Carolina Village
INCORPORATED

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

Disclosure Statement

August 31, 2023

In accordance with Article 64 of Chapter 58 of the NC General Statutes, this Disclosure Statement may be delivered only through January 27, 2025, 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, 2023

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, 2025;**
- **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, 2023. This Disclosure Statement may be delivered only through January 27, 2025, 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, 2023, the current directors are:

President:	Trina Strokes, 75 Ridgeway Dr., Flat Rock Local Executive
Vice-President:	Mark Morse, 411 Sabine Dr., Hendersonville Local Executive
Treasurer:	Terry Andersen, 307 N Church St., Hendersonville Practicing CPA
Secretary:	Justin Ward, 4436 Green River Rd., Zirconia Deputy Fire Chief of Hendersonville
Director:	Renee Kumor, 13 Lakemoor Lane., Hendersonville Retired Business Person
Director:	Dick Bobb, 600 Carolina Village Rd., Hendersonville Retired Financial Executive/Resident
Director:	Robbie Chenault, 25 Crestview St., Asheville Local Executive, Aging Services
Director:	David Fluech, 2775 Hendersonville Rd, Arden Physician Assistant
Director:	Bill Gold, 210 Third Avenue West, Hendersonville Local Executive, Advisory Firm
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:	Lee Mulligan, 104 North Washington St., Hendersonville Local Attorney
Director:	Rick Wood, 2206 Evergreen Dr., Hendersonville Retired Educator
Director:	Steven Young, 30 Musterground Hill Rd., Candler VP of Technology, Blue Ridge Community College

ADMINISTRATION

The operation of Carolina Village is the responsibility of professionals experienced in life-care management. Key management persons as of August, 2023, are:

Executive Director:	Kevin Parries, 20 years at Carolina Village, 35 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, 20 years of experience in long-term care, 15 years as administrator, 12 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, 4 years at Carolina Village, 10 years as a Certified Public Accountant
Medical Center Administrator:	Alex Tucker, 14 years of experience in long-term care, 11 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. 37 years of experience, Certified Medical Director for Long Term Care Facilities
Director of Nursing:	Tisha Finney, 19 years of experience as a Registered Nurse, over 2 years as a Director of Nursing, 11 months at Carolina Village as Director of Nursing
Director of Dining Services:	Maria Rich, Certified Dietary Manager, 30 years as a Certified Dietician, 10 years at Carolina Village
Director of Horticulture:	Josh Ballard, 25 years of experience in Horticulture, 6 months at Carolina Village, State of NC Certified Plant Professional, Associate Degree- Horticulture
Director of Facility Services:	Jason Millard, 21 years of experience in maintenance, 1 year at Carolina Village, Certified Apartment Maintenance Technician, Certified Pool Operator, EPA Certified
Director of Environmental Services:	David Auxier, 11 years of experience as Housekeeping Supervisor, 6 years at Carolina Village
Director of Health Services:	Sylvia Reed, 31 years healthcare experience, 4 years at Carolina Village, Associates and Bachelor's degrees in Nursing

Director of Human Resources:	Stephanie Lee, 13 years at Carolina Village in HR, currently working on BSBA in Business Management
Director of Strategic Communications:	Wendy Smith, 19 years of experience in communications and marketing, 4 years at Carolina Village, B.A. in English with a concentration in Professional Writing
Director of Information Technology:	Jordan Webber, 13 years of experience in IT, 3 years at Carolina Village, Associate's degree in Electronic Engineering Technology
Director of Marketing:	Cheryl Justus, 26 years at Carolina Village, 19 years as Carolina Village Director of Marketing, Bachelor's Degree in Business Administration

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

Carolina Village has provided the names and addresses of both Board of Directors and the names of the key management staff. In accordance with GS § 58-64-20 the individuals listed do not have a ten percent (10%) or greater interest in 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 242 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 530-560 residents.

MEDICAL CENTER (SNF) AND CARE CENTER (AL)

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

Carolina Village 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	$ 273,100 [2]	$ 3,879	$ 200,100 [2]	$ 2,433
1-BEDROOM DELUXE	740	$ 295,100 [2]	$ 4,118	$ 222,100 [2]	$ 2,672
Summit					
1-BEDROOM	814	$ 324,100	$ 4,733	$ 251,100	$ 3,287
1-BEDROOM + DEN	1,050	$ 395,800	$ 5,535	$ 322,800	$ 4,089
Blue Ridge					
2-BEDROOM STANDARD	740	$ 295,100 [2]	$ 4,118	$ 222,100 [2]	$ 2,672
2-BEDROOM EXPANDED	900	$ 329,400 [2]	$ 4,464	$ 256,400 [2]	$ 3,018
2-BEDROOM CUSTOM	1,040	$ 369,600 [2]	$ 4,714	$ 296,600 [2]	$ 3,268
2-BEDROOM DELUXE	1,200	$ 414,700 [2]	$ 5,008	$ 341,700 [2]	$ 3,562
Pinnacle					
2-BEDROOM	1,160	$ 415,100	$ 5,641	$ 342,100	$ 4,195
2-BEDROOM CORNER	1,366	$ 476,500	$ 6,219	$ 403,500	$ 4,773
2-BEDROOM + DEN	1,372	$ 478,100	$ 6,194	$ 405,100	$ 4,748
2-BEDROOM CORNER + DEN	1,541	$ 527,200	$ 6,546	$ 454,200	$ 5,100
Smoky Mountain					
1-BEDROOM + DEN	1,134	$ 424,100 [2]	$ 5,349	$ 351,100 [2]	$ 3,903
2-BEDROOM	1,335	$ 486,700 [2]	$ 5,985	$ 413,700 [2]	$ 4,539
2-BEDROOM + DEN	1,609	$ 571,500 [2]	$ 6,929	$ 498,500 [2]	$ 5,483

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, 2023. 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	$ 356,100 [3]	$ 4,536	$ 283,100 [3]	$ 3,090
2-BEDROOM CUSTOM	1,092	$ 400,200 [3]	$ 4,772	$ 327,200 [3]	$ 3,326
2-BEDROOM DELUXE	1,260	$ 450,700 [3]	$ 5,041	$ 377,700 [3]	$ 3,595
Garden					
2-BEDROOM STANDARD + DEN	1,482	$ 525,100	$ 5,538	$ 452,100	$ 4,092
2-BEDROOM EXPANDED + DEN	1,612	$ 564,600	$ 5,748	$ 491,600	$ 4,302
2-BEDROOM CUSTOM + DEN	1,742	$ 603,900	$ 5,974	$ 530,900	$ 4,528
Meadows					
2-BEDROOM STANDARD	1,322	$ 476,300	$ 5,271	$ 403,300	$ 3,825
2-BEDROOM EXPANDED	1,422	$ 506,600	$ 5,526	$ 433,600	$ 4,080
2-BEDROOM CUSTOM + DEN	1,504	$ 531,800	$ 5,633	$ 458,800	$ 4,187
2-BEDROOM DELUXE + DEN	1,604	$ 562,400	$ 5,890	$ 489,400	$ 4,444
Clear Creek					
1-BEDROOM + DEN	1,180	$ 456,500	$ 5,286	$ 383,500	$ 3,840
2-BEDROOM TERRACE	1,270	$ 486,300	$ 5,537	$ 413,300	$ 4,091
2-BEDROOM DUPLEX	1,415	$ 533,000	$ 5,956	$ 460,000	$ 4,510
2-BEDROOM + DEN	1,570	$ 583,200	$ 6,404	$ 510,200	$ 4,958

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 $8,000 premium added to Entrance Fee.*
3. *Woods Cottages with winterized patios will have a one-time $8,000 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

After Move-In

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, 2024, determined from the 2024 forecast for expenses and the March 31, 2023 occupancy numbers:

March 31, 2024		
Total Operating Expenses	$	33,153,000
Principle payment on LTD	$	2,238,000
Depreciation Expense	$	(4,405,000)
Amortization Expense	$	(74,000)
Extraordinary items as approved by the Commissioner	$	0
Debt service portion, if provided for by way of a separate reserve account:	$	(2,693,000)
Total Operating Cost	$	28,219,000
Occupancy Factor	X	25%
Operating Reserve Requirement	$	7,054,750
Available Funds Toward Reserves		
Total Cash & Marketable Securities	$	21,885,800

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 70% to Edward Jones, 25% to First Citizens and 5% to Vanguard Index Mutual Fund. No employee of Carolina Village is responsible for investment decisions. Edward Jones and First Citizens has the responsibility of management and the selection process for investments. These firms select 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, 2023	$ 344	$ 459
January 1, 2022	$ 130	$ 171
January 1, 2021	$ 70	$ 92
January 1, 2020	$ 74	$ 104
January 1, 2019	$ 65	$ 89
Average Annual Increase	$ 136	$ 183

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.

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.

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

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 began renovating the existing dining venues and certain common areas, as well as relocated 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 began in the fall of 2021 and is expected to 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, 2023

Forecasted Financial Statements

For the years ending

March 31, 2024 thru March 31, 2028

Report on Variances

Carolina Village, Inc.

Independent Auditor’s Report, and Financial Statements

March 31, 2023 and 2022

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FORVIS

Independent Auditor's Report

Board of Directors
Carolina Village, Inc.
Hendersonville, NC

Opinion

We have audited the financial statements of Carolina Village, Inc. (the "Village"), which comprise the balance sheets as of March 31, 2023 and 2022, and the related statements of operations and changes in net assets (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Village as of March 31, 2023 and 2022 and the results of its operations and changes in net assets (deficit) and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

FORVIS

Auditor's Responsibilities for the Audits of the Financial Statements

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

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

FORVIS, LLP

Greenville, SC
June 27, 2023

Carolina Village, Inc.
Balance Sheets
March 31, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 3,834,136**	$ 8,579,340
Investments in marketable securities	**5,340,741**	3,438,214
Accounts receivable, residents, net	**630,355**	804,000
Accounts receivable, entrance fees	**618,500**	497,700
Accounts receivable, other	**226,231**	50,172
Employee Retention Credit receivable	**5,010,912**	3,254,747
Supplies, inventories, and prepaid expenses	**412,313**	398,880
Total current assets	**16,073,188**	17,023,053
Assets limited as to use:		
Funds held by a trustee under bond indenture	**1,891,026**	1,850,696
Endowment funds	**362,192**	362,192
Investments restricted for statutory operating reserve	**6,545,000**	5,894,000
Assets held in charitable remainder trusts	**240,115**	285,653
Assets held for deferred compensation	**1,575,711**	1,766,168
Other donor restricted assets held	**1,102,778**	1,178,162
Total assets limited as to use	**11,716,822**	11,336,871
Property and equipment, net	**101,293,644**	95,809,512
Total assets	**$ 129,083,654**	$ 124,169,436

Carolina Village, Inc.
Balance Sheets
March 31, 2023 and 2022 **(continued)**

	2023	2022
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable–trade	**$ 760,549**	$ 711,528
Accounts payable–construction	**609,888**	379,936
Accrued payroll and related withholdings	**515,777**	438,455
Accrued vacation	**1,025,830**	1,032,460
Deposits on contracts	**427,800**	430,600
Current maturities of		
Charitable remainder trust annuities payable	**13,595**	12,830
Refundable entrance fees	**332,511**	352,278
Current maturities of long-term debt	**2,133,258**	1,640,000
Total current liabilities	**5,819,208**	4,998,087
Long-term liabilities:		
Exclusive of current maturities:		
Long-term debt, net	**54,824,726**	51,418,414
Charitable remainder trust annuities payable	**39,427**	46,187
Deferred compensation	**1,575,711**	1,766,168
Deferred revenue from entrance fees	**62,150,082**	62,802,477
Total long-term liabilities	**118,589,946**	116,033,246
Total liabilities	**124,409,154**	121,031,333
Net assets:		
Without donor restriction	**2,969,415**	1,312,096
With donor restriction	**1,705,085**	1,826,007
Total net assets	**4,674,500**	3,138,103
Total liabilities and net assets	**$ 129,083,654**	$ 124,169,436

Carolina Village, Inc.
Statements of Operations and Changes in Net Assets (Deficit)
Years Ended March 31, 2023 and 2022

	2023	2022
Revenues, gains, and other support:		
Revenues:		
Apartments:		
Service fees	**$ 13,494,869**	$ 13,011,971
Entrance fee amortization	**6,482,451**	6,329,246
Entrance fee forfeitures	**2,370,126**	1,675,260
Other apartments revenue	**280,241**	548,902
Medical Center	**3,195,004**	3,186,551
Care Center	**1,788,376**	1,553,268
Dietary	**2,071,863**	2,138,510
Dietary–Care Center and Medical Center	**1,632,942**	1,374,932
Net assets released from restrictions for operations	**116,824**	54,905
Miscellaneous	**218,375**	203,690
Federal Provider Relief Fund income	**-**	144,134
Employee Retention Credit grant income	**1,756,165**	3,254,747
Total revenues	**33,407,236**	33,476,116
Expenses:		
General and administrative	**3,317,498**	3,585,190
Operation of plant	**5,047,306**	4,636,235
Housekeeping	**1,087,079**	929,861
Medical Center	**6,313,274**	6,059,135
Care Center	**2,621,052**	2,189,232
Dietary	**3,783,643**	3,182,493
Dietary–Care Center and Medical Center	**1,899,221**	1,863,520
Independent living support	**1,175,834**	1,050,608
Annuity expenditures	**14,602**	14,802
Depreciation	**4,070,362**	3,855,297
Interest	**2,032,858**	2,044,422
Total expenses	**31,362,729**	29,410,795
Operating income	**2,044,507**	4,065,321
Non-operating income (expense):		
Unrealized loss on investments	**(456,819)**	(259,476)
Investment income	**69,631**	555,501
Loss on sale of property and equipment	**-**	(2,167)
Excess of revenues over expenses	**$ 1,657,319**	$ 4,359,179

	2023	2022
Net assets with donor restrictions:		
Split interest agreement	**$ 5,994**	$ 237
Contributions	**79,397**	99,436
Interest and dividends	**11,879**	2,824
Unrealized loss on investments	**(103,571)**	(94,019)
Realized gain on investments	**2,203**	108,700
Net assets released from restrictions for operations	**(116,824)**	(54,905)
Change in net assets with donor restrictions	**(120,922)**	62,273
Change in net assets	**1,536,397**	4,421,452
Net assets (deficit)–beginning of year	**3,138,103**	(1,283,349)
Net assets–end of year	**$ 4,674,500**	$ 3,138,103

Carolina Village, Inc.
Statements of Cash Flows
Years Ended March 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 1,536,397	$ 4,421,452
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,070,362	3,855,297
Unrealized loss on investments	560,390	353,495
Realized gain on investments	(71,834)	(664,201)
Amortization of deferred loan costs	78,790	79,582
Amortization of bond discount	7,224	7,224
Amortization of bond premium	(18,480)	(21,707)
Loss on sale of property and equipment	-	2,167
Change in value of split interest agreements	8,607	14,565
Entrance fee amortization [1]	(6,958,672)	(6,791,224)
Entrance fee forfeitures	(2,370,126)	(1,675,260)
Entrance fees–new occupancy contracts–existing units	8,617,900	8,354,650
Restricted contributions	(79,397)	(99,436)
Changes in operating assets and liabilities:		
Accounts receivable–residents	173,645	(190,309)
Accounts receivable–other	(176,059)	89,629
Employee Retention Credit receivable	(1,756,165)	(3,254,747)
Supplies, inventories and prepaid expenses	(13,433)	(45,737)
Accounts payable–trade	49,021	(82,656)
Accrued payroll	77,322	64,158
Accrued vacation	(6,630)	(151,977)
Deferred compensation	(190,457)	174,917
Deposits on contracts–existing units	(2,800)	306,600
Provider Relief Funds liability	-	(144,134)
Net cash provided by operating activities	3,535,605	4,602,348
Cash flows from investing activities:		
Purchase of investments	(10,560,467)	(3,814,015)
Sale of investments	7,829,763	3,645,899
Proceeds from sale of property and equipment	-	900
Purchase of property and equipment	(9,324,542)	(5,283,920)
Net cash used by investing activities	$ (12,055,246)	$ (5,451,136)

See accompanying notes.

Carolina Village, Inc.
Statements of Cash Flows
Years Ended March 31, 2023 and 2022 **(continued)**

	2023	2022
Cash flows from financing activities:		
Payments on long-term debt	**$ (1,640,000)**	$ (1,590,000)
Payments for financing costs	**-**	(132,152)
Proceeds from long-term debt	**5,472,036**	1,520,727
Annuity payments	**(14,602)**	(14,802)
Refunds of entrance fees	**(82,064)**	(550,726)
Proceeds from restricted contributions	**79,397**	99,436
Net cash provided (used) by financing activities	**3,814,767**	(667,517)
Net decrease in cash, cash equivalents, and restricted cash	**(4,704,874)**	(1,516,305)
Cash, cash equivalents, and restricted cash–beginning of year	**10,430,036**	11,946,341
Cash, cash equivalents, and restricted cash–end of year	**$ 5,725,162**	$ 10,430,036
Interest paid	**$ 1,950,100**	$ 1,957,616
Non-cash investing activities:		
Purchase of property and equipment in accounts payable at year-end	**$ 609,888**	$ 379,936

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:

	2023	2022
Cash and cash equivalents	**$ 3,834,136**	$ 8,579,340
Funds held by a trustee under bond indenture	**1,891,026**	1,850,696
Cash, cash equivalents, and restricted cash–end of year	**$ 5,725,162**	$ 10,430,036

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

Basis of presentation

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

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

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

Use of estimates

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

Cash and cash equivalents

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

Assets limited as to use

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

Accounts receivable

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

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 $108,000 and $7,000 for the years ended March 31, 2023 and 2022, 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 $37,600,000 and $39,800,000 at March 31, 2023 and 2022, respectively. Based on historical experience, the estimated amount of the contractual refund obligations that are expected to be refunded in the coming year is $332,511 and $352,278 at March 31, 2023 and 2022, respectively, and is classified as a current liability on the balance sheets.

Contributions and donor-imposed restrictions

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

Resident revenue

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

Benevolent assistance

The Village provides benevolent assistance to residents who are unable to pay. Such residents are identified based on financial information obtained from the resident and subsequent review and analysis. The Village utilized certain net assets with donor restrictions, as well as earnings from certain net assets with donor restrictions and board designated net assets, to fund the care of such residents. The Village paid approximately $67,000 and $58,000 in benevolent assistance during the years ended March 31, 2023 and 2022, respectively.

Obligation to provide future services to residents

The Village enters into continuing-care contracts with various residents. A continuing-care contract is an agreement between a resident and the Village specifying the services and facilities to be provided to a resident over his or her remaining life for a monthly fee. Under the contracts, the Village has the ability to increase fees as deemed necessary. The Village annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from advance fees. If the present value of the net cost of future services and the use of the facilities exceeds the deferred revenue from advance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. The obligation was discounted at 3.7 and 2.1 percent for 2023 and 2022, respectively based on the Federal long-term rate. There was no obligation at March 31, 2023 or 2022.

Statements of operations

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

Income tax

The Village is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Village has determined that it does not have any material unrecognized tax benefits or obligations as of March 31, 2023.

Methods used for allocation of expenses among programs and supporting services

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

Concentration of credit risk

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

Subsequent events

The Village evaluated the effect subsequent events would have on the financial statements through June 27, 2023, 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:

<u>Monthly service fees:</u>

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

Entrance fees:

The nonrefundable entrance fees are recognized as deferred revenue upon receipt of the payment and included in liabilities in the balance sheets until the performance obligations are satisfied. Management has determined the contracts do not contain a significant financing component as the advanced payment assures residents the access to health care in the future. These deferred amounts are then amortized on a straight-line basis into revenue on a monthly basis over the estimated life of the resident as the performance obligation is the material right associated with access to future services as described in FASB ASC 606-10-55 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, 2023			
	Independent Living	**Care Center**	**Medical Center**	**Total**
Private pay	**$ 15,566,732**	**$ 2,693,392**	**$ 1,212,131**	**$ 19,472,255**
Government reimbursement	**-**	**-**	**2,710,799**	**2,710,799**
Total	**$ 15,566,732**	**$ 2,693,392**	**$ 3,922,930**	**$ 22,183,054**

	March 31, 2022			
	Independent Living	**Care Center**	**Medical Center**	**Total**
Private pay	$ 15,150,481	$ 2,291,089	$ 1,426,565	$ 18,868,135
Government reimbursement	-	-	2,397,097	2,397,097
Total	$ 15,150,481	$ 2,291,089	$ 3,823,662	$ 21,265,232

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, 2023 and 2022 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, 2023 and 2022. 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, 2023 and 2022 consist of the following:

	Assets and Liabilities at Fair Value as of March 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments and assets limited as to use:				
Mutual funds - index funds	**$ 7,839,808**	**$ -**	**$ -**	**$ 7,839,808**
Stocks (1)	**5,011,371**	**-**	**-**	**5,011,371**
Corporate bonds	**-**	**1,111,032**	**-**	**1,111,032**
Government and agency securities	**-**	**1,243,351**	**-**	**1,243,351**
Total investments and assets limited as to use	**$ 12,851,179**	**$ 2,354,383**	**$ -**	**$ 15,205,562**
Liabilities:				
Charitable remainder trust annuities	**$ -**	**$ -**	**$ 53,022**	**$ 53,022**
Total liabilities	**$ -**	**$ -**	**$ 53,022**	**$ 53,022**

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

	Assets and Liabilities at Fair Value as of March 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments and assets limited as to use:				
Mutual funds - index funds	$ 5,654,511	$ -	$ -	$ 5,654,511
Stocks (1)	4,940,663	-	-	4,940,663
Corporate bonds	-	1,194,033	-	1,194,033
Government and agency securities	-	1,204,576	-	1,204,576
Total investments and assets limited as to use	$ 10,595,174	$ 2,398,609	$ -	$ 12,993,783
Liabilities:				
Charitable remainder trust annuities	$ -	$ -	$ 59,017	$ 59,017
Total liabilities	$ -	$ -	$ 59,017	$ 59,017

(1) These assets consist of the following sectors: 63% domestic stocks and 37% international stocks.

The Village has $1,852,001 and $1,781,302 of money market funds included in investments and assets limited as to use on the balance sheets as of March 31, 2023 and 2022, 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, 2023 and 2022.

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, 2021 to March 31, 2023:

	Charitable Remainder Trust Annuity
Balance, March 31, 2021	$ 59,254
Unrealized loss	(237)
Balance, March 31, 2022	59,017
Unrealized loss	(5,995)
Balance, March 31, 2023	$ 53,022

4. Funds Held by a Trustee

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

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

	2023	2022
Total assets limited as to use	**$ 1,891,026**	$ 1,850,696

5. Property and Equipment

Property and equipment consist of the following at March 31:

	2023	2022
Land and improvements	**$ 5,673,417**	$ 5,541,003
Buildings and improvements	**105,899,168**	96,063,308
Cottages and improvements	**42,123,456**	41,072,039
Kitchen equipment	**2,259,636**	2,196,611
Medical and care centers equipment	**2,091,262**	2,004,014
Furniture and fixtures	**3,720,524**	3,580,761
Motor vehicles	**654,172**	646,075
Total property and equipment	**162,421,635**	151,103,811
Less: accumulated depreciation	**(61,995,351)**	(57,924,989)
	100,426,284	93,178,822
Construction in progress	**867,360**	2,630,690
Total	**$ 101,293,644**	$ 95,809,512

The Village entered into a contract for approximately $8,130,000 for dining room additions and renovations. As of March 31, 2023, the balance to finish the project, including retainage, was approximately $2,379,000. The addition is planned to be completed in October 2023.

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:

	2023	2022
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 $220,000.	**$ 31,825,000**	$ 33,465,000
Series 2017 B bonds: Bonds with interest stated below and payable each April 1 and October 1. Principal payments beginning fiscal year 2038 through 2048 ranging from $800,000 to $2,360,000.		
4.250% Serial Bonds	**7,200,000**	7,200,000
5.000% Serial Bonds	**11,745,000**	11,745,000

Series 2021 A Note: Construction draw-down loan with interest payable the 24th of each month. Principal payments of $47,129 beginning fiscal year 2024 through 2037. Interest rate at 3.620% for the first 24 payments then 3.500% for the remaining payments.	**5,881,470**	1,471,542
Series 2021 B Note: Construction draw-down loan with interest payable the 24th of each month. Principal payments of $41,419 beginning fiscal year 2024 through 2034. Fixed interest rate at 3.800%.	**1,111,293**	49,185
	57,762,763	53,930,727
Less: current maturities	**(2,133,258)**	(1,640,000)
Less: original issue discount	**(107,887)**	(115,111)
Less: net unamortized debt issuance costs	**(1,121,582)**	(1,200,372)
Plus: net unamortized bond premium	**424,690**	443,170
	$ 54,824,726	$ 51,418,414

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 (8.00% at March 31, 2023) and is due November 1, 2023. There was no outstanding balance at March 31, 2023.

In June 2021, the Village issued two draw-down construction notes with First Citizens Bank & Trust Company. Note 2021 A was issued in the amount of $5,881,470 and Note 2021 B was issued in the amount of $4,118,530. These notes will be used to provide initial funds for the construction of the dining room renovation project.

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

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

2024	$ 2,133,258
2025	2,475,048
2026	2,557,309
2027	2,383,580
2028	2,336,709
Thereafter	45,876,859
	$ 57,762,763

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:

	2023	2022
Charitable remainder trust annuities	**$ 187,090**	$ 226,634
Endowment fund earnings	**572,484**	595,415
Endowment funds	**362,192**	362,192
Quality assurance fund	**62,689**	69,780
Other restrictions	**520,630**	571,986
Total	**$ 1,705,085**	$ 1,826,007

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, 2023 and 2022, the Village expended earnings on the endowment of $30,100 and $39,000, respectively.

Changes in endowment net assets for the year ended March 31, 2023 are as follows:

	Earnings	Endowment	Total
Endowment net assets March 31, 2022	**$ 595,415**	**$ 362,192**	**$ 957,607**
Contributions	**51,987**	**-**	**51,987**
Investment earnings	**1,557**	**-**	**1,557**
Net appreciation	**(46,375)**	**-**	**(46,375)**
Appropriation of endowment assets for expenditure	**(30,100)**	**-**	**(30,100)**
Endowment net assets March 31, 2023	**$ 572,484**	**$ 362,192**	**$ 934,676**

Changes in endowment net assets for the year ended March 31, 2022 are as follows:

	Earnings	Endowment	Total
Endowment net assets March 31, 2021	$ 562,274	$ 362,192	$ 924,466
Contributions	58,256	-	58,256
Investment earnings	366	-	366
Net appreciation	13,519	-	13,519
Appropriation of endowment assets for expenditure	(39,000)	-	(39,000)
Endowment net assets March 31, 2022	$ 595,415	$ 362,192	$ 957,607

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 $232,860 and $230,270 for the years ended March 31, 2023 and 2022, 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 $158,000 and $173,000 at March 31, 2023 and 2022, respectively, 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 $74,228 and $68,105 for the years ended March 31, 2023 and 2022, respectively. The long-term deferred compensation liability at March 31, 2023 and 2022 was $1,575,711 and $1,766,168, respectively with current maturities of approximately $122,000 and $156,000 at March 31, 2023 and 2022, respectively, 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

Provider Relief Funding

On March 27, 2020, the federal Coronavirus Aid, Relief and Economic 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. Various state governments are also taking action to provide economic relief and emergency assistance. These relief funds are considered non-exchange transactions subject to terms and conditions specified by the resource provider distributed by the Health Resources Service Administration section of the U.S. Department of Health and Human Services ("HHS"). These conditions create a restriction that such funds must be used to prevent, prepare or respond to COVID-19, creating purpose restrictions in addition to conditions. Such funds are subject to recoupment to the extent the conditions for entitlement are not met.

The Village received CARES Act Provider Relief Funds ("PRF") of approximately $573,000 during the year ended March 31, 2021. The Village recognized $144,000 and $429,000 during the years ended March 31, 2022 and 2021, respectively, as Federal Provider Relief Fund income in the statements of operations and changes in net assets (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.

Employee Retention Credit

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

The Village qualifies for the ERC based on a partial shutdown and has elected to account for the ERC as a government grant by analogy to ASC 958-605. Under ASC 958-605, the ERC may be recognized once the conditions attached to the grant have been substantially met. From January 1, 2021 through June 30, 2021, the Village incurred qualifying wages and has recognized $3,254,747 associated with the ERC as grant income on the statements of operations and changes in net assets (deficit) and a corresponding receivable on the balance sheet for the year ended March 31, 2022. From July 1, 2021 through September 30, 2021, the Village incurred qualifying wages and has recognized $1,756,165 associated with the ERC as grant income on the statement of operations and changes in net assets (deficit) and a corresponding receivable on the balance sheet for the year ended March 31, 2023.

15. Liquidity and Availability

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

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

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.

	2023	2022
Cash and cash equivalents	**$ 3,834,136**	$ 8,579,340
Investments	**5,340,741**	3,438,214
Accounts receivable, residents, net	**630,355**	804,000
Accounts receivable, entrance fees	**618,500**	497,700
Accounts receivable, other	**226,231**	50,172
Employee Retention Credit receivable	**5,010,912**	-
	$ 15,660,875	$ 13,369,426

16. Schedule of Expenses by Nature and Function

The following is a schedule of expenses by both nature and function for the years ended March 31, 2023 and 2022:

	2023			
	Program Services	**Administrative and General**	**Marketing and Fundraising**	**Total**
Salaries and benefits	**$ 14,711,699**	**$ 2,125,220**	**$ -**	**$ 16,836,919**
Advertising	**-**	**-**	**213,543**	**213,543**
Supplies and other expenses	**7,307,722**	**901,325**	**-**	**8,209,047**
Depreciation	**3,704,029**	**366,333**	**-**	**4,070,362**
Interest	**1,849,901**	**182,957**	**-**	**2,032,858**
Total expenses	**$ 27,573,351**	**$ 3,575,835**	**$ 213,543**	**$ 31,362,729**

	2022			
	Program Services	Administrative and General	Marketing and Fundraising	Total
Salaries and benefits	$ 12,800,468	$ 2,195,560	$ -	$ 14,996,028
Advertising	-	-	152,280	152,280
Supplies and other expenses	7,181,981	1,180,787	-	8,362,768
Depreciation	3,508,320	346,977	-	3,855,297
Interest	1,860,424	183,998	-	2,044,422
Total expenses	$ 25,351,193	$ 3,907,322	$ 152,280	$ 29,410,795

CAROLINA VILLAGE, INC.

Compilation of a Financial Projection

For Each of the Five Years
Ending March 31, 2028

(with Independent Accountants'
Compilation Report thereon)

CAROLINA VILLAGE, INC.

Compilation of a Financial Projection

Five Years Ending March 31, 2028

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FORV/S

191 Peachtree Street NE, Suite 2700 / Atlanta, GA 30303
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Independent Accountants' Compilation Report

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

Management of Carolina Village, Inc. (the "Corporation") ("Management") is responsible for the accompanying financial projection of the Corporation, which comprises the projected balance sheets as of and for each of the five years ending March 31, 2028, the related projected statements of operations and changes in net assets, and cash flows for each of the years then ending, and the related summaries of significant assumptions and rationale in accordance with guidelines for the presentation of a financial projection established by the American Institute of Certified Public Accountants ("AICPA").

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

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

Furthermore, even if the following hypothetical assumptions occur during the projection period:

- Construction and other related costs for the nursing home renovation project approximate $4,000,000; and
- Management successfully raises approximately $4,000,000 for the nursing home renovation project through a capital campaign.

There will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

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

FORVIS, LLP

Atlanta, Georgia
August 28, 2023

CAROLINA VILLAGE, INC.

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

	2024	2025	2026	2027	2028
Revenues, gains and other support:					
Apartments:					
Entrance fee amortization	$ 6,612	$ 7,357	$ 8,206	$ 9,057	$ 9,057
Entrance fee forfeitures	1,776	1,838	1,903	1,969	2,038
Service fees	15,000	15,537	16,034	16,537	17,060
Medical center revenue	3,462	3,648	3,714	3,768	3,827
Care center revenue	1,774	1,722	1,831	1,839	1,878
Dietary revenue	3,810	4,070	4,232	4,397	4,568
Other revenue	144	149	154	158	164
Contributions	216	216	216	216	216
Interest income	264	389	383	382	191
Total revenues, gains and other support	33,058	34,926	36,673	38,323	38,999
Expenses:					
General and administrative	3,515	3,638	3,765	3,897	4,033
Independent living services	1,183	1,225	1,268	1,312	1,358
Operation of plant	5,401	5,590	5,786	5,988	6,198
Housekeeping	1,055	1,092	1,130	1,170	1,211
Medical center	6,572	6,802	7,040	7,286	7,541
Care center	2,773	2,870	2,971	3,075	3,182
Dietary	6,037	6,248	6,466	6,692	6,927
Depreciation	4,405	4,627	4,704	4,780	4,852
Interest expense:					
Series 2017A Bonds	979	859	724	676	628
Series 2017B Bonds	893	893	893	893	899
Construction Loans	266	329	302	274	245
Amortization	74	74	74	74	74
Total expenses	33,153	34,247	35,123	36,117	37,148
Operating income	(95)	679	1,550	2,206	1,851
Annuity expenditures	(11)	(11)	(11)	(11)	(11)
Annuity forfeitures	33	33	33	33	33
Contributions	2,000	2,000	-	-	-
Excess of revenues over expenses	1,927	2,701	1,572	2,228	1,873
Net assets without donor restrictions:					
Excess of revenues over expenses	1,927	2,701	1,572	2,228	1,873
Net assets with donor restrictions:					
Change in net assets with donor restrictions	-	-	-	-	-
Change in net assets	1,927	2,701	1,572	2,228	1,873
Net assets, beginning of year	4,674	6,601	9,302	10,874	13,102
Net assets, end of year	$ 6,601	$ 9,302	$ 10,874	$ 13,102	$ 14,975

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

CAROLINA VILLAGE, INC.

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

	2024	2025	2026	2027	2028
Cash flows from operating activities:					
Change in net assets	1,927	2,701	1,572	2,228	1,873
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation	4,405	4,627	4,704	4,780	4,852
Amortization of deferred financing costs	100	100	100	100	100
Amortization of original issue discount	7	7	7	7	7
Amortization of original issue premium	(33)	(33)	(33)	(33)	(33)
Entrance fee amortization	(6,612)	(7,357)	(8,206)	(9,057)	(9,057)
Entrance fee forfeitures	(1,776)	(1,838)	(1,903)	(1,969)	(2,038)
Entrance fees - resident turnover	13,471	10,882	10,559	10,929	11,311
Change in Employee Retention Credit receivable	5,011	-	-	-	-
Net change in current assets and liabilities	(421)	(3)	21	28	27
Net cash provided by operating activities	16,079	9,086	6,821	7,013	7,042
Cash flows from investing activities:					
Change in assets limited as to use	(1,312)	(277)	(187)	(252)	(262)
Dining and Common Area Project capital additions	(3,007)	-	-	-	-
Medical Center Project capital additions	(2,000)	(2,000)	-	-	-
Capitalized interest	(134)	-	-	-	-
Routine capital additions	(2,769)	(2,852)	(2,938)	(3,026)	(3,116)
Net cash used by investing activities	(9,222)	(5,129)	(3,125)	(3,278)	(3,378)
Cash flows from financing activities:					
Proceeds from Construction Loans	3,007	-	-	-	-
Principal payments on Series 2017A Bonds	(1,690)	(1,745)	(1,800)	(1,860)	(1,920)
Principal payments on Construction Loans	(548)	(731)	(758)	(787)	(816)
Refunds of entrance fees	(360)	(380)	(400)	(414)	(428)
Net cash provided by (used by) financing activities	409	(2,856)	(2,958)	(3,061)	(3,164)
Change in cash, investments and restricted cash	7,266	1,101	738	674	500
Cash, investments and restricted cash, beginning of year	11,066	18,332	19,433	20,171	20,845
Cash, investments and restricted cash, end of year	$ 18,332	$ 19,433	$ 20,171	$ 20,845	$ 21,345
Reconciliation of cash, investments and restricted cash:					
Cash and investments	16,441	17,542	18,280	18,954	19,454
Debt Service Reserve Fund - Series 2017B Bonds	1,891	1,891	1,891	1,891	1,891
Cash, investments, and restricted cash	18,332	19,433	20,171	20,845	21,345

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

CAROLINA VILLAGE, INC.

Projected Balance Sheets
At March 31,
(In Thousands)

	2024	2025	2026	2027	2028
Assets					
Current assets:					
Cash and investments	16,441	17,542	18,280	18,954	19,454
Assets limited as to use-current portion	802	801	757	757	758
Accounts receivable, residents, net	1,163	1,208	1,248	1,284	1,322
Accounts receivable-other	190	198	204	210	216
Accounts receivable-entrance fees	619	619	619	619	619
Supplies, inventories, and prepaid expenses	297	308	319	330	341
Total current assets	19,512	20,676	21,427	22,154	22,710
Assets limited as to use:					
Designated for Statutory Operating Reserve Fund	7,055	7,333	7,564	7,816	8,077
Debt Service Reserve Fund	1,891	1,891	1,891	1,891	1,891
Endowment funds	362	362	362	362	362
Charitable remainder trusts	240	240	240	240	240
Deferred compensation in marketable securities	1,576	1,576	1,576	1,576	1,576
Other donor-restricted assets	1,103	1,103	1,103	1,103	1,103
Total assets limited as to use	12,227	12,505	12,736	12,988	13,249
Property and equipment	171,199	176,051	178,989	182,015	185,131
Less: accumulated depreciation	(66,401)	(71,028)	(75,732)	(80,512)	(85,364)
Property and equipment, net	104,798	105,023	103,257	101,503	99,767
Total assets	$ 136,537	$ 138,204	$ 137,420	$ 136,645	$ 135,726

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

CAROLINA VILLAGE, INC.

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

	2024	2025	2026	2027	2028
Liabilities and net assets					
Current liabilities:					
Accounts payable	$ 692	$ 716	$ 741	$ 767	$ 794
Accrued interest-Series 2017A Bonds	80	64	60	56	51
Accrued interest-Series 2017B Bonds	452	452	452	452	452
Accrued interest-Construction Loans	29	26	24	22	19
Accrued payroll and benefits	1,621	1,677	1,736	1,797	1,860
Deposits on contracts	428	428	428	428	428
Current maturities of charitable remainder trust annuities payable	14	14	14	14	14
Refundable entrance fees	380	400	414	428	443
Current maturities of Series 2017A Bonds	1,745	1,800	1,860	1,920	1,980
Current maturities of Construction Loans	731	758	787	816	846
Total current liabilities	6,172	6,335	6,516	6,700	6,887
Long-term liabilities:					
Long-term debt-Series 2017A Bonds	28,390	26,590	24,730	22,810	20,830
Long-term debt-Series 2017B Bonds	18,945	18,945	18,945	18,945	18,945
Original issue discount, net	(102)	(95)	(88)	(81)	(74)
Original issue premium, net	411	378	345	312	279
Construction Loans	8,721	7,963	7,176	6,360	5,514
Deferred financing costs, net	(1,042)	(943)	(843)	(743)	(643)
Total long-term debt	55,323	52,838	50,265	47,603	44,851
Deferred compensation	1,576	1,576	1,576	1,576	1,576
Charitable remainder trust annuities payable	39	39	39	39	39
Deferred revenue from entrance fees	66,826	68,114	68,150	67,625	67,398
Total long-term liabilities	123,764	122,567	120,030	116,843	113,864
Total liabilities	129,936	128,902	126,546	123,543	120,751
Net assets:					
Without donor restriction	4,896	7,597	9,169	11,397	13,270
With donor restriction	1,705	1,705	1,705	1,705	1,705
Total net assets	6,601	9,302	10,874	13,102	14,975
Total liabilities and net assets	$ 136,537	$ 138,204	$ 137,420	$ 136,645	$ 135,726

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

Basis of Presentation

The accompanying financial projection presents, to the best of the knowledge and belief of management of Carolina Village, Inc. (the "Corporation") ("Management') the expected financial position, results of operations and changes in net assets, and cash flows of the Corporation as of and for each of the five years ending March 31, 2028. Accordingly, the accompanying projection reflects Management's judgment as of August 28, 2023, the date of this projection, of the expected conditions and its expected course of action during the projection period. However, there will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

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

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

Hypothetical Assumption – A hypothetical assumption is an assumption used in a financial projection to present a condition or course of action that is not necessarily expected to occur but is consistent with the purpose of the presentation. Hypothetical assumptions are not derived from sources, which are based upon supporting documentation such as contracts, agreements, or other empirical data. Management has prepared its financial projection assuming the following hypothetical assumptions:

- Construction and other related costs for the nursing home renovation project approximate $4,000,000; and
- Management successfully raises approximately $4,000,000 for the nursing home renovation project through a capital campaign.

Description of the Community

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

The Community is located on an approximate 96-acre campus and consists of 378 independent living apartment and cottage units (the "Independent Living Units"), a 60-unit assisted living facility (the "Assisted Living Units"), and 58 Medicare certified skilled nursing beds (the "Skilled Nursing Beds"), along with supportive common areas. The unit configuration, monthly fees ("Monthly Service Fees") and entrance fees ("Entrance Fees") for the Independent Living Units are summarized in the following table.

Table 1
Independent Living Units Configuration

Type of Unit	Units	Square Footage	Entrance Fees (1)(2)	Monthly Service Fees (1)
Studios				
Smoky Mountain – Efficiency (3)	12	440	-	$2,080
Total/weighted averages	12	440	$ -	$2,080
One Bedroom Apartments				
Pisgah – One Bedroom Standard	36	600	$ 200,100	$2,433
Pisgah – One Bedroom Deluxe	21	740	222,100	2,672
Summit – One Bedroom	12	814	251,100	3,387
Summit – One Bedroom with Den	12	1,050	322,800	4,089
Smoky Mountain – One Bedroom with Den	24	1,134	351,000	3,903
Total/weighted averages	105	826	$ 258,866	$ 3,104
Two Bedroom Apartments				
Blue Ridge – Two Bedroom Standard	30	740	$222,100	$2,672
Blue Ridge – Two Bedroom Expanded	19	900	256,400	3,018
Blue Ridge – Two Bedroom Custom	23	1,040	296,600	3,268
Blue Ridge – Two Bedroom Deluxe	3	1,200	341,700	3,562
Pinnacle – Two Bedroom	27	1,160	342,100	4,195
Pinnacle – Two Bedroom with Den	3	1,372	405,100	4,748
Pinnacle – Two Bedroom Corner	3	1,366	403,500	4,773
Pinnacle – Two Bedroom Corner with Den	6	1,541	454,200	5,100
Smoky Mountain – Two Bedroom	8	1,335	413,700	4,539
Smoky Mountain – Two Bedroom with Den	4	1,609	498,500	5,483
Total/weighted averages	126	1,053	$ 310,102	$ 3,603
Cottages				
Woods	27	945-1,260	$283,100-377,700	$3,090-3,595
Garden	27	1,482-1,742	452,100-530,900	4,092-4,528
Meadows	27	1,322-1,604	403,300-489,400	3,825-4,444
Clear Creek	54	1,180-1,570	383,500-510,200	3,840-4,958
Total/weighted averages	135	1,375	$ 429,221	$ 4,088
Total ILUs /weighted averages	**378**	**1,086**	**$ 328,568**	**$ 3,589**
Second person fees			$73,000	$1,446

Source: Management

(1) Fees effective January 1, 2023 through the calendar year ending December 31, 2023.

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

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

Table 2
Healthcare Center Configuration

Unit Type	Number of Units	Square Footage	Daily Service Fees (1)
Assisted Living Units	60	320	$ 200
Skilled Nursing Beds	58	255	325
Total / weighted averages	**118**	**288**	**$ 261**

Source: Management
(1) Daily Service Fees are effective January 1, 2023 through the calendar year ending December 31, 2023.

The Dining and Common Area Project

An expansion and renovation to the Community's dining venues, certain common areas, and office space began in November 2021 (the "Dining and Common Area Project"). Total Dining and Common Area Project costs are assumed to approximate $10,000,000 based on a construction contract with the Corporation's construction contractor, Frank L. Blum Construction Company. The Dining and Common Area Project is anticipated to be completed in November 2023.

The Medical Center Project

Management is planning a renovation of the Medical Center beginning in November 2023 (the "Medical Center Project"). Total Medical Center Project costs are assumed to approximate $4,000,000 based on construction estimates provided by the Corporation's construction contractor, Frank L. Blum Construction Company. Management has engaged a firm to implement a capital campaign and Management assumes to receive approximately $4,000,000 to fund construction and related costs for the Medical Center Project. The Medical Center Project is anticipated to be completed in September 2024.

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, common areas, amenities, programs, and services of the Corporation during the term of the Occupancy Agreement.

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

- Access to assisted living and skilled nursing services without an increase in the Monthly Service Fee (except meals, drugs, supplies, 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 an Independent Living Unit. The Resident agrees to pay an Entrance Fee as a condition of becoming a Resident under a zero percent refundable Entrance Fee plan. 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 shall be transferred to the Healthcare Center, on either a temporary or permanent basis.

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

Terminations and Refunds

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

The Resident may also voluntarily terminate the Occupancy Agreement after the 30-Day Rescission Period, and prior to the date of occupancy, provided that the Resident gives written notice of such termination. Any such refund paid shall 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 Independent Living Unit, 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 and Independent Living Unit, the amount retained by the Corporation would be the cost of any non-standard improvements requested by the Resident. After occupancy there is no refund at death.

Services Provided for Care Center Units

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

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

Services Provided for Medical Center Units

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

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

Summary of Significant Accounting Policies

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

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

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

(d) Restricted Cash - Restricted cash includes the Debt Service Reserve Fund held by the trustee under the bond indenture.

(e) Assets Limited as to Use - Assets limited as to use represent; (1) funds required by the Corporation's bond documents to be held by the trustee (the "Trustee") (2) funds that have been restricted by donors including endowment funds, (3) investments designated by the board for the statutory operating reserve, (4) assets held in charitable remainder trusts and (5) assets held under deferred compensation agreements. Management assumes no material changes in fair values that would result in material net realized or unrealized gains or losses during the projection period.

North Carolina General Statute Section 58-64-33 requires CCRCs to maintain an operating reserve equal to 50 percent of the total budgeted operating expenses (adjusted for non-cash items) in a given year, or 25 percent of such total operating expenses (adjusted for non-cash items) if occupancy of the Independent Living Units and Assisted Living Units exceeds 90 percent.

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

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

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

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

Land improvements	5 to 40 years
Buildings and improvements	20 to 40 years
Furniture and equipment	5 to 10 years

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

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

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

(m) Deposits on Contracts - Potential Residents pay a $1,000 fee to be added to the waitlist. Once an Independent Living Unit becomes available, potential Residents sign 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.

See Independent Accountants' Compilation Report

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

(o) Contributions and Donor-Imposed Restrictions - All contributions are considered available for unrestricted use unless specifically restricted by the donor. The Corporation reports gifts of cash and other assets as restricted contributions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without restriction and reported in the statements of operations as net assets released from restrictions.

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

(q) Obligation to Provide Future Services to Residents - The Corporation enters into continuing care contracts with various Residents. A continuing care contract is an agreement between a Resident and the Corporation specifying the services and facilities to be provided to a Resident over his or her remaining life for a monthly fee. Under the Occupancy Agreements, the Corporation has the ability to increase fees as deemed necessary. The Corporation calculates annually the present value of the net cost of future services and the use of facilities to be provided to current Residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and the use of the facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. No liability was recorded at March 31, 2023, because the present value of the estimated net costs of future services and use of facilities is less than deferred revenue from entrance fees. For purposes of the projection, Management has assumed no future service obligation liability.

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 3.5 percent beginning January 1, 2024 and annually thereafter.

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

Table 3
Utilization of Independent Living Units

Years Ending March 31,	Average Number of Units Occupied	Average Number of Units Available (1)	Average Occupancy
Historical			
2021	378.1	397.3	95.2%
2022	363.8	386.9	94.0%
2023	350.7	380.7	92.1%
2024 (2)	348.4	376.0	92.7%
Projected			
2024	359.0	378.0	95.0%
2025	360.8	379.8	95.0%
2026	361.0	380.0	95.0%
2027	361.0	380.0	95.0%
2028	361.0	380.0	95.0%

Source: Management
(1) Management is combining Independent Living Units, including approximately 16 units which are currently offline. Management estimates the Independent Living Units available shall increase to 380 by fiscal year 2026, due to unit reconfiguration and combining.
(2) Average occupancy through July 31, 2023.

The double occupancy percentage for the Independent Living Units is assumed to approximate 33 percent throughout the projection period as provided by Management and the Corporation's actuary.

Care Center Revenue

Service fee revenue for Residents living in the Assisted Living Units is based upon the assumed occupancy and the Monthly Service Fee of the respective units. The Assisted Living Unit Daily Service Fees are assumed to increase 3.5 percent beginning January 1, 2024 and annually thereafter.

Management assumes the Assisted Living Units shall average approximately 88 percent occupancy in fiscal year 2024 and approximately 85 percent throughout the remainder of the projection period. The assumed occupancy levels for the Assisted Living Units are presented in the following table:

Table 4
Utilization of the Assisted Living Units

Years Ended March 31,	Average Units Occupied – Permanent	Average Units Occupied – Temporary	Average Units Occupied – Private Pay	Average Units Occupied - Total	Total Units Available	Average Occupancy
Historical:						
2021	33.0	7.3	6.5	46.8	60.0	78.0%
2022	39.8	7.3	2.6	49.7	60.0	82.8%
2023	48.3	3.7	1.0	53.0	60.0	88.3%
2024 (1)	49.6	2.9	1.2	53.7	60.0	89.5%
Projected:						
2024	48.6	3.4	1.0	53.0	60.0	88.3%
2025	39.9	7.7	3.4	51.0	60.0	85.0%
2026	38.4	7.9	4.7	51.0	60.0	85.0%
2027	39.0	8.2	3.8	51.0	60.0	85.0%
2028	39.2	8.3	3.5	51.0	60.0	85.0%

Source: Management
(1) Average occupancy through July 31, 2023.

Medical Center Revenue

Service fee revenue for Residents living in the Medical Center is based upon the assumed occupancy and the service fees of the respective beds. The Skilled Nursing Beds Daily Service Fees are assumed to increase 3.5 percent and 2.0 for private pay and Medicare, respectively beginning January 1, 2024 and annually thereafter.

Management has assumed the Skilled Nursing Beds shall average approximately 76 percent occupancy in fiscal year 2024 and 80 percent throughout the remainder of the projection period. The assumed occupancy levels for the Skilled Nursing Beds are presented in the following table:

Table 5
Average Utilization of the Skilled Nursing Beds

Years Ended March 31,	Permanent Lifecare Transfers	Temporary Lifecare Transfers	Private Pay	Medicare	Total	Total Beds Available	Average Occupancy
Historical:							
2021	20.2	12.7	3.9	4.5	41.3	58.0	71.3%
2022	22.0	11.3	1.6	8.0	42.9	58.0	74.1%
2023	21.8	9.6	0.4	10.8	42.6	58.0	73.4%
2024 (1)	23.4	11.9	0.1	7.0	42.4	58.0	73.1%
Projected:							
2024	21.4	10.0	0.4	12.4	44.2	58.0	76.2%
2025	23.5	10.0	0.6	12.4	46.5	58.0	80.2%
2026	23.6	10.0	0.4	12.4	46.4	58.0	80.0%
2027	23.8	10.0	0.2	12.4	46.4	58.0	80.0%
2028	24.0	10.0	0.0	12.4	46.4	58.0	80.0%

Source: Management
(1) Average occupancy through July 31, 2023.

Investment Income

Interest earnings are assumed to approximate 1.5 percent annually throughout the projection period on the Corporation's cash and investments, assets limited as to use-current portion, Designated for Statutory Operating Reserve Fund, Debt Service Reserve Fund, endowment funds, charitable remainder trusts, deferred compensation in marketable securities, and other donor-restricted assets.

Other Revenue

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

Independent Living Units Entrance Fees from attrition are assumed to increase 3.5 percent annually throughout the projection period. The following table presents the assumed attrition Entrance Fees received and Entrance Fees refunded.

Table 6
Entrance Fees Receipts and Entrance Fees Refunds
(In Thousands)

	2024	2025	2026	2027	2028
Annual attrition	30.0	30.0	30.0	30.0	30.0
Vacant unit refill	11.0	2.0	-	-	-
Number of Entrance Fees Received	41.0	32.0	30.0	30.0	30.0
Entrance Fees Received	$ 13,471	$ 10,882	$ 10,559	$ 10,929	$ 11,311
Entrance Fees Refunded	(360)	(380)	(400)	(414)	(428)
Entrance Fees Received, Net of Refunds	**$ 13,111**	**$ 10,502**	**$ 10,159**	**$ 10,515**	**$ 10,883**

Source: Management and the actuary

Employee Retention Credit

In response to the economic impact of the COVID-19 pandemic, Congress introduced the Employee Retention Credit ("ERC"). The ERC is a refundable payroll tax credit available to taxpayers who experienced either a full or partial suspension of business operations due to government orders or had a significant drop in gross receipts during 2020 and 2021.

The Corporation qualified for the ERC based on a partial shutdown and elected to account for the ERC as a government grant by analogy to ASC 958-605. Under ASC 958-605, the ERC may be recognized once the conditions attached to the grant have been substantially met. In fiscal years 2022 and 2023, the Corporation recognized approximately $3,255,000 and $1,756,000, respectively, associated with the ERC as grant income and recorded a corresponding ERC receivable. At March 31, 2023, the ERC receivable was approximately $5,011,000. The Corporation began receiving ERC payments in June 2023 and anticipates receiving the full ERC amount of $5,011,000 during fiscal year 2024.

Summary of Operating Expense Assumptions

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

Table 7
Schedule of Assumed Staffing Levels (FTEs)

Department	2024
General and administrative	16.4
Independent living services	16.8
Dining services	81.9
Operation of plant	12.7
Security	13.3
Housekeeping	18.7
Medical center	63.0
Care center	39.5
Therapy	9.3
Total FTE's	**271.6**

Source: Management

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

Assets Limited as to Use

Assets limited as to use represents funds required by the Corporation's bond documents to be held by a Trustee, statutory required funds, and Board designated funds. Amounts required to meet current liabilities of the Corporation have been classified as current assets in the projected 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, 2023 was $6,545,000.

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

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

Table 8
Schedule of Property and Equipment
(In Thousands)

Years Ended March 31,	2024	2025	2026	2027	2028
Property and equipment, gross					
Beginning balance	$ 163,289	$ 171,199	$ 176,051	$ 178,989	$ 182,015
Dining and Common Area Project capital additions (1)	3,007	–	–	–	–
Medical Center Project capital additions (2)	2,000	2,000	–	–	–
Capitalized interest	134	–	–	–	–
Routine capital additions	2,769	2,852	2,938	3,026	3,116
Property and equipment, gross	171,199	176,051	178,989	182,015	185,131
Accumulated depreciation	(66,401)	(71,028)	(75,732)	(80,512)	(85,364)
Property and equipment, net	$ 104,798	$ 105,023	$ 103,257	$ 101,503	$ 99,767

Source: Management

(1) Construction of the Dining and Common Area Project began in November 2021 and is assumed to be completed by November 2023.

(2) The Medical Center Project is assumed to commence in November 2023 and be completed by September 2024 (fiscal year 2025).

Long-Term Debt and Interest Expense

Series 2017A Bonds

As of March 31, 2023, $31,825,000 of long-term debt was related to a direct purchase bank loan (the "Series 2017A Bonds"). The Series 2017A Bonds were issued in December 2017 at a par amount of approximately $39,885,000 with an average interest rate of 3.057 percent per annum. 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

As of March 31, 2023 $18,945,000 of long-term debt was related to North Carolina Medical Care Commission First Mortgage Refunding and Revenue Bonds, Series 2017 (the "Series 2017B Bonds"). The Series 2017B Bonds include serial bonds issued at both a discount and a premium, with interest rates ranging from 4.25 to 5.00 percent per annum. Interest on the Series 2017B Bonds is to be paid semi-annually on April 1 and October 1 of each year. Principal on the Series 2017B Bonds is to be paid annually commencing on April 1, 2037, with a final maturity on April 1, 2047.

Construction Loans

In June 2021, the Corporation entered into two draw-down construction loans (the "Construction Loans") with First Citizens Bank & Trust Company, which equates to a total borrowing of $10,00,000, with interest rates ranging from 3.50 to 3.80 percent per annum. As of March 31, 2023 approximately $6,993,000 had been drawn on the Construction Loans. Interest on the Construction Loans is paid monthly. Principal on the Construction Loans is paid monthly beginning July 2023.

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

Table 9
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
2024	$ 1,690	$ 979	$ -	$ 893	$ 548	$ 313	$ 4,423
2025	1,745	859	-	893	731	331	4,559
2026	1,800	724	-	893	758	304	4,479
2027	1,860	676	-	893	787	276	4,492
2028	1,920	628	-	893	816	247	4,504
Thereafter	22,810	3,176	18,945	13,439	6,360	862	65,592
Total	**$ 31,825**	**$ 7,042**	**$ 18,945**	**$ 17,904**	**$ 10,000**	**$ 2,333**	**$ 88,049**

Source: Management

See Independent Accountants' Compilation Report

Current Assets and Current Liabilities

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

Table 10
Working Capital – Days on Hand

Accounts receivable, residents, net	18 days of operating revenues
Accounts receivables-other	3 days of operating revenues
Supplies, inventories, and prepaid expenses	4 days of operating expenses
Accounts payable	10 days of operating expenses
Accrued payroll and benefits	22 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, 2023

The threshold of $968,000 is calculated as .75% of total assets.

Statements of Operations	**FORECASTED**	**AUDITED**	**Variance greater than $968,000 and 5%**
Revenues:			
Resident Service Fees	$ 13,475,000	$ 13,494,869	
Entrance Fee amortization and forfeitures	8,172,000	8,852,577	
Medical Center	3,911,000	3,195,004	
Care Center	1,481,000	1,788,376	
Dietary	4,010,000	3,704,805	
Investment Gain/(Loss)	12,000	(387,188)	
Miscellaneous Income	243,000	494,518	
Grants-CARES Act	1,750,000	1,756,165	
Total Revenues	33,054,000	32,899,126	
Expenses:			
General and Administration	3,677,000	3,317,498	
Operation of Plant	4,977,000	5,047,306	
Housekeeping	971,000	1,087,079	
Medical Center	6,588,000	6,313,274	
Care Center	2,360,000	2,621,052	
Dietary	5,508,000	5,682,864	
Independent Living Support	1,111,000	1,175,834	
Annuity Expenditures	17,000	14,602	
Depreciation	4,104,000	4,070,362	
Amortization	74,000	-	
Interest Expense	1,975,000	2,032,858	
Total Expenses	31,362,000	31,362,729	
Change in Net Assets	1,692,000	1,536,397	
Net Deficits - Beginning Of Year	3,138,000	3,138,103	
Net Assets - End Of Year	$ 4,830,000	$ 4,674,500	

CAROLINA VILLAGE, INC.

Report on material variances between prior year's forecast and actual audited results
For the year ended March 31, 2023

	Cash Flow Statements	FORECASTED	AUDITED	Variance greater than $968,000 and 5%	
	Cash flows from operating activities				
	Change in Net Assets	$ 1,692,000	$ 1,536,397		
	Adjustment to reconcile change in net assets to net cash provided by operating activities:				
	Depreciation	4,104,000	4,070,362		
	Amortization of Deferred Marketing & Financing Costs	74,000	67,534		
1)	Entrance Fee amortization and forfeitures	(8,172,000)	(9,328,798)	(1,156,798)	14.2%
	Entrance Fees received - net of refunds	8,112,000	8,617,900		
	Realized gains on investments	-	(71,834)		
	Unrealized gains on investments	-	560,390		
2)	Change in current & other assets and liabilities	1,381,000	(1,916,346)	(3,297,346)	-238.8%
	Net Cash provided by operating activities	7,191,000	3,535,605		
	Cash flows used by Investing activities:				
3)	Change in investments and assets limited to use	(1,428,000)	(2,730,704)	(1,302,704)	91.2%
	Project Costs	(4,910,000)	(5,618,176)		
	Capitalized Interest	(142,000)	-		
4)	Purchases of property and equipment	(2,688,000)	(3,706,366)	(1,018,366)	37.9%
	Net cash (used) by investing activities	(9,168,000)	(12,055,246)		
	Cash flows provided (used) by financing activities:				
	Annuity Payments and Restricted Contributions	-	64,795		
	Proceeds from Construction Loans	4,910,000	5,472,036		
	Refunds of Entrance Fees	(581,000)	(82,064)		
	Principal payments on long-term debt	(1,640,000)	(1,640,000)		
	Net Cash Flows (used) by Financing Activities	2,689,000	3,814,767		
	Change in cash and cash equivalents	712,000	(4,704,874)		
	Cash and cash equivalents, beginning of year	13,867,000	10,430,036		
	Cash and cash equivalents end of year	$ 14,579,000	$ 5,725,162		

CAROLINA VILLAGE, INC.

Report on material variances between prior year's forecast and actual audited results
For the year ended March 31, 2023

	Balance Sheets	FORECASTED	AUDITED	Variance greater than $968,000 and 5%	
	Assets				
	Current Assets:				
5)	Cash and Investments	$ 13,505,000	$ 9,174,877	(4,330,123)	-32.1%
	Accounts receivable	1,783,000	1,475,086		
6)	Employee Retention Credit receivable	1,750,000	5,010,912	3,260,912	186.3%
	Inventories And Prepaid Expenses	282,000	412,313		
	Total Current Assets	17,320,000	16,073,188		
	Non-Current Assets:				
	Designated for Operating Reserve	6,545,000	6,545,000		
	Funds held by a trustee under Bond Indenture	1,851,000	1,891,026		
	Total Assets Limited to Use	8,396,000	8,436,026		
	Property and Equipment:				
	Total Property and Equipment, net	99,446,000	101,293,644		
	Assets limited as to use:				
	Long-Term Restricted Investments	3,592,000	3,280,796		
	Total Other Assets	3,592,000	3,280,796		
	Total Assets	$ 128,754,000	$ 129,083,654		
	Liabilities and Net Assets				
	Current Liabilities:				
	Accounts Payable	$ 3,191,000	$ 3,258,150		
	Deposits on Contracts	431,000	427,800		
	Current Maturities-Long Term Debt	2,238,000	2,133,258		
	Total Current Liabilities	5,860,000	5,819,208		
	Long term Liabilities:				
	Exclusive Of Current Maturities				
	Long-Term Debt	54,165,000	54,824,726		
	Other Long-term Liabilities	1,812,000	1,615,138		
	Total Long-Term Liabilities	55,977,000	56,439,864		
	Deferred revenue:				
	Deferred revenue from entrance fees	62,087,000	62,150,082		
	Total Liabilities	123,924,000	124,409,154		
	Net Assets (Deficit):				
	Without Donor Restrictions	3,004,000	2,969,415		
	With Donor Restrictions	1,826,000	1,705,085		
	Total Net Assets	4,830,000	4,674,500		
	Total Liabilities and Net Assets	$ 128,754,000	$ 129,083,654		

CAROLINA VILLAGE, INC.

Report on material variances between prior year's forecast and actual audited results
For the year ended March 31, 2023

1) The audited entrance fee amortization and forfeitures were higher than forecasted, causing this adjustment on the cash flow statement to be a larger negative than forecasted. This type of amortization income is estimated based on the resident's estimated life expectancy.

2) The audited change in current assets and liabilities is lower than forecasted. This is a result of the employee retention credit receivable. The forecast reflected $3.2M of this receivable being collected in FY 2023. However, this amount was not collected until FY 2024.

3) The audited change in investments and assets limited to use is a larger negative than forecasted. This is due to excess cash being moved out of operating cash and moved into the investment portfolio. This negative amount represents investment purchases net of investment sales.

4) The audited purchases of property and equipment is a larger negative than the forecast. This is the result of additional funds being used towards routine capital purchases, with the majority going towards unit renovations.

5) Audited cash and investments is lower than forecasted. This is mostly due to not receiving the employee retention credit funds during the fiscal year. See the cash flow statement for details in the changes in cash and investments.

6) The audited employee retention credit receivable is more than forecasted. This is due to not receiving any of this receivable during the fiscal year. So far, aproximately $3.2M of this receivable has been collected during fiscal year 2024.

Appendix B

Interim Financial Statements

For the four months ended

July 31, 2023

CAROLINA VILLAGE, INC.
BALANCE SHEETS
July 31, 2023

ASSETS	July 31 2023	March 31 2023
CURRENT ASSETS:		
Cash and Cash Investments	$ 7,542,632	$ 3,834,136
Investments in Marketable Securities	13,744,734	12,866,533
Accounts Receivable	2,552,498	5,867,499
Entrance Fees Receivable	849,500	618,500
Inventories and Prepaid Expenses	420,532	412,312
Total Current Assets	25,109,896	23,598,980
PROPERTY, PLANT AND EQUIPMENT:		
Land and Improvements	5,718,352	5,673,417
Building and Cottages	149,686,713	148,022,623
Construction in Progress	2,263,684	867,360
Equipment	8,808,009	8,725,595
Total Property, Plant & Equipment	166,476,758	163,288,995
Less: Accumulated Depreciation	63,455,351	61,995,352
Total Property, Plant & Equipment --net	103,021,407	101,293,643
OTHER ASSETS:		
Debt Service Reserve Fund	1,844,883	1,891,026
Long - Term Investments	2,338,863	2,059,890
Assets held in Charitable Trusts	236,242	240,115
Total Other Assets	4,419,988	4,191,031
TOTAL ASSETS	$ 132,551,291	$ 129,083,654

LIABILITIES AND NET ASSETS	July 31 2023	March 31 2023
CURRENT LIABILITIES:		
Accounts Payable	$ 1,246,795	$ 1,231,749
Accrued Payroll and Payroll Taxes	3,365,934	3,256,006
Current Maturities of Long Term Debt	2,368,984	2,133,258
Total Current Liabilities	6,981,713	6,621,013
LONG TERM LIABILITIES:		
Long-Term Debt	55,239,329	54,824,726
Annuity and Trust Payables	36,397	53,022
Total Long Term Liabilities	55,275,726	54,877,748
DEFERRED INCOME:		
Deferred Entrance Fee Income	64,371,979	62,482,593
Occupancy Contracts - Deposits	305,800	427,800
Total Deferred Income	64,677,779	62,910,393
Total Liabilities	126,935,218	124,409,154
NET ASSETS:		
Without Donor Restrictions	3,901,336	3,038,514
With Donor Restrictions	1,714,737	1,635,986
Total Net Assets	5,616,073	4,674,500
TOTAL LIABILITIES AND NET ASSETS	$ 132,551,291	$ 129,083,654

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

	April 2023 thru July 2023	12 months ended March 2023
Revenues		
Apartments:		
Service Fees	$ 4,793,117	$ 13,494,869
Entrance Fee Amortization	2,172,750	6,482,451
Entrance Fee Forfeitures	716,650	2,370,126
Other Apartment revenue	60,269	148,659
Medical Center	939,530	3,180,032
Care Center	642,241	1,788,377
Dietary - Main Complex	672,867	2,071,863
Dietary - Nursing	549,532	1,632,943
Contributions	138,083	1,954,636
Miscellaneous	198,814	133,946
Total Revenues	10,883,853	33,257,902
Expenses		
General and Administrative	1,159,559	3,221,291
Operation of Plant	1,632,377	5,047,306
Housekeeping	358,061	1,087,079
Independent Living Support	404,319	1,175,833
Medical Center	2,145,298	6,313,271
Care Center	943,390	2,621,053
Dietary - Main Complex	1,423,915	3,783,643
Dietary - Medical	655,213	1,899,223
Depreciation	1,460,000	4,070,362
Interest Expense	716,965	2,032,858
Total Expenses	10,899,097	31,251,919
Operating Gain (Loss)	(15,244)	2,005,983
Non-Operating Revenues (Expenses)		
Unrealized/Realized Gain (Loss) on Investments	747,212	(655,892)
Investment Income	209,605	186,310
Net Non-Operating Revenues (Expenses)	956,817	(469,582)
Change in Net Assets	941,573	1,536,401
Net Assets - Beginning of Period	4,674,500	3,138,099
Net Assets - End of Period	$ 5,616,073	$ 4,674,500

CAROLINA VILLAGE, INC.
STATEMENT OF CASH FLOWS

		April 2023 thru July 2023		12 months ended March 2023
Cash Flows from Operating Activities:				
Change in Net Assets	$	941,573	$	1,536,401
Entrance Fee Amortization		(2,172,750)		(6,482,451)
Entrance Fee Forfeitures		(716,650)		(2,370,126)
Depreciation		1,460,000		4,070,362
Amortization of Bond Costs		22,551		67,534
Deferred Income LCP		(161,534)		(476,222)
Entrance Fees (New Contracts) - Net of Refunds		4,709,320		8,535,837
Net Trust Forfeitures & Actuarial Adjustments		(16,625)		(5,994)
Changes in Operating Assets and Liabilities:				
Receivables		3,315,001		(1,758,580)
Inventories & Prepaid Expenses		(8,220)		(13,432)
Accounts Payable		124,974		159,204
Deposits on Occupancy Contracts		(122,000)		(2,800)
Net Cash Flows Provided (Used) by Operating Activities		7,375,640		3,259,733
Cash Flows from Investing Activities:				
Change in Assets held in Charitable Remainder Trusts		3,873		45,538
Change in Investments		(278,973)		224,108
Capital Additions		(3,187,763)		(9,554,494)
Net Cash Used by Investing Activities		(3,462,863)		(9,284,848)
Cash Flows from Financing Activities:				
Principal Payments - Long-Term debt		(589,975)		(2,140,000)
Proceeds from Construction Loan		1,217,752		5,472,036
Proceeds from LOC		-		500,000
Funds held by Trustee - Net of Transfers		46,143		(40,330)
Net Cash Provided (Used) by Financing Activities		673,920		3,791,706
Net Increase (Decrease) in Cash and Cash Investments		4,586,697		(2,233,409)
Cash and Cash Investments - Beginning of Period		16,700,669		18,934,078
Cash and Cash Investments - End of Period	$	21,287,366	$	16,700,669

Appendix C

Occupancy Agreement

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

STATE OF NORTH CAROLINA
COUNTY OF HENDERSON

OCCUPANCY AGREEMENT

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

WITNESSETH:

(1) THE OCCUPANT, having made application for residence number ___________, a ______________________________, at Carolina Village, and the Village, having accepted Occupant's application, agree that the Occupant shall comply with policies and operating procedures now existing or as hereinafter amended by the Village. It is further agreed that such residence shall be subject to the following terms and conditions. A copy of 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. The full Entrance Fee is payable at the signing of this Occupancy Agreement. Also, at that time, the Occupant assumes control of the residence.

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

(4) A MONTHLY service fee shall be paid by the Occupant upon receipt of a statement from the Village for the month to follow, in such amounts as determined by the Board of Directors of the Village for which the Village proposes to provide the following services and facilities:
- Access to Assisted Living & Skilled Nursing Services without increase in monthly service fee (except meals, drugs, supplies, any applicable deductible, co-payment, and/or co-

insurance amounts not paid by the resident's Medicare and supplemental or replacement plans and therapy services ordered by resident's personal physician)

- Flexible 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)
- Beauty/Barber Shop available (Additional cost)

(4a) The monthly service fee will begin ninety (90) days from the Acceptance Date noted in the Occupant's Acceptance Letter or at the time of occupancy, whichever is earlier, and shall be $_________ for one person and $________ for two persons. The Village will provide thirty (30) days' notice before rate changes.

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

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

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

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, if Occupant did not receive a reimbursement as determined in Section 9c

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.

(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 one-hundred-twenty (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, or his or her confirmed Power of Attorney or guardian, the departing Occupant will be reimbursed for the amount of the Entrance Fee paid less an appropriate charge for the period of Occupancy as stated in 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 ten percent (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 one-hundred-twenty (120)-day notice period, shall be considered as credit to the Village and shall reduce the amount refunded to Occupant.

(9d) If residents move in as a couple and one resident passes away and the surviving Occupant requests to move out, any reimbursement of the entrance fee amount will be calculated using the single-person entrance fee that was in place at the time of the move in date for the Occupant's specific unit type. The calculation of the reimbursement of the single-person entrance fee will follow the calculation stated in 9c.

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

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

(9g) 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 must apply for and establish facts to justify special financial consideration and dispensation provided such application can be granted (within the sole discretion of the Board of Directors of the Village) without impairing the ability of the Village to operate on a sound financial basis. The Village does not require residents to apply for public assistance programs such as Medicaid. The Occupant must move to a smaller size living unit upon receiving special financial consideration.

(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 independent living unit indefinitely. Accordingly, the parties hereto agree that at such time as Village shall be advised by the Occupant's physician that in his/her medical opinion, Occupant will not be able to return permanently to his/her independent living unit to live, then and in that event, Village shall make such information, together with all other facts and circumstances, known to its Board of Directors which shall be authorized to reacquire possession of said unit from Occupant for reassigning, and upon such approval being obtained, Village shall be authorized to forfeit Occupant's interest in said unit and to reassign the same; provided, that in the event Occupant's condition becomes such that Occupant's physician certifies that Occupant may return to a living unit, Village will provide Occupant a living unit substantially equivalent to the one formerly possessed by Occupant within such period of time as Village may reasonably have such unit available. However, no provision of this paragraph shall be construed to deprive a Co-Occupant of his/her use of the living unit unless said Co-

Occupant also becomes admitted to the Medical or Care Center according to the terms of this paragraph.

(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 Occupant to change his/her mind within the first 30 days of execution of this contract or receipt of a Disclosure Statement as provided in paragraph 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 Occupant that he/she has financial resources sufficient to meet his/her obligations during the years of residency in the Village and (2) the receipt of a certificate of health signed by his/her physician indicating that the applicant meets the physical and mental requirements of the Village that the applicant must be ambulatory and have mental status permitting living in an independent living unit.

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

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

___________________________________	___________________________________
ATTEST	OCCUPANT
___________________________________	___________________________________
ATTEST	OCCUPANT

CAROLINA VILLAGE, INC.

BY:________________________________
PRESIDENT OF BOARD OF DIRECTORS