1,042	908	841	1,097
Annuity expenditures	(14)	(14)	(14)	(14)	(14)
Excess of revenues (under) over expenses	2,236	1,028	894	827	1,083
Net assets without donor restrictions:					
Excess of revenues (under) over expenses	2,236	1,028	894	827	1,083
Net assets with donor restrictions:					
Change in net assets with donor restrictions	-	-	-	-	-
Change in net assets	2,236	1,028	894	827	1,083
Net assets (deficit), beginning of year	(1,283)	953	1,981	2,875	3,702
Net assets, end of year	$ 953	$ 1,981	$ 2,875	$ 3,702	$ 4,785

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)

	2022	2023	2024	2025	2026
Cash flows from operating activities:					
Change in net assets	2,236	1,028	894	827	1,083
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation	4,080	4,349	4,537	4,684	4,749
Amortization of deferred financing costs	93	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	(5,940)	(6,368)	(6,433)	(6,678)	(7,232)
Entrance fee forfeitures	(1,560)	(1,607)	(1,655)	(1,705)	(1,756)
Entrance fees - resident turnover	8,101	8,112	8,069	8,143	9,210
Net change in current assets and liabilities	(721)	4	4	4	28
Net cash provided by operating activities	6,263	5,549	5,447	5,306	6,113
Cash flows used by investing activities:					
Change in assets limited as to use	(822)	(206)	(447)	(280)	(154)
Project costs	(3,294)	(4,940)	(1,647)	-	-
Capitalized interest	(49)	(225)	(146)	-	-
Routine capital additions	(2,266)	(2,334)	(2,404)	(2,476)	(2,550)
Net cash used by investing activities	(6,431)	(7,705)	(4,644)	(2,756)	(2,704)
Cash flows used by financing activities:					
Proceeds from Construction Loans	3,413	4,940	1,647	-	-
Cost of debt issuance	(119)	-	-	-	-
Principal payments on Series 2017A Bonds	(1,590)	(1,640)	(1,690)	(1,745)	(1,800)
Principal payments on Construction Loans	-	-	(472)	(730)	(757)
Refunds of entrance fees	(630)	(581)	(426)	(387)	(380)
Net cash provided by (used by) financing activities	1,074	2,719	(941)	(2,862)	(2,937)
Change in cash, investments and restricted cash	906	563	(138)	(312)	472
Cash, investments and restricted cash, beginning year	15,241	16,147	16,710	16,572	16,260
Cash, investments and restricted cash, end of year	$ 16,147	$ 16,710	$ 16,572	$ 16,260	$ 16,732
Reconciliation of cash, investments and restricted cash:					
Cash and investments	14,297	14,860	14,722	14,410	14,882
Debt Service Reserve Fund-Series 2017B Bonds	1,850	1,850	1,850	1,850	1,850
Cash, investments, and restricted cash	16,147	16,710	16,572	16,260	16,732

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

CAROLINA VILLAGE, INC.

Forecasted Balance Sheets
On March 31,
(In Thousands)

	2022	2023	2024	2025	2026
Assets					
Current assets:					
Cash and investments	14,297	14,860	14,722	14,410	14,882
Assets limited as to use-current portion	723	777	802	801	757
Accounts receivable, residents, net	1,159	1,212	1,272	1,304	1,325
Accounts receivable-other	181	189	199	204	207
Accounts receivable-entrance fees	588	588	588	588	588
Supplies, inventories and prepaid expenses	228	235	246	254	263
Total current assets	17,176	17,861	17,829	17,561	18,022
Assets limited as to use:					
Designated for Statutory Operating Reserve Fund	5,894	6,046	6,468	6,749	6,947
Debt Service Reserve Fund-Series 2017B Bonds	1,850	1,850	1,850	1,850	1,850
Endowment funds	362	362	362	362	362
Charitable remainder trusts	292	292	292	292	292
Deferred compensation in marketable securities	1,591	1,591	1,591	1,591	1,591
Other donor-restricted assets	1,110	1,110	1,110	1,110	1,110
Total assets limited as to use	11,099	11,251	11,673	11,954	12,152
Property and equipment	153,861	161,360	165,557	168,033	170,583
Less: accumulated depreciation	(58,150)	(62,499)	(67,036)	(71,720)	(76,469)
Property and equipment, net	95,711	98,861	98,521	96,313	94,114
Total assets	$ 123,986	$ 127,973	$ 128,023	$ 125,828	$ 124,288

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

CAROLINA VILLAGE, INC.

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

	2022	2023	2024	2025	2026
Liabilities and net assets					
Current liabilities:					
Accounts payable	$ 556	$ 574	$ 600	$ 620	$ 640
Accrued interest-Series 2017A Bonds	88	84	80	64	60
Accrued interest-Series 2017B Bonds	452	452	452	452	452
Accrued interest-Construction Loans	11	26	29	27	24
Accrued payroll and benefits	1,308	1,351	1,411	1,458	1,506
Deposits on contracts	124	124	124	124	124
Current maturities of charitable remainder trust annuities payable	13	13	13	13	13
Refundable entrance fees, current portion	581	426	387	380	378
Current maturities of Series 2017A Bonds	1,640	1,690	1,745	1,800	1,860
Current maturities of Construction Loans	-	472	730	757	785
Total current liabilities	4,773	5,212	5,571	5,695	5,842
Long-term liabilities:					
Long-term debt-Series 2017A Bonds	31,825	30,135	28,390	26,590	24,730
Long-term debt-Series 2017B Bonds	18,945	18,945	18,945	18,945	18,945
Original issue discount, net	(116)	(109)	(102)	(95)	(88)
Original issue premium, net	451	418	385	352	319
Construction Loans	3,413	7,881	8,798	8,041	7,256
Deferred financing costs, net	(1,193)	(1,136)	(1,079)	(1,023)	(966)
Total long-term debt	53,325	56,134	55,337	52,810	50,196
Deferred compensation	1,591	1,591	1,591	1,591	1,591
Charitable remainder trust annuities payable	46	46	46	46	46
Deferred revenue from non-refundable entrance fees	63,298	63,009	62,603	61,984	61,828
Total long-term liabilities	118,260	120,780	119,577	116,431	113,661
Total liabilities	123,033	125,992	125,148	122,126	119,503
Net assets:					
Without donor restriction	(810)	218	1,112	1,939	3,022
With donor restriction	1,763	1,763	1,763	1,763	1,763
Total net assets	953	1,981	2,875	3,702	4,785
Total liabilities and net assets	$ 123,986	$ 127,973	$ 128,023	$ 125,828	$ 124,288

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 assets, and cash flows of the Corporation as of and for each of the five years ending March 31, 2026. Accordingly, the accompanying forecast reflects Management's judgment as of August 30, 2021, 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 302 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)	14	440	-	1,819
Total/weighted averages	16	427	$ -	$1,802
One Bedroom Apartments				
Pisgah – One Bedroom Standard	43	600	$ 173,800	$2,156
Pisgah – One Bedroom Deluxe	23	740	194,100	2,362
Summit – One Bedroom	12	814	215,600	2,889
Summit – One Bedroom with Den	12	1,050	277,100	3,578
Total/weighted averages	90	724	$ 198,334	$2,496
Two Bedroom Apartments				
Blue Ridge – Two Bedroom Standard	32	740	$194,100	$2,362
Blue Ridge – Two Bedroom Expanded	19	900	210,400	2,658
Blue Ridge – Two Bedroom Custom	23	1,040	236,600	2,863
Blue Ridge – Two Bedroom Deluxe	2	1,200	267,600	3,073
Pinnacle – Two Bedroom	27	1,160	280,000	3,755
Pinnacle – Two Bedroom with Den	3	1,372	329,000	4,230
Pinnacle – Two Bedroom Corner	3	1,366	323,600	4,251
Pinnacle – Two Bedroom Corner with Den	6	1,541	369,100	4,446
Total/weighted averages	118	1,006	$ 242,767	$3,057
Cottages				
Woods	27	945-1,260	$229,100-298,000	$2,720-3,154
Garden	27	1,482-1,742	355,300-412,200	3,581-3,955
Meadows	27	1,322-1,604	316,000-378,300	3,352-3,883
Total/weighted averages	81	1,389	$330,447	$3,432
Total ILUs /weighted averages	**302**	**994**	**$240,180**	**$2,924**
Second person fees			$60,000	$1,308

Source: Management

(1) Fees effective January 1, 2021 through the calendar year ending December 31, 2021.

(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.

New Independent Living Units

The Corporation completed construction of an independent living unit and related common areas expansion project in three phases, consisting of 54 independent living cottages in July 2019 and November 2019 (the "Clear Creek Cottages") and 36 independent living apartments in November 2019 (the "Smokey Mountain Apartments", collectively, the "New Independent Living Units"). The unit configuration, Monthly Service Fees, and Entrance Fees for the New Independent Living Units are summarized in the following table.

Table 2
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	$ 308,700	$ 3,364
Two Bedroom Terrace	14	1,270	331,600	3,580
Two Bedroom Duplex	12	1,415	370,000	3,940
Two Bedroom/Den	14	1,570	410,600	4,324
Total/weighted averages	54	1,357	$ 354,678	$ 3,797
Smokey Mountain Apartments				
One Bedroom/Den	24	1,134	$ 290,000	$ 3,342
Two Bedroom	8	1,335	341,200	3,917
Two Bedroom/Den	4	1,609	412,200	4,698
Total /weighted averages	36	1,231	$ 314,956	$ 3,620
Grand Totals / Weighted Averages	**90**	**1,307**	**$ 338,789**	**$ 3,726**
Second person fees			$ 60,000	$ 1,308

Source: Management

(1) Entrance Fees and Monthly Service Fees shown are effective January 2021. 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.

The Existing Independent Living Units and New Independent Living Units are collectively referred to as the "Independent Living Units".

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

Table 3
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, 2021 through the calendar year ending December 31, 2021.

The Project

An expansion and renovation to the Community's dining venues, certain common areas, and office space is anticipated to begin in September 2021 (the "Project"). The Project is anticipated to be completed August 2023.

Project Financing

Management has secured financing for the Project from First Citizens Bank & Trust Company. Total financial requirements to complete the Project are assumed to approximate $10,000,000 and funded through the issuance of two construction loans totaling $10,000,000 (the "Construction Loans"). Management has assumed the following sources and uses of funds in preparing the financial forecast.

Table 4
Sources and Uses of Funds
(In Thousands)

Sources of Funds:	
Construction Loans (1)	$ 10,000
Total Sources of Funds	**$ 10,000**
Uses of Funds:	
Total Project related costs (2)	$ 9,881
Cost of issuance and other costs (3)	119
Total Uses of Funds	**$ 10,000**

Source: Management

(1) The Construction Loans are assumed to consist of an approximate $5,881,000 promissory note dated June 24, 2021, with a maturity date of June 24, 2036 and an approximate $4,119,000 promissory note dated June 24, 2021, with a maturity date of June 24, 2033.

(2) Management estimates total Project costs to approximate $9,881,000 based on a construction contact with the Corporation's construction contractor, Frank L. Blum Construction Company.

(3) Cost of issuance and related costs for the Construction Loans are assumed to approximate $119,000.

See Independent Accountants' Compilation Report

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. Many state and local governments, including North Carolina, have imposed measures to curtail certain aspects of public life in an effort to contain COVID-19.

In December 2020, the U.S. Food and Drug Administration issued emergency use authorization of vaccines for the prevention of COVID-19.

Management has activated plans to address risks associated with the impact of COVID-19. It is not currently possible to predict the ongoing or long-term impact of COVID-19 on the Corporation, and therefore, the forecast does not reflect any adjustment as a result of this uncertainty. The Corporation’s financial condition, liquidity, and results of operations could be adversely affected from the continuing impact of COVID-19, and such impact could be material.

On March 27, 2020, the federal Coronavirus Aid, Relief, and Economy Security (“CARES Act”) was signed into law, which is intended to provide economic relief and emergency assistance for individuals, families and businesses affected by COVID-19. The Corporation received CARES Act Provider Relief Funds (“PRF”) of approximately $573,000 during the fiscal year ended March 31, 2021, of which $429,000 was recognized as income in that year to the extent the eligibility requirements with the terms and conditions for entitlement to such funding for healthcare related expenses or lost revenues to prevent, prepare for, or respond to COVID-19, had been met. The remaining PRF of $144,000 is forecasted to be recognized in fiscal year 2022. The funds are subject to future audits and potential adjustment and certain amounts may need to be repaid to the government.

Legislation enacted at the end of 2020 (the Consolidated Appropriations Act (“CAA”) expanded access to the existing Employee Retention Credit (“ERC”) program. The CAA allows an employer to apply for credits on qualified employee payroll taxes paid during time periods in 2020 and 2021. Management is in the process of filing the requisite documentation with the Internal Revenue Service to apply for the ERC. Based on the guidelines of the CAA, Management estimates an ERC of approximately $1,633,000 to be received and recorded as revenue during fiscal year ending March 31, 2022.

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 (the “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 ongoing Monthly Service Fees. 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.

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

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

Entrance Fee Plan

The Corporation offers one Entrance Fee plan for occupancy of 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 is required to pay any additional charges for services and meals that are not covered in the applicable Monthly Service Fee.

Services Provided for Medical Center Units

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

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

Summary of Significant Accounting Policies

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

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

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

(d) 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	5 to 40 years
Buildings	20 to 40 years
Furniture and equipment	5 to 10 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 forecasted balance sheet and the amortization is included in interest expense on the forecasted 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 forecasted balance sheet. In the event of death of the Resident after occupying the Independent Living Unit, no refund is due to the Resident and the unamortized refundable portion is amortized into income as entrance fee forfeitures.

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

(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 entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. No liability was recorded at March 31, 2021, 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 - The Corporation has 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.

(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, 2022 and annually thereafter.

The 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 5
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:							
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	289.3	307.5	94.1%	88.8	89.8	98.8%	95.2%
2022 (3)	282.0	299.5	94.2%	85.0	90.0	94.4%	94.3%
Forecasted:							
2022	288.7	302.0	95.6%	86.0	90.0	95.6%	95.6%
2023	284.9	298.0	95.6%	86.0	90.0	95.6%	95.6%
2024	281.1	294.0	95.6%	86.0	90.0	95.6%	95.6%
2025	277.2	290.0	95.6%	86.0	90.0	95.6%	95.6%
2026	273.4	286.0	95.6%	86.0	90.0	95.6%	95.6%

Source: Management

(1) Management plans to continue to combine Existing Independent Living Units. Management estimates the Existing Independent Living Units will decrease to 286 by fiscal year 2026, 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, 2021 were 94.2 percent and 94.4 percent, respectively.

The double occupancy percentage for the Existing Independent Living Units is assumed to approximate 32.0 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 58.0 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 average 79.1 percent occupancy in fiscal year 2022, 83.0 percent occupancy in fiscal year 2023, 88.0 percent occupancy in fiscal year 2024, and 90.0 percent in fiscal year 2025 and throughout the remainder of the forecast period. The assumed occupancy levels for the Assisted Living Units are presented in the following table:

Table 6
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:						
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	33.0	7.3	6.5	46.8	60.0	78.0%
2022 (1)	32.2	9.3	4.2	45.7	60.0	76.2%
Forecasted:						
2022	33.3	7.1	7.1	47.5	60.0	79.1%
2023	35.4	7.4	7.0	49.8	60.0	83.0%
2024	36.4	7.5	8.9	52.8	60.0	88.0%
2025	37.4	7.7	8.9	54.0	60.0	90.0%
2026	38.4	7.9	7.7	54.0	60.0	90.0%

Source: Management
(1) Average occupancy through July 31, 2021.

Medical Center Revenue

Management assumes Medical Center revenues to increase approximately 2.0 percent annually throughout the forecast period.

Management has assumed the Skilled Nursing Beds will average 72.1 percent occupancy in fiscal year 2022, 80.0 percent occupancy in fiscal year 2023, 85.0 percent occupancy in fiscal year 2024, and 86.0 percent in fiscal year 2025 and throughout the remainder of the forecast period. The assumed occupancy levels for the Skilled Nursing Beds are presented in the following table:

Table 7
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:							
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	20.2	12.7	3.9	4.5	41.3	58.0	71.3%
2022 (1)	22.6	8.6	3.0	9.8	44.0	58.0	75.8%
Forecasted:							
2022	20.2	13.0	4.2	4.4	41.8	58.0	72.1%
2023	23.4	13.0	5.6	4.4	46.4	58.0	80.0%
2024	23.5	13.0	8.4	4.4	49.3	58.0	85.0%
2025	23.6	13.0	8.9	4.4	49.9	58.0	86.0%
2026	23.7	13.0	8.8	4.4	49.9	58.0	86.0%

Source: Management
(1) Average occupancy through July 31, 2021.

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.

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 attrition Entrance Fees received and Entrance Fees refunded.

Table 8
Entrance Fees Receipts and Entrance Fees Refunds
(In Thousands)

	2022	2023	2024	2025	2026
Existing Independent Living Units – Attrition	26.2	23.0	22.0	19.0	21.0
New Independent Living Units - Attrition	1.5	3.0	3.0	4.0	5.0
Total Number of Entrance Fees Received	**27.7**	**26.0**	**25.0**	**23.0**	**26.0**
Existing Independent Living Units – Attrition	7,537	6,954	6,873	6,501	7,095
New Independent Living Units - Attrition	564	1,158	1,196	1,642	2,115
Total Entrance Fees Received	**$ 8,101**	**$ 8,112**	**$ 8,069**	**$ 8,143**	**$ 9,210**
Total Entrance Fees Refunded	(630)	(581)	(426)	(387)	(380)
Entrance Fees Received, Net of Refunds	**$ 7,471**	**$ 7,531**	**$ 7,643**	**$ 7,756**	**$ 8,830**

Source: Management

Coronavirus Aid, Relief, and Economy Security Act

Under the CAA, Management is in the process of filing the requisite documentation with the Internal Revenue Service to apply for the ERC. Management assumes an ERC of approximately $1,633,000 to be received and recorded as revenue during fiscal year ending March 31, 2022.

Under provision of the CARES Act, the Corporation received approximately $573,000 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 recognized approximately $429,000 as income during the fiscal year ending March 31, 2021 and deferred the remainder. Management assumes recognition of the remaining approximately $144,000 as grant revenue during fiscal year ending March 31, 2022.

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 9
Schedule of Assumed Staffing Levels (FTEs)

Department	2022	2026
General and administrative	15.1	15.1
Maintenance and grounds	22.0	22.0
Housekeeping	17.0	17.0
Medical Center	70.0	70.0
Care Center	40.0	40.0
Dietary	90.5	95.0
Independent living services	17.0	17.0
Total FTE's	**271.6**	**276.1**

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, 2021 was $5,795,000.

(2) The Debt Service Reserve Fund for the Series 2017B Bonds (defined hereafter) 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 10
Schedule of Property and Equipment
(In Thousands)

Years Ended March 31,	**2022**	**2023**	**2024**	**2025**	**2026**
Property and equipment, gross					
Beginning balance	$ 148,252	$ 153,861	$ 161,360	$ 165,557	$ 168,033
Project costs (1)	3,294	4,940	1,647	–	–
Capitalized interest	49	225	146	–	–
Routine capital additions	2,266	2,334	2,404	2,476	2,550
Property and equipment, gross	153,861	161,360	165,557	168,033	170,583
Accumulated depreciation	(58,150)	(62,499)	(67,036)	(71,720)	(76,469)
Property and equipment, net					
Ending balance	**$ 95,711**	**$ 98,861**	**$ 98,521**	**$ 96,313**	**$ 94,114**

Source: Management
(1) Construction of the Project is assumed to begin in September 2021 and to be completed by August 2023.

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 (the "Series 2017 Bonds"), in the amount of $83,830,000. The proceeds of the bonds and trustee 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, 2021, approximately $54,000,000 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 $35,055,000 as of March 31, 2021. Interest on the Series 2017A Bonds is to be paid monthly. Principal on the Series 2017A Bonds is to be paid monthly, 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. Principal on the Series 2017B Bonds is to be paid annually commencing on April 1, 2037, with a final maturity on April 1, 2047.

Construction Loans

In June 2021, the Community entered into two draw-down Construction Loans with First Citizens Bank & Trust Company, which will equate to a total borrowing of $10,00,000, with interest rates ranging from 3.50 to 3.80 percent per annum. Interest on the Construction Loans is to be paid monthly beginning July 2021. Principal on the Construction Loans is to be paid monthly beginning July 2023.

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

Table 11
Annual Debt Service
(In Thousands)

	Series 2017A Bonds		Series 2017B Bonds		Construction Loans		
Years Ending March 31,	Principal Payment	Interest Payment	Principal Payment	Interest Payment	Principal Payment	Interest Payment	Total Debt Service
2022	$ 1,590	$ 1,082	$ -	$ 893	$ -	$ 38	$ 3,603
2023	1,640	1,031	-	893	-	210	3,774
2024	1,690	979	-	893	472	347	4,381
2025	1,745	859	-	893	730	333	4,560
2026	1,800	724	-	893	757	306	4,480
Thereafter	26,590	4,480	18,945	16,260	8,041	1,401	75,717
Total	**$ 35,055**	**$ 9,155**	**$ 18,945**	**$ 20,725**	**$ 10,000**	**$ 2,635**	**$ 96,515**

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 12
Working Capital – Days on Hand

Accounts receivables-Residents	20 days of operating revenues
Accounts receivables-other	3 days of operating revenues
Supplies, inventories, and prepaid expenses	4 days of operating expenses
Accounts payable	9 days of operating expenses
Accrued payroll and benefits	21 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, 2021

The threshold of $902,000 is calculated as .75% of total assets.

	Statements of Operations	FORECASTED	AUDITED	Variance greater than $902,000 and 5%	
	Revenues:				
	Resident Service Fees	$ 12,774,000	$ 13,033,180		
1)	Entrance Fee amortization and forfeitures	7,224,000	8,171,823	947,823	13.1%
2)	Medical Center	3,709,000	2,529,484	(1,179,516)	-31.8%
	Care Center	1,331,000	1,564,702		
	Dietary	4,006,000	3,610,096		
3)	Investment Income	272,000	2,476,469	2,204,469	810.5%
	Miscellaneous Income	151,000	1,009,267		
	Grants-CARES Act	3,115,000	3,405,065		
	Total Revenues	32,582,000	35,800,086		
	Expenses:				
	General and Administration	3,859,000	4,318,039		
	Operation of Plant	3,784,000	3,780,581		
	Housekeeping	860,000	863,431		
	Medical Center	6,323,000	5,891,266		
	Care Center	2,344,000	2,256,473		
	Dietary	5,005,000	5,004,869		
	Annuity Expenditures	24,000	17,582		
4)	Depreciation	4,800,000	3,891,052	(908,948)	-18.9%
	Amortization	180,000	-		
	Interest Expense	2,043,000	2,047,150		
	Total Expenses	29,222,000	28,070,443		
	Change in Net Assets	3,360,000	7,729,643		
	Net Deficits - Beginning Of Year	(9,013,000)	(9,012,992)		
	Net Assets - End Of Year	$ (5,653,000)	$ (1,283,349)		

CAROLINA VILLAGE, INC.

Report on material variances between prior year's forecast and actual audited results
For the year ended March 31, 2021

	Cash Flow Statements		FORECASTED	AUDITED	Variance greater than $902,000 and 5%	
	Cash flows from operating activities					
	Change in Net Assets		$ 3,360,000	$ 7,729,643		
	Adjustment to reconcile change in net assets to net cash provided by operating activities:					
4)	Depreciation		4,800,000	3,891,052	(908,948)	-18.9%
	Amortization of Deferred Marketing & Financing Costs		180,000	57,792		
1)	Entrance Fee amortization and forfeitures		(7,224,000)	(8,550,739)	(1,326,739)	18.4%
5)	Entrance Fees received - net of refunds		6,535,000	8,764,877	2,229,877	34.1%
	Realized gains on investments	*	-	(866,928)		
3)	Unrealized gains on investments		-	(2,017,068)	(2,017,068)	100.0%
6)	Change in current & other assets and liabilities		1,792,000	516,070	(1,275,930)	-71.2%
	Net Cash provided by operating activities		9,443,000	9,524,699		
	Cash flows used by Investing activities:					
	Change in assets limited to use		(408,000)	(506,358)		
	Purchases of property and equipment		(2,200,000)	(2,546,599)		
	Net cash (used) by investing activities		(2,608,000)	(3,052,957)		
	Cash flows provided (used) by financing activities:					
	Annuity Payments and Restricted Contributions		-	103,543		
	Entrance Fees- NEW ILU		695,000	-		
	Refunds of Entrance Fees		(535,000)	(535,495)		
	Principal payments on long-term debt		(1,545,000)	(1,545,000)		
	Net Cash Flows (used) by Financing Activities		(1,385,000)	(1,976,952)		
	Change in cash and cash equivalents		5,450,000	4,494,790		
	Cash and cash equivalents, beginning of year		7,912,000	7,451,551		
	Cash and cash equivalents end of year		$ 13,362,000	$ 11,946,341		

CAROLINA VILLAGE, INC.

Report on material variances between prior year's forecast and actual audited results
For the year ended March 31, 2021

	Balance Sheets	FORECASTED	AUDITED	Variance greater than $902,000 and 5%	
	Assets				
	Current Assets:				
7)	Cash and Investments	$ 12,204,000	$ 13,391,449	1,187,449	9.7%
	Accounts receivable	2,008,000	1,341,642		
	Inventories And Prepaid Expenses	205,000	353,143		
	Total Current Assets	14,417,000	15,086,234		
	Non-Current Assets:				
	Designated for Operating Reserve	5,795,000	5,795,000		
	Funds held by a trustee under Bond Indenture	1,870,000	1,850,474		
	Total Assets Limited to Use	7,665,000	7,645,474		
	Property and Equipment:				
	Total Property and Equipment, net	92,905,000	94,181,877		
	Assets limited as to use:				
	Long-Term Restricted Investments	2,495,000	3,354,985		
	Total Other Assets	2,495,000	3,354,985		
	Total Assets	$ 117,482,000	$ 120,268,570		
	Liabilities and Net Assets				
	Current Liabilities:				
	Accounts Payable	$ 2,917,000	$ 3,055,553		
	Deposits on Contracts	721,000	124,000		
	Current Maturities-Long Term Debt	1,590,000	1,590,000		
	Total Current Liabilities	5,228,000	4,769,553		
	Long term Liabilities:				
	Exclusive Of Current Maturities				
	Long-Term Debt	51,727,000	51,604,740		
	Other Long-term Liabilities	1,131,000	1,637,038		
	Total Long-Term Liabilities	52,858,000	53,241,778		
	Deferred revenue:				
	Deferred revenue from entrance fees	65,049,000	63,540,608		
	Total Liabilities	123,135,000	121,551,939		
	Net Assets (Deficit):				
8)	Without Donor Restrictions	(7,094,000)	(3,047,083)	4,046,917	-57.0%
	With Donor Restrictions	1,441,000	1,763,734		
	Total Net Assets	(5,653,000)	(1,283,349)		
	Total Liabilities and Net Assets	$ 117,482,000	$ 120,268,590		

CAROLINA VILLAGE, INC.

Report on material variances between prior year's forecast and actual audited results
For the year ended March 31, 2021

1) Audited entrance fee amortization and forfeitures were higher than forecasted. This type of amortization income is estimated based on the resident's estimated life expectancy. Actual results were slightly higher than forecasted.

2) Audited medical center revenue was lower than forecasted. This resulted from a decrease in Medicare Part A revenue. As a result of the pandemic, the Village stopped accepting private pay patients (for a period of time) from local hospitals for short term rehab stays. This resulted in a decrease in our Medicare Part A revenue, which is included in the medical center revenue line item.

3) Audited investment income and unrealized gains from investments were higher than forecasted. Overall investments performed well, causing actual results to be higher than forecasted.

4) Audited depreciation was lower than forecasted due to the timing of when assets/projects come online.

5) Audited entrance fees received-net of refunds were higher than forecasted due to more units turning over than forecasted.

6) Audited change in current and other assets and liabilities were less than forecasted. See detail of these balances on the balance sheet.

7) Audited cash and investments is higher than forecasted. Investments performed well during the year, increasing this balance. Also see the Cash Flow Statements for the details of the changes impacting cash and investments.

8) Audited net deficit without donor restrictions decreased more than forecasted. This is the result of a positive statement of operations, specifically entrance fee amortization and forfeitures and investment income audited amounts being higher than forecasted.

Appendix B

<u>Interim Financial Statements</u>

For the four months ended

July 31, 2021

CAROLINA VILLAGE, INC.
BALANCE SHEETS
July 31, 2021

ASSETS	July 31 2021	March 31 2021
CURRENT ASSETS:		
Cash and Cash Investments	$ 9,693,632	$ 10,095,867
Investments in Marketable Securities	10,781,899	10,044,928
Accounts Receivable	962,219	753,492
Entrance Fees Receivable	328,543	588,150
Inventories and Prepaid Expenses	368,032	353,143
Total Current Assets	22,134,325	21,835,580
PROPERTY, PLANT AND EQUIPMENT:		
Land and Improvements	5,504,635	5,480,227
Building and Cottages	134,771,407	133,963,402
Construction in Progress	1,138,057	598,307
Equipment	8,271,391	8,210,567
Total Property, Plant & Equipment	149,685,490	148,252,503
Less: Accumulated Depreciation	55,429,693	54,070,626
Total Property, Plant & Equipment --net	94,255,797	94,181,877
OTHER ASSETS:		
Debt Service Reserve Fund	1,850,536	1,850,474
Long - Term Investments	2,382,492	2,109,095
Assets held in Charitable Trusts	324,988	291,544
Total Other Assets	4,558,016	4,251,113
TOTAL ASSETS	$ 120,948,138	$ 120,268,570
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	$ 657,956	$ 778,053
Accrued Payroll and Payroll Taxes	3,480,470	3,343,973
Current Maturities of Long Term Debt	1,640,000	1,590,000
Total Current Liabilities	5,778,426	5,712,026
LONG TERM LIABILITIES:		
Long-Term Debt	51,036,627	51,604,740
Annuity and Trust Payables	59,254	59,254
Total Long Term Liabilities	51,095,881	51,663,994
DEFERRED INCOME:		
Deferred Entrance Fee Income	63,625,526	63,907,765
Deferred Revenue-Stimulus	12,394	144,134
Occupancy Contracts - deposits	55,000	124,000
Total Deferred Income	63,692,920	64,175,899
Total Liabilities	120,567,227	121,551,919
NET ASSETS:		
Without Donor Restrictions	(1,430,294)	(2,963,742)
With Donor Restrictions	1,811,205	1,680,393
Total Net Assets	380,911	(1,283,349)
TOTAL LIABILITIES AND NET ASSETS	$ 120,948,138	$ 120,268,570

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

	April 2021 thru July 2021	12 months ended March 2021
Revenues		
Apartments:		
Service Fees	$ 4,334,532	$ 13,033,180
Entrance Fee Amortization	2,046,493	6,301,807
Entrance Fee Forfeitures	765,095	1,870,016
Other Apartment revenue	35,808	45,350
Medical Center	1,107,430	2,337,367
Care Center	450,826	1,423,931
Dietary - Main Complex	724,182	2,359,511
Dietary - Nursing	527,155	1,565,642
Contributions	318,236	3,723,785
Miscellaneous	25,035	26,636
Total Revenues	10,334,792	32,687,225
Expenses		
General and Administrative	1,365,469	4,008,793
Operation of Plant	1,347,995	3,861,606
Housekeeping	293,523	863,431
Medical Center	2,059,185	5,891,266
Care Center	725,918	2,256,473
Dietary - Main Complex	994,942	3,115,947
Dietary - Medical	613,813	1,888,922
Depreciation	1,360,000	3,891,052
Interest Expense	684,691	2,047,146
Total Expenses	9,445,536	27,824,636
Operating Gain (Loss)	889,256	4,862,589
Non-Operating Revenues (Expenses)		
Unrealized/Realized Gain (Loss) on Investments	591,026	2,377,608
Investment Income	183,978	489,446
Net Non-Operating Revenues (Expenses)	775,004	2,867,054
Change in Net Assets	1,664,260	7,729,643
Net Assets - beginning of period	(1,283,349)	(9,012,992)
Net Assets - end of period	$ 380,911	$ (1,283,349)

CAROLINA VILLAGE, INC.
STATEMENT OF CASH FLOWS

		April 2021 thru July 2021		12 months ended March 2021
Cash Flows from Operating Activities:				
Change in Net Assets	$	1,664,260	$	7,729,643
Entrance Fee Amortization		(2,046,493)		(6,301,807)
Entrance Fee Forfeitures		(765,095)		(1,870,016)
Depreciation		1,360,000		3,891,052
Amortization of Bond Costs		20,076		57,792
Deferred Income LCP		(134,871)		(378,915)
Entrance Fees (New Contracts) - net of refunds		2,923,827		8,229,381
Net Trust Forfeitures & Actuarial Adjustments		-		(37,467)
Loss on Disposal of Asset		2,167		-
Changes in Operating Assets and Liabilities:				
Receivables		(208,727)		642,106
Inventories & Prepaid Expenses		(14,889)		(119,627)
Deferred Revenue-Stimulus		(131,740)		144,134
Accounts Payable		16,400		608,453
Deposits on Occupancy Contracts		(69,000)		(596,770)
Net Cash Flows Provided (Used) by Operating Activities		2,615,915		11,997,959
Cash Flows from Investing Activities:				
Change in Assets held in Charitable Remainder Trusts		(33,444)		(68,422)
Change in Investments		(273,397)		(581,565)
Capital Additions		(1,436,087)		(2,567,830)
Net Cash Used by Investing Activities		(1,742,928)		(3,217,817)
Cash Flows from Financing Activities:				
Principal Payments - Long-Term debt		(525,000)		(1,545,000)
Payments for Debt Issuance Costs 2021		(13,189)		-
Funds held by Trustee - net of transfers		(62)		19,693
Net Cash Provided (Used) by Financing Activities		(538,251)		(1,525,307)
Net Increase (Decrease) in Cash and Cash Investments		334,736		7,254,835
Cash and Cash Investments - Beginning of Period		20,140,795		12,885,960
Cash and Cash Investments - End of Period	$	20,475,531	$	20,140,795

Appendix C

Occupancy Agreement

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