



# **Disclosure Statement**

**Penick Village**

**Provider: Penick Village, Inc**

**Date of Disclosure Statement: September 30, 2025**

**Last Date for Delivery: March 9, 2027**

- **This Disclosure Statement must be delivered to a contracting party before the execution of a binding reservation agreement, continuing care contract, or continuing care at home contract.**
- **This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure the accuracy of the information provided.**
- **This Disclosure Statement has been filed with, and recorded by, the North Carolina Department of Insurance in accordance with Article 64A of Chapter 58 of the North Carolina General Statutes (“Article 64A”).**
- **This Disclosure Statement contains all information required by Article 64A and is correct in all material respects. Knowingly delivering a disclosure statement that contains an untrue statement or omits a material fact may subject Long Leaf Pine, Inc. to penalties under Article 64A.**

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## **Narrative Description of the Organization and Its Operations**

Penick Village, Inc. (“Penick” the “Community,” “Corporation” or “Organization”), located at 500 E. Rhode Island Ave., Southern Pines, NC 28387, was incorporated February 4, 1957 as The Episcopal Home for the Ageing in the Diocese of North Carolina, Inc. at the direction of the Diocese of North Carolina. While Penick shares an association with the Episcopal faith and the Diocese of North Carolina, the Diocese of North Carolina provides no direct financial support nor holds a voting seat on Penick’s Board of Directors. Penick’s phone number is (910) 692-0300.

The Corporation is a not-for-profit, single-site Life Plan Community (f/k/a Continuing Care Retirement Community or “CCRC”) under Internal Revenue Code Section 501(c)(3) and is, therefore, exempt from Federal and State income taxes. Penick Village is current o all tax filings.

The Corporation has two affiliates:

1. The Penick Village Foundation, Inc. (the “Foundation”) was organized in September 2003 to raise funds for the Village’s support including its resident financial assistance program.

The Foundation is also a not-for-profit corporation under Internal Revenue Code Section 501-c-(3) and is, therefore, exempt from Federal and State income taxes.

The Foundation began receiving contributions in October 2005 and is not considered a private foundation.

2. The JA Greer Group, LLC (“Greer”) was organized in November 2016 to own and manage a multi-family property and other off-campus residences purchased by Greer in December 2016 and later.

Greer is a for-profit, single-member limited liability company formed and organized in the State of North Carolina of which Penick is the sole member.

The Corporation began operations as The Bishop Edwin A. Penick Memorial Home in Southern Pines, North Carolina in April 1964.

In 2015, Penick’s Board approved, and the Corporation filed, Amended and Restated Articles of Incorporation and By-Laws with the North Carolina Secretary of State formerly changing the Corporation’s name to Penick Village, Inc.

In 2022, Penick’s Board approved, and the Corporation filed, Amended and Restated Articles of Incorporation and By-Laws with the North Carolina Secretary of State primarily for the purpose of updating and streamlining its By-Laws and related Articles.

Penick Village admission is open to any person at least 62-years old who is independently able to experience daily living and meets certain financial and medical qualifications.

Infrequently, persons who do not meet the 62-years age requirement are admitted, contingent upon the needs of those currently residing in the respective level-of-care

area.

Except for age, the admission policy is otherwise non-discriminatory.

**Healthcare:**

Throughout this Statement, “Healthcare” will mean residences, programs and practices associated with the following levels of care: Assisted Living (which includes memory-support at the Garden Cottage), Skilled Nursing and Home Care.

**Affiliations:**

The Corporation maintains memberships in LeadingAge, LeadingAge North Carolina, North Carolina Health Care Facilities Association, Moore County Chamber of Commerce and the Moore County Economic Development Partnership.

**Licensure:**

The Corporation and its Life Plan Community are licensed by the North Carolina Department of Insurance (“NC DOI”) as a Continuing Care Retirement Community.

Penick Village is licensed by both Medicare and Medicaid and its Skilled Nursing, Assisted Living and Home Care departments are licensed by the North Carolina Department of Health and Human Services (“NC DHHS”).

**Board of Directors:**

The business and other affairs of the Corporation are managed by a Board of Directors composed of no less than 9 and no more than 17 members and, albeit non-voting members, representatives of the Episcopal Bishop of the Diocese of North Carolina.

Directors are elected for staggered three-year terms by the current Board of Directors. Resident Board member terms are one (1) year with a maximum of four (4) consecutive terms.

The members of the Board of Directors as of January 1, 2026, including the 12/31/xx expiration date of their terms (i.e., “class”) follow:

All Board members may be addressed to the Corporation:

- 500 E. Rhode Island Ave., Southern Pines, NC 28387

|   |               |
|---|---------------|
| Frank Quis, Chair<br>Retired County Commissioner                          | Class of 2027 |
| JoAnne Davis, Vice-Chair<br>Volunteer                                     | Class of 2026 |
| John R. Frizzell, III, Treasurer & Immediate Past-Chair<br>Retired Banker | Class of 2026 |
| Jacklynn Lesniak, Secretary<br>Chief Nursing Officer                      | Class of 2026 |

|  |               |
|--|---------------|
| Jim Lewis<br>Resident                            | Class of 2026 |
| Anne Hocutt<br>Resident                          | Class of 2026 |
| Wayne Robbins<br>Retired Lawyer                  | Class of 2026 |
| Rev. J. Carr Holland<br>Retired Minister         | Class of 2026 |
| W. Lance Craig<br>CPA / Businessman              | Class of 2027 |
| John Earp<br>Retired Executive                   | Class of 2027 |
| Jorge Hidalgo<br>Retired Business Owner          | Class of 2027 |
| Judy Davis<br>Retired Consultant                 | Class of 2028 |
| Chalk Broughton<br>Attorney                      | Class of 2028 |
| Gary VonCannon<br>Commercial / Corporate Banking | Class of 2028 |

**Ex-Officio, Non-Voting and Lifetime Board Members:**

On behalf of the Episcopal Bishop of the Diocese of North Carolina:

- The Right Reverends
  - Bishop Samuel R. Rodman and
  - Assisting Bishop Jennifer Brooke-Davidson

Chip Cromartie (Ex-Officio)  
CEO, Penick Village, Inc.

Jim Heisey (Ex-Officio)  
Chairperson, Penick Village Foundation, Inc.

Kerry Arnold (Ex-Officio)  
President, Penick Village Residents Council

Robert G. Darst (Lifetime)  
Resident, Penick Village

Mahlon W. DeLoatch, Jr. (Lifetime)  
Retired Lawyer

## **Officers:**

*President and Chief Executive Officer:* Alva “Chip” Cromartie was appointed Chief Executive Officer effective September 7, 2021. Chip has extensive experience working with North Carolina nonprofits and life plan communities. He has served on the Board of Directors for LeadingAge NC, in addition to various other board and committee positions. His academic background includes a Master of Public Affairs with a concentration in Nonprofit Management from the University of North Carolina at Greensboro. Previously, Chip served as Executive Vice-President of Home and Community Based Services with The Well-Spring Group in Greensboro, NC. In that role, he developed and managed Well-Spring Solutions as well as the subsidiary Well-Spring Home Care, LLC.

*Chief Financial Officer:* Melissa “Missy” Smith was appointed Chief Financial Officer for Penick Village in October of 2025. Missy joined Penick Village in early 2024 as the Director of Finance. Her experience in accounting, finance, and organizational management spans over 20 years. She has served as controller for two manufacturing firms, and worked extensively in managing accounting, human resources, IT, and customer service departments, while spearheading process improvements to boost efficiency and cross-departmental coordination. Missy has a degree in Accounting and Business Management from Thiel College located in Greenville, Pennsylvania.

*Chief Operating Officer:* Carrie Dugas was appointed Chief Operating Officer on August 20, 2025 after serving as the Chief Development Officer for Penick Village. She previously served as Executive Director of The NC Coalition on Aging where she successfully secured new financial partnerships and strengthened its membership base. Prior to this position, she held the Senior Director of Independent Living role at Penick Village. She has a Master of Health Policy and Administration from Pennsylvania State University, a Bachelor of Science in Recreational Therapy from Western Carolina University, and certifications in Non-Profit Management as well as Therapeutic Recreation.

## **Related Service Providers**

Darlene Vaughn, now-former Board Member: Johnson and Vaughn CPAs PLLC provides tax return preparation and tax planning services which residents of Penick Village may utilize. The anticipated cost to residents cannot presently be estimated.

Wayne Robbin, Board member: The Organization uses his former, retired-from law firm as retained general counsel.

In compliance with North Carolina General Statute 58-64-20(a) (2), we confirm no officer, director, trustee, manager or other person involved in managing the Organization on a day-to-day basis has 10% or greater equity or beneficial interest in the Organization.

## **Criminal Violations Statements**

To the best knowledge of the Corporation:

- No one connected with the Corporation, Penick Village or its affiliates, as a Director,

Trustee, Officer or in any other capacity, 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 judgement that involved action involving fraud, embezzlement, fraudulent conversion, or misappropriation of property,

or

- Is subject to a currently effective injunctive or restrictive court order, or within the past five years, has had any State or federal license or permit suspended or revoked as a result of an action by brought by a governmental agency or department, if the order or action arose out of or related to business activity of health care, including actions affecting a license to operate a foster care Community, nursing home, retirement home, home for aged, or Community subject to G.S. 58-64-20(a)(3)c or similar laws in any other state.

### **Location and Description of Physical Property**

Penick is located on 38 acres in the town of Southern Pines, Moore County, North Carolina. The campus is presently composed of:

- One two-story Healthcare building (“The Terrace”) which includes 32 Assisted Living and 32 Skilled Nursing residences,
  - All Assisted Living and Skilled Nursing residences are private rooms.
- Independent Living (150 residences):
  - The Woodlands apartments (73 residences),
  - The Wharton apartments (19 residences),
  - The Parkview apartments (18 residences) and
  - 40 cottage-type residences.
- One Assisted Living, memory support-oriented 10-bed small-house (the Garden Cottage) and
- A community center (the Village House).

### **Long Range Plans**

Penick Village continues to refine its long-range strategic plan to strengthen the Organization’s sustainability, comply with its stated mission and vision while continuing to serve its current and future generations of residents, their families and its teammates. Penick’s long-range, multi-phase Strategic and Expansion Plans include:

#### **Accomplishments:**

- In prior Disclosure Statements, Penick identified the renovation of the Healthcare (Terrace) building as a long-range plan to, among other improvements, enhance and augment our resident service capabilities and provide additional education and

training space and opportunities.

- That effort is included in the Organization’s Board-approved Expansion Plan – Phase I (see below).
- Also in prior Disclosure Statements, Penick established the long-range plan to develop a formal Strategic Plan that addresses:
  - Optimizing operational strategies including long-term financial sustainability,
  - Creation and implementation of a Master Site Plan,
  - Fundraising to support the Strategic Plan,
  - Off campus services and
  - Recruitment and retention.

In the latter part of fiscal 2022, that formal Strategic Plan was documented, presented to and adopted by Penick’s Board of Directors and was further refined / adopted by the Board of Directors in fiscal 2023. *Expansion Plan, Phase I:*

Penick Village, Inc.’s (“Penick”) Expansion Plan - Phase I (the “Project”) expands Independent Living (“IL”) to include 44 new IL residences including:

- 18 new IL residences in three separate, six-residence buildings inclusive of under-building parking (the “Villas”) and
- 26 new so-called hybrid IL residences in one building also inclusive of under-building parking (the “Hybrid”).

Simultaneously, Penick will (a.) renovate the existing two-story “Terrace” Healthcare Building, (b.) construct a New Wellness Center and (c.) replace the existing campus-entrance guard house and gate with a New Welcome House and gate.

Penick will continue to operate the Project with the same standards as they currently operate in all levels of care.

- ***The “Villas”*** - 18 min-hybrid IL residences in 3 separate buildings to collectively be known as the “Grove.” Each building will include 6 two-bedroom apartments ranging from 1,500 – 1,900 square feet, in a two-story building over a parking garage consisting of approximately 16,100 total square feet. Each Villa residence includes a private, individual parking garage.
- ***The “Hybrid”*** – 26 hybrid IL residences in a single building to be known as “Weymouth Glen.” The Hybrid is planned to include one- and two-bedroom apartments ranging from 1,000 – 1,900 square feet, in an approximate 67,000 square feet, three-story building over an underground parking garage. Each residence floor will include a shared common area. Each Hybrid residence will include assigned, underground parking.

- ***The “Terrace Healthcare Renovation”*** – The existing, two-story Terrace Healthcare Center’s interior will be renovated to include new paint, carpet and renovations to the dining and common areas. Additionally, various improvements and repairs to the building’s exterior will be performed including new paint and an upgraded porte-cochere.
- ***The “New Wellness Center”*** – In this Phase I, Penick will add an approximate 5,000 square feet New Wellness Center to include a fitness room, a separate multipurpose room for aerobics, classroom education and a pickle ball court.
- ***The “Welcome House”*** – Finally, Penick will construct a new security guard house and install a replacement security gate at the main entrance to campus.

This Phase will be subject to applicable NC DOI and NC DHHS requirements/oversight and will include, among others:

- Engaging a third-party to perform a financial feasibility study,
- Construction commenced upon achieving 70% pre-sales (i.e., a minimum 10% reservation deposit on at least 70% of the to-be-constructed residences that, in our Phase I equals 31 (i.e., 44 x 70%).
- Escrowing all pre-sale reservation deposits.
- Presently, construction has commenced in late 2024 and initial move-ins are scheduled to begin in the summer of 2026.
- The financing is complete and the project funded for this Phase I, it comes from a combination of bank debt and/or the public bond market.
- ***Ongoing:***
  - Penick continues to emphasize its Sales and Marketing programs, including the timely and customer-responsive renovation of existing residences in all levels of care.
  - As well as continuing to expand Penick’s successful Home Care Program to give both residents and off-campus client choices to maintain residency in their preferred location.
- ***Resident Financial Assistance:***
  - To continue supporting Penick’s \$850,000 of annual resident financial assistance (i.e., the combination of annual Benevolent Assistance and Medicare/Medicaid contractual adjustments), the Penick Village’s Philanthropy Program strives to:
    - Raise at least an equal amount in annual contributions while simultaneously
    - Growing its permanent (i.e., endowed) funds to \$20 million over the next 10 years.

### **Number of Residents**

During fiscal 2025, Penick’s average daily occupancy was:

- 187 Independent Living residents (includes 42 “2nd-persons”)
- 39 Assisted Living/Garden Cottage residents and
- 20 Skilled Nursing residents for a total of
- 246 total residents (including “2nd persons”).

**Occupancy Rates**

The 12-month daily average occupancy rates for Penick Village for the past five fiscal years were as follows:

| <b>Fiscal Year-End</b> | <b>Independent Living (%)</b> | <b>Assisted Living (%)</b> | <b>Skilled Nursing (%)</b> |
|------------------------|-------------------------------|----------------------------|----------------------------|
| 9/30/2025              | 99.58%                        | 94.62%                     | 77.20%                     |
| 9/30/2024              | 92.07%                        | 83.03%                     | 58.00%                     |
| 9/30/2023              | 92.23%                        | 77.59%                     | 63.64%                     |
| 9/30/2022              | 93.49%                        | 74.22%                     | 66.89%                     |
| 9/30/2021              | 91.91%                        | 72.73%                     | 65.65%                     |

\* In 2025 Skilled Nursing bed licenses were reduced from 50 to 32

**Semiannual Resident Meetings**

Penick Village holds meetings with residents of the Penick Village community at least twice a year, as required by law.

**Fiscal Year 2025 Meeting Dates**

- October 14, 2024
- March 19, 2025

**Community Services**

Historically, Penick Village has been involved in developing non-resident services to help meet the needs of the greater Southern Pines / Moore County community, including:

- Penick Village regularly donates teammates’ time to Habitat for Humanity, Helping Hands, Goodwill and similar organizations.
- When a resident passes or moves, he/she/the family may leave unwanted furniture and fixtures to Penick. In such cases, in concert with a local vendor, the unwanted items are removed and the vendor makes an estimated salvage-value resulting donation.
- Penick Village makes periodic donations to the Southern Pines Fire and Police Departments, Friend to Friend and annually funds two nursing scholarships at the local Community College.
- In fiscal 2023, a resident made a scholarship-targeted donation that Penick

matched. The resulting yield of the invested principal from the combination of those principal amounts will be used to fund additional nursing scholarships.

- Additionally, several Board, management and leadership team members serve on and/or actively participate in local not-for-profit organizations, boards and advisory committees.

## **POLICIES**

### **Admission**

To be admitted as an Independent Living Resident, the applicant(s) must:

- Be at least 62 years old.
- Be independently able to attend to activities of daily living.
- Submit a medical report completed by his or her physician.
- Be interviewed and evaluated by a member of the Penick Village staff.
- Be able to adjust to group living.
- Submit a Confidential Application and meet certain financial and medical requirements.

To be admitted directly to a Healthcare level of care residence, the applicant must:

- Be admitted on the recommendation of the resident's attending physician.
- Submit physical examination forms, provide a complete transcript of medical records before admission for review by Penick Village's Health Services staff and undergo an evaluation by a Penick Village Assisted Living staff member.
- Meet the financial requirements as hereinafter stated to include Medicare coverage if the Resident meets the coverage criteria.

### **Smoking**

Except in a specifically-designated area, Penick Village became a Limited Tobacco Use Campus on January 1, 2010.

### **Financial and Insurance Criteria**

Residents are expected to meet the financial requirements based upon the ability to pay or the availability of third-party assistance (e.g., family, church, government programs (including Medicare and Medicaid)).

Where Penick considers it appropriate or necessary, it may, at the time of the execution of the Residency Agreement and in its sole and exclusive discretion, require a guarantor endorsement of the Agreement guaranteeing the Resident's performance of their Penick financial obligations.

Should a resident become unable to pay for the care furnished or being furnished by Penick,

the resident shall make application to the proper authorities for financial assistance from Medicaid or any other available form of public or private assistance.

### **Benevolent Assistance**

Primarily through unrestricted, general contributions, fundraising events, foundation grants and net investment earnings, Penick provides financial assistance to residents who are unable to meet the full cost of the applicable ongoing monthly or daily fees, provided:

- Such inability to pay is due to circumstances beyond the Resident's control,
- Resident paid an entrance fee in conjunction with becoming an Independent Living resident,
- Resident acts in good-faith in dealing with Penick regarding the matter and
- Management determines the facts justify special consideration. Typically, such assistance is in the form of reduced monthly service fees.

Penick cannot and does not promise or guarantee in-advance to that resident the continuing availability or extent of such assistance.

Benevolent Assistance residents undergo an initial financial review to confirm their Program eligibility and subsequent financial reviews every 1-2 years.

To maintain the availability of funds for future Benevolent Assistance, Penick has the right to claim and collect on a preferred basis from any resident beneficiary of such assistance whose financial situation subsequently improves or from his/her estate, up to the total amount of the total Penick Village-provided assistance.

### **Entrance Fees – Independent Living:**

There are three Entrance Fees available for irrevocable selection at the time a Residency Agreement is initially entered into by or for each residence and/or person as the case may be.

Penick reserves the right to limit entrance fee options to potential residents based on information provided to the community. In exchange, Penick agrees to provide Applicant(s) continuing services for life pursuant to said Agreement.

Upon executing the Residency Agreement, the Applicant(s):

- Pays Penick 10% of the Entrance Fee
- Is generally required to take financial occupancy of the Independent Living Residence within ninety (90) days and
- Is expected to remit full Entrance Fee amount on or before taking financial responsibility for the residence.
- All specific residential upgrade costs, irrespective of level-of-care, are non-refundable and due in full in advance of the construction of the specific upgrades

and become a permanent part of the residence and Penick property.

- The applicant may terminate the agreement prior to entering into a Residency Agreement or taking occupancy for any reason by giving written notice to Penick. Penick shall refund the amount of the 10% deposit paid less a \$1,000 administrative and processing fee within 30 days of such notice.

### **24-Months Declining Refundable Entrance Fee**

Once the Resident(s) has (have) chosen and paid the required 24-Month Declining Entrance Fee and has (have) taken occupancy of a residence at Penick under a continuing care contract, the Entrance Fee is reduced and becomes non-refundable at the rate of 8% the first day of the first month occupied, then 4% per month for any portion of each month the Resident(s) occupied the residence for the next 23 months.

After the beginning of the 24th month of occupancy, the Entrance Fee paid by the Resident(s) is fully amortized and nonrefundable.

Typically, if a refund is applicable, the amount will be refunded within 30 days after receipt of proceeds obligation from the next re-sale of the residence listed in the resident's Residency Agreement.

Also see "Entrance Fee Refunds" below.

"Occupancy" is defined as the time the residence is occupied by the resident(s) or any of the resident's belongings.

### **50% Refundable Entrance Fee**

The 50% Refundable Entrance Fee is a higher, actuarially-determined rate than the comparable, in-affect 24 months declining balance entrance fee.

Once the Resident(s) has (have) chosen and paid the required Entrance Fee and has (have) taken occupancy of a Residence at Penick Village under a life plan care contract, the amount of the 50% Refundable Entrance Fee will reduce 5% the first day of the first month occupied, 4% monthly for any portion of each month the Residence is occupied for the next 11 months, and 1% percent on the first day of the 13th month the Residence is occupied.

At that time, 50% of the entrance fee is fully exhausted.

"Occupancy" is defined as the time the unit is occupied by the resident or any of the resident's belongings.

Also see "Entrance Fee Refunds" below.

The 50% Refundable Entrance Fee option is not available to potential residents 85 years of age and older as of the first scheduled day of residency.

- A couple's entrance fees age qualification applies to the older of the two applicants.

### **90% Refundable Entrance Fee**

The 90% Refundable Entrance Fee is a higher, actuarially-determined rate than the comparable, in-affect 24 months declining balance entrance fee.

Once the Resident(s) has (have) chosen and paid the required Entrance Fee and has (have) taken occupancy of a Residence at Penick under a life plan care contract, the amount of the 90% Refundable Entrance Fee will reduce 5% the first day of the first month occupied and then 1% monthly for any portion of each month the Residence is occupied for the next five months.

At that time, 10% of the entrance fee is fully exhausted. Also see "Entrance Fee Refunds" below.

"Occupancy" is defined as the time the unit is occupied by the resident or any of the resident's belongings.

The 90% Refundable Entrance Fee option is not available to potential residents 85 years of age and older as of the first scheduled day of residency.

- A couple's entrance fees age qualification applies to the older of the two applicants.

### **Right of Offset**

Penick reserves the right to offset against the refund of the Entrance Fee any fees or amounts payable to the Organization under a Residency Agreement including any charges deferred or unpaid and as stated in Section 4.7 of Penick's Residency Agreement.

Termination of the Residency Agreement for any reason will not affect or impair the exercise of any right or remedy granted to Penick or the Resident under his or her Residency Agreement for any claim or cause of action occurring prior to the date of such termination.

Since residents have moved into Penick at different times and under different contracts, as these contracts have evolved over the years, the terms outlined in the signed Residency Agreement applies.

### **Entrance Fees – Healthcare**

"Direct admits" to a Healthcare residence (i.e., excluding Home Care), pay a non-refundable, non- amortized entrance fee.

### **Pets**

Penick Village accepts the following pets in independent living: Cats, dogs, small, caged bird, fish and in all residences as agreed upon by Penick.

It is the Resident's responsibility for care of their pets and they must abide by the applicable administrative rules regarding pets detailed in the Resident Handbook.

A minimum \$500 non-refundable pet fee will be required and an additional fee(s) will apply if the pet has done any damage that the non-refundable pet fee does not cover. The non-refundable pet fee does not apply to service animals.

### **Right to Rescind**

The Resident(s) may rescind Penick’s Residency Agreement within 30 days following the later of the execution of the Residency Agreement or the receipt of this Disclosure Statement. These meet the requirements of North Carolina General Statutes 58-64-20 and 58-64-25(a) (1).

The Resident will be required to move into the Residence before expiration of this 30-day rescission period.

In the event of rescission, the Resident shall receive a refund of all monies paid Penick less:

- Periodic charges specified in the Residency Agreement and applicable only to the period a Residence was actually occupied by the Resident,
- Any non-standard cost specifically incurred by Penick at the Resident’s request and described in the Agreement or any Addendum signed by the Resident.

### **Termination Prior to Occupancy**

See Section 6.1 “Termination Prior to Occupancy” of Attachment 3 “Independent Living Residency Agreement” for details.

### **Termination of Residency after Occupancy**

See Section 6.2 “Termination Prior to Occupancy” of Attachment 2 “Independent Living Residency Agreement” for details.

### **Effect of Double Occupancy**

See Section 6.3 “Effect of Double Occupancy” of Attachment 3 “Independent Living Residency Agreement” for details.

### **Entrance Fee Refunds**

See Section 6.4 “Refund of Entrance Fee” of Attachment 3 “Independent Living Residency Agreement” for details.

### **Moves**

See Section 6.7 “Relocation” of Attachment 3 “Independent Living Residency Agreement” for details.

### **Marriage/New Second Occupant**

In the event of the marriage of a resident to another resident,

They may continue to maintain two Residential Apartments/Cottages and pay the applicable Monthly Service Fee (MSF) for single occupancy for each residence then in effect, or

Release either Residence occupied by them and pay the applicable Monthly Service Fee for first and second-person occupancy then in effect.

All benefits provided in each Residency Agreement shall remain and continue in effect.

There shall be no refund of the Entrance Fee to either resident until both residents leave and the conditions of the Residency Agreement(s) have been met, or unless otherwise agreed-to in writing.

If a resident and a non-resident (such as a new spouse) desire to share the Independent Living Residence,

- The non-resident may become a resident and live in the Independent Living Residence only if he/she meets the qualifications for residency set forth in the Residency Agreement and both persons execute a new Residency Agreement.
- In such events, the Monthly Service Fee shall be adjusted to reflect the additional monthly charge for a second-person.

In the event that a resident marries an individual while at Penick who does not meet the residency requirements, Penick, in its sole discretion, may allow such person to reside at Penick including requiring additional care (e.g., Home Care) to assure the new resident may safely reside in Independent Living.

- However, this person would not have any Residency Agreement rights privileges or protection.
- But the couple would be required to pay the prevailing 2nd-person MSF.

## **SERVICES**

### **General Services and Facilities**

See “Section I: General Services and Facilities” of attachment III “Residency Agreement” for details.

### **Services Available at an Additional Charge**

See “Section I.6: Optional Services” of attachment III “Residency Agreement” for details.

## **FEES AND CREDITS**

### **Future Residency Program Deposit**

It is Penick policy to charge a \$1,000 partially-refundable Future Residency Program (“FRP”) Deposit which, to the extent not previously refunded, is applied as a credit to the Residency Agreement Entrance Fee if the applicant actually takes up residence in Penick.

If an applicant decides not to take residency at Penick, the Future Residency Program Deposit will be refunded within thirty (30) days of refund request.

### **Reservation Deposit**

It is Penick’s policy to charge (i.) a non-refundable \$250 Administrative Application Fee and (ii.) a \$5,000 Reservation Deposit. The Reservation Deposit which, to the extent not previously refunded, is applied as a credit to the Residency Agreement Entrance Fee if the applicant takes residence in Penick Village.

### **Monthly Service and Daily Service Fees**

A listing of current Independent Living and Assisted Living / Garden Cottage Entrance Fees, Independent Living Monthly Service Fees, Assisted Living, Garden Cottage and Skilled Nursing Center daily fees and Home Care hourly fees are included in the below “Penick Village Fees” effective January 1, 2026 section.

The Monthly Service Fee and/or Daily Service Fee shall be due beginning on the Occupancy Date and will be prorated, if necessary, on a daily basis for the first and last months of occupancy. All Monthly and/or Daily Service Fees and related miscellaneous resident fees, costs and expenses are to be paid by an ACH draft from the resident’s designated account (applicable to-be-completed form is provided).

Penick may increase the Monthly Service Fee and/ or Daily Service Fee, upon thirty (30) days written notice to the resident.

When a determination is made by the resident's physician and approved by the appropriate Penick representative that the resident needs Assisted Living or Nursing services, Penick will admit the resident to the Residential Assisted Living, the Garden Cottage, or Skilled Nursing Center or another Community under the conditions set forth in the following paragraph.

If a resident is residing in the Residential Assisted Living or the Garden Cottage and requires Skilled Nursing services leading to a transfer to the Skilled Nursing Center and the resident would like to keep his or her room in Residential Assisted Living or the Garden Cottage, the resident will be responsible for paying for a room hold of his or her room in the Residential Assisted Living or the Garden Cottage as well as the fees he or she are incurring in the nursing center.

The cost of the room-hold is the current daily published rate minus \$10.00 per day.

In the event that, for any reason, space for the resident is not available in Residential Assisted Living, the Garden Cottage, or Skilled Nursing Center, upon determination that a permanent transfer is required, Penick will arrange for the care at the resident's cost in their Independent Living Residence by a certified Home Health Care Agency or Home Care Agency, if reasonably possible, until space becomes available in Residential Assisted Living, the Garden Cottage, or Skilled Nursing Center.

The aforementioned is contingent upon the terms outlined in the individual's Residency Agreement.

If Home Health Care is not medically possible Penick will contact another Community of Penick's choice that can provide similar care that would otherwise have been provided by Penick until space becomes available.

Penick will provide transportation to another Community as appropriate and pay for transportation costs above those costs paid by third party payers such as Medicare.

### **Payment Due Date**

See Section 4.4 “Payment Due Date” of the attached Residency Agreement for details.

### **Late Payments**

See Section 4.5 “Late Fee” of the attached Residency Agreement for details.

### **Temporary Services**

Should a resident have a temporary need for Assisted Living or Skilled Nursing services while still occupying his/her Independent Living Residence, he/she will be required to continue paying the prevailing Monthly Service Fee for their Independent Living Residence.

### **No-Charge Nursing Days**

Penick will provide, without additional charge, an Independent Living Resident who is temporarily in Assisted Living (including the Garden Cottage) or Skilled Nursing Center, 14 days per calendar year for such services.

This benefit is provided in addition to the Nursing Services covered by Medicare or insurance.

Thereafter, the resident will pay the prevailing applicable daily rate for Residential Assisted Living, the Garden Cottage or the Skilled Nursing Center residence as well as the monthly service fee for their Independent Living Residence.

In the case of Double Occupancy, should one or both residents have a temporary need for Assisted Living or Nursing services while they are still occupying the Independent Living Residence, he/she will be required to pay the prevailing Monthly Service Fee plus the prevailing second person Monthly Service Fee for his/her Independent Living Residence.

### **Changes in Fees for the Previous Five Years**

During the past five years, the monthly service fees and daily fees have increased on an annual basis effective January 1 of each year.

Independent Living rates are monthly; Skilled Nursing, Garden Cottage, and Assisted Living rates are daily. Generally, Home Care billing rates are on an hourly basis.

The Board of Directors reviews and approves each new fiscal year’s annual Budget inclusive of the included rate fee increases.

All changes in Fees will be in accordance with the terms of the Continuing Care Residency Agreement.

### **Resident Fees**

The following fees illustrate the fee schedules in effect as of January 01, 2026; it is subject to change from time to time but generally changes each January 01.

**Table 1: Current Entrance Fees (CCRC Contracts)**

| <b>Unit Type</b>               | <b>Entrance Fee<br/>(Same for Single &amp; Double Occupancy)</b> |
|--------------------------------|--|
| Independent Living – Apartment | \$135,987 - \$422,182  |
| Independent Living – Hybrid    | \$140,687 - \$470,271  |
| Independent Living – Cottage   | \$328,219 - \$540,085  |
| Independent Living – Home      | \$680,200 - \$859,200  |

**Table 2: Current Entrance Fees (Direct Admission Contracts)**

| <b>Unit Type</b>                    | <b>Entrance Fee<br/>(Same for Single &amp; Double Occupancy)</b> |
|-------------------------------------|--|
| Assisted Living - Direct Admit Only | \$11,500   |
| Skilled Nursing – Direct Admit Only | \$11,500   |

**Table 3: Historical Increases in Entrance Fees (CCRC Contracts)**

| <b>Fiscal Year-End</b> | <b>IL Average % Increase</b> | <b>IL Average \$ Increase</b> | <b>Frequency</b> |
|------------------------|------------------------------|-------------------------------|------------------|
| 9/30/2025              | 10.00%                       | \$57,707                      | Annual           |
| 9/30/2024              | 9.50%                        | \$54,620                      | Annual           |
| 9/30/2023              | 7.50%                        | \$48,220                      | Annual           |
| 9/30/2022              | 3.00%                        | \$45,326                      | Annual           |
| 9/30/2021              | 3.00%                        | \$43,966                      | Annual           |

**Table 4: Historical Increases in Entrance Fees (Direct Admission Contracts)**

| <b>Fiscal Year-End</b> | <b>AL &amp; SNF Average % Increase</b> | <b>AL &amp; SNF Average \$ Increase</b> | <b>Frequency</b> |
|------------------------|--|---|------------------|
| 9/30/2025              | 0.00%                                  | \$0                                     | Annual           |
| 9/30/2024              | 5.00%                                  | \$500                                   | Annual           |
| 9/30/2023              | 0.00%                                  | \$0                                     | Annual           |
| 9/30/2022              | 0.00%                                  | \$0                                     | Annual           |
| 9/30/2021              | 0.00%                                  | \$0                                     | Annual           |

**Table 5: Current Monthly Fees (CCRC Contracts)**

| Unit Type                      | Single Occupant   | Double Occupant   |
|--------------------------------|-------------------|-------------------|
| Independent Living – Apartment | \$2,689 - \$5,566 | \$4,105 - \$6,983 |
| Independent Living – Hybrid    | \$2,546 - \$5,093 | \$3,962 - \$6,509 |
| Independent Living – Cottage   | \$4,601 - \$4,912 | \$6,017 - \$6,328 |
| Independent Living – Home      | \$6,101 - \$6,411 | \$7,517 - \$7,827 |
| Assisted Living                | \$219 - \$356     | \$531 - \$575     |
| Skilled Nursing                | \$419             | N/A               |

**Table 6: Current Monthly Fees (Direct Admission Contracts – Healthcare Only)**

| Unit Type       | Single Occupant | Double Occupant |
|-----------------|-----------------|-----------------|
| Assisted Living | \$225 - \$392   | \$450 - \$617   |
| Skilled Nursing | \$419           | N/A             |

**Table 7: Historical Increases in Monthly Fees (CCRC and Direct Admission Contracts)**

| Fiscal Year-End | Average % Increase | Average \$ Increase | Frequency |
|-----------------|--------------------|---------------------|-----------|
| 9/30/2025       | 3.89%              | \$297               | Annual    |
| 9/30/2024       | 5.00%              | \$233               | Annual    |
| 9/30/2023       | 7.50%              | \$167               | Annual    |
| 9/30/2022       | 5.00%              | \$97                | Annual    |
| 9/30/2021       | 3.00%              | \$95                | Annual    |

**Reserves**

Provisions for reserve funding required by North Carolina General Statute 58-64-20(a) (9), 58-64- 33 and 58-64-35 are as follows:

- **Debt Service Reserve:** As Trustee, U.S. Bank maintains and manages a Debt Service Reserve Fund for the Penick Village 2019 and 2024 Bonds issued by the Public Finance Authority and North Carolina Medical Care Commission. These Funds can be used, if necessary, to make any required bond-related principal and/or interest payments as they accrue on Penick Village’s outstanding capital indebtedness.
  - The Fund’s September 30, 2025 balances were \$2,007,017 and \$4,834,512 respectively.
- **Statutory Operating Reserve:** As of September 30, 2025, Penick Village's 12 month rolling average independent living unit occupancy was 99.58%.
  - At September 30, 2024 and based on the Five-Year Forecast in-affect during that audit (i.e., the 5 years fiscal 2025 – fiscal 2029), Penick Village complied with the General Statute and reported a required Operating Reserve of \$3.705 million.

- At December 31, 2025, the Operating Reserve Fund’s market value was \$ 6.568 million.
- The Fund is managed by Hamilton Point Investment Services, Chapel Hill, North Carolina. The Fund is managed pursuant to a Board-approved Investment Policy Statement and is invested in a diversified portfolio of investment-grade securities including equities as well as corporate and government fixed income issues.
- In conjunction with the aforementioned Expansion Plan – Phase I and in compliance with prevailing State regulations, Penick has adopted and implemented a related Escrow Agreement.

**Variances from Prospective Financial Statements**

For the fiscal year ended September 30, 2025, management reviewed the results of operations for Penick Village against the prospective financial statements filed in the prior year. The following material variances were identified:

**Variance Analysis - Fiscal Year Ended 09/30/25:**

| Category                                | Projected Amount | Actual Amount | Variance | Explanation  |
|---|------------------|---------------|----------|--|
| Independent Living Revenue              | 8,326,000        | 8,816,701     | +5.89%   | Higher than expected occupancy.  |
| Total Revenues, Gains and Other Support | 20,331,000       | 22,272,260    | +9.54%   | Higher than historical Contributions and other revenues. Major Factors included a contribution of a resident’s refundable entrance fee and the sale of 18 Skilled Nursing Beds.  |
| Expenses                                | N/A              | N/A           | N/A      | Many expense lines are showing shifts this year, this is due to a switch in software programs. During the updated decisions were made to reclassify in an effort to produce more detailed (granular) information for the management teams. |

**Key Financial Metrics**

**Liquidity Ratios:**

- Days Cash on Hand (DCOH). Number of days the provider could pay its normal cash operating expenses using unrestricted cash and investments. More days generally means stronger liquidity.

- Cushion Ratio (CUSH). Number of times the provider's unrestricted cash and investments could cover one year of debt service. Higher values mean more resources to pay debt service.

#### **Profitability Ratios:**

- Operating Ratio (OR). Compares current operating expenses (excluding depreciation and amortization) to current operating revenues (excluding entrance fee amortization). Lower percentages mean operating revenues are more easily covering cash operating expenses.
- Net Operating Margin (NOM). Shows the result from core resident services. Higher values mean a stronger operating result from resident services.
- Adjusted Net Operating Margin (NOM-A). Shows the operating result after also counting net entrance fee cash received during the year. Higher values mean the result is improved when net entrance fee cash is included.

#### **Capital Structure Ratios:**

- Debt Service Coverage (DSCR). Measures the provider's ability to pay annual debt service from operations and net entrance fee cash. Higher values indicate greater ability to pay debt service.
- Unrestricted Cash & Investments to Long-Term Debt (CD). Compares unrestricted cash and investments to long-term debt. Higher values indicate more unrestricted cash and investments relative to debt.
- Capital Expenditures to Depreciation (CED). Compares what the provider is spending on capital improvements to the amount its assets are wearing out. Values at or above 1.0x usually mean the provider is reinvesting enough to keep up.

#### **Variance Explanation:**

- DCOH Drop between FY23 and FY24 was due to paying expansion Phase I pre-finance costs out of pocket
- Expansion Phase I bond funding, finalized in November of 2025.

**Key Financial Metrics Table:**

| Ratio                  | FY23   | FY24   | FY25   | FY+1   | FY+2  | FY+3  |
|------------------------|--------|--------|--------|--------|-------|-------|
| DCOH                   | 316    | 266    | 347    | 398    | 372   | 436   |
| CUSH                   | 7.59   | 6.68   | 8.97   | 11.29  | 12.30 | 5.87  |
| OR                     | 106.1% | 106.0% | 100.4% | 106.0% | 94.2% | 91.4% |
| NOM                    | -6.1%  | -6.0%  | -0.4%  | -6.0%  | 5.8%  | 8.6%  |
| NOM-A                  | 14.9%  | 17.6%  | 15.2%  | 15.8%  | 26.5% | 30.8% |
| DSCR                   | 2.86   | 2.58   | 2.61   | 2.57   | 4.61  | 2.23  |
| CD                     | 0.47   | 0.42   | 0.17   | 0.23   | 0.29  | 0.36  |
| CED (excludes Phase I) | 0.66   | 1.84   | 1.68   | 1.05   | 0.70  | 0.69  |
| CED (include Phase I)  | 2.02   | 1.88   | 8.71   | 10.44  | 0.70  | 0.69  |

**Other Material Information, As Applicable:** Penick Village is current on all tax filings. Penick Village is not the subject of a bankruptcy filing nor a receivership, liquidation or any similar petition.

## Appendix Index

The following Appendices are incorporated into and form an integral part of this Disclosure Statement. Each Appendix begins on a separate page.

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**Appendix A – Audited Financial Statements**

**PENICK VILLAGE, INC. AND AFFILIATES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**YEARS ENDED SEPTEMBER 30, 2025 AND 2024**



CPAs | CONSULTANTS | WEALTH ADVISORS

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**PENICK VILLAGE, INC. AND AFFILIATES  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Penick Village, Inc. and Affiliates  
Southern Pines, North Carolina

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

#### ***Opinion***

We have audited the consolidated financial statements of Penick Village, Inc. and Affiliates (the Organization), which comprise the consolidated balance sheets as of September 30, 2025 and 2024, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 32 to 37 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

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

**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
January 26, 2026

**PENICK VILLAGE, INC. AND AFFILIATES**  
**CONSOLIDATED BALANCE SHEETS**  
**SEPTEMBER 30, 2025 AND 2024**

| <b>ASSETS</b>  | 2025               | 2024              |
|--|--------------------|-------------------|
| <b>CURRENT ASSETS</b>                                  |                    |                   |
| Cash and Cash Equivalents                              | \$ 2,549,469       | \$ 1,143,225      |
| Assets Limited as to Use, Current Portion              | 2,759,776          | 2,269,199         |
| Investments  | 14,988,700         | 11,088,708        |
| Receivables:   |                    |                   |
| Accounts and Notes, Gross                              | 633,228            | 1,220,238         |
| Allowance for Credit Losses                            | (55,442)           | (58,464)          |
| Accounts and Notes, Net                                | 577,786            | 1,161,774         |
| Unconditional Promise to Give                          | 40,000             | 40,000            |
| Other Receivables                                      | 165,477            | 112,412           |
| Inventory  | 63,920             | 63,920            |
| Prepaid Assets   | 217,591            | 450,048           |
| Total Current Assets                                   | 21,362,719         | 16,329,286        |
| <b>ASSETS LIMITED AS TO USE</b>                        |                    |                   |
| Investments – Operating Reserve Requirement            | 3,705,000          | 4,193,000         |
| Held by Trustee Under Bond Agreements                  | 50,880,692         | 1,556,097         |
| Total Assets Limited as to Use, Net of Current Portion | 54,585,692         | 5,749,097         |
| <b>INVESTMENTS, NET OF CURRENT</b>                     | 329,407            | 329,407           |
| <b>PROPERTY AND EQUIPMENT, NET</b>                     | 77,582,955         | 52,595,862        |
| <b>OTHER ASSETS</b>                                    |                    |                   |
| Deposits   | 32,957             | 49,834            |
| Beneficial Interest in Annuities                       | 220,493            | 209,847           |
| Intangible Asset                                       | 65,178             | 80,180            |
| Other Receivables, Net of Current                      | 724,591            | -                 |
| Other  | 212,293            | 204,443           |
| Total Other Assets                                     | 1,255,512          | 544,304           |
| <br>Total Assets                                       | <br>\$ 155,116,285 | <br>\$ 75,547,956 |

See accompanying Notes to Consolidated Financial Statements.

**PENICK VILLAGE, INC. AND AFFILIATES**  
**CONSOLIDATED BALANCE SHEETS (CONTINUED)**  
**SEPTEMBER 30, 2025 AND 2024**

|  | 2025            | 2024           |
|--|-----------------|----------------|
| <b>LIABILITIES AND NET ASSETS</b>                  |                 |                |
| <b>CURRENT LIABILITIES</b>                         |                 |                |
| Current Maturities of Long-Term Debt               | \$ 615,730      | \$ 566,267     |
| Payable from Assets Limited as to Use              | 132,886         | 124,396        |
| Accounts Payable                                   | 6,252,663       | 741,928        |
| Accrued Liabilities                                | 1,048,678       | 789,557        |
| Application and Prepaid Admission Deposits         | 2,862,821       | 1,927,824      |
| Refund Liability, Current Portion                  | 203,132         | 33,000         |
| Total Current Liabilities                          | 11,115,910      | 4,182,972      |
| <br><b>REFUND LIABILITY, LESS CURRENT PORTION</b>  | <br>2,019,311   | <br>3,229,264  |
| <br><b>DEFERRED REVENUE</b>                        | <br>20,508,653  | <br>20,738,398 |
| <br><b>LONG-TERM DEBT, LESS CURRENT MATURITIES</b> | <br>106,461,904 | <br>34,196,074 |
| <br><b>INTEREST RATE CAP AGREEMENT</b>             | <br>-           | <br>753        |
| Total Liabilities                                  | 140,105,778     | 62,347,461     |
| <br><b>NET ASSETS</b>                              |                 |                |
| Without Donor Restrictions                         | 13,589,600      | 12,470,426     |
| With Donor Restrictions:                           |                 |                |
| Purpose Restricted                                 | 1,091,500       | 400,662        |
| Perpetually Restricted                             | 329,407         | 329,407        |
| Total With Donor Restrictions                      | 1,420,907       | 730,069        |
| Total Net Assets                                   | 15,010,507      | 13,200,495     |
| Total Liabilities and Net Assets                   | \$ 155,116,285  | \$ 75,547,956  |

See accompanying Notes to Consolidated Financial Statements.

**PENICK VILLAGE, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND**  
**CHANGES IN NET ASSETS**  
**YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

|   | 2025         | 2024         |
|---|--------------|--------------|
| <b>REVENUES, GAINS, AND OTHER SUPPORT</b> |              |              |
| Independent Living                        | \$ 8,816,701 | \$ 7,800,082 |
| Health Care Revenue                       | 7,368,745    | 7,575,520    |
| Less: Contractual Adjustments             | (264,188)    | (269,712)    |
| Resident Service Revenue                  | 15,921,258   | 15,105,890   |
| Earned Entrance Fees                      | 3,830,929    | 3,423,665    |
| Other Operating Revenue                   | 1,562,801    | 1,078,809    |
| Contributions                             | 1,634,815    | 850,803      |
| Net Assets Released from Restriction      | 14,673       | 105,952      |
| Total Revenues, Gains, and Other Support  | 22,964,476   | 20,565,119   |
| <br><b>OPERATING EXPENSES</b>             |              |              |
| Program Services:                         |              |              |
| Dining Services                           | 3,125,779    | 2,917,714    |
| Facility Services                         | 1,665,239    | 2,178,366    |
| Garden Cottage                            | 509,186      | 551,756      |
| Home Care                                 | 996,678      | 919,094      |
| Housekeeping                              | 1,113,281    | 992,869      |
| Life Enrichment                           | 461,808      | 456,379      |
| Construction                              | 121          | -            |
| Nursing                                   | 2,834,795    | 3,138,699    |
| Resident Services                         | 411,687      | 357,595      |
| Residential Assisted Living               | 929,921      | 1,119,755    |
| Utilities                                 | 806,634      | -            |
| Transportation                            | -            | 114,727      |
| Total Program Services                    | 12,855,129   | 12,746,954   |
| Support Services:                         |              |              |
| General and Administrative                | 3,147,588    | 2,586,403    |
| Human Resources                           | 472,196      | 479,619      |
| Information Technology                    | 664,470      | 639,214      |
| Chapel                                    | 141,367      | -            |
| Marketing and Development                 | 516,469      | 675,328      |
| Insurance                                 | 710,324      | -            |
| Depreciation                              | 2,729,108    | 2,588,279    |
| Interest and Amortization                 | 1,683,302    | 1,646,817    |
| Total Support Services                    | 10,064,824   | 8,615,660    |
| Total Operating Expenses                  | 22,919,953   | 21,362,614   |
| <br><b>OPERATING INCOME (LOSS)</b>        | 44,523       | (797,495)    |

See accompanying Notes to Consolidated Financial Statements.

**PENICK VILLAGE, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND**  
**CHANGES IN NET ASSETS (CONTINUED)**  
**YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

|   | 2025          | 2024          |
|---|---------------|---------------|
| <b>NONOPERATING INCOME (LOSS)</b>   |               |               |
| Interest and Dividends  | \$ 676,478    | \$ 460,416    |
| Realized Gains on Sale of Investments, Net of Expenses  | 92,441        | 33,078        |
| Net Unrealized Gains on Investments   | 308,204       | 2,097,583     |
| Gain (Loss) on Disposal of Assets   | (2,472)       | 1,500         |
| Total Nonoperating Income   | 1,074,651     | 2,592,577     |
| <br><b>EXCESS OF REVENUES, GAINS, AND OTHER<br/>SUPPORT OVER EXPENSES AND INCREASE<br/>IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b> | 1,119,174     | 1,795,082     |
| <br><b>PURPOSE RESTRICTED NET ASSETS</b>  |               |               |
| Change in Fair Value of Split-Interest Agreement  | 10,646        | 27,842        |
| Contributions   | 672,048       | 37,256        |
| Interest and Dividends  | 8,558         | 7,240         |
| Realized Losses on Sale of Investments, Net of Expenses   | -             | (1,564)       |
| Net Unrealized Gains on Investments   | 14,259        | 58,183        |
| Net Assets Released from Restriction  | (14,673)      | (105,952)     |
| Increase in Purpose Restricted Net Assets   | 690,838       | 23,005        |
| <br><b>INCREASE IN NET ASSETS</b>   | 1,810,012     | 1,818,087     |
| <br>Net Assets - Beginning of Year  | 13,200,495    | 11,382,408    |
| <br><b>NET ASSETS - END OF YEAR</b>   | \$ 15,010,507 | \$ 13,200,495 |

See accompanying Notes to Consolidated Financial Statements.

**PENICK VILLAGE, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

|  | 2025         | 2024         |
|--|--------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |              |              |
| Increase in Net Assets   | \$ 1,810,012 | \$ 1,818,087 |
| Adjustments to Reconcile Increase in Net Assets to<br>Net Cash Provided by Operating Activities: |              |              |
| Depreciation   | 2,729,108    | 2,588,279    |
| Amortization of Debt Issuance Costs  | 60,777       | 32,273       |
| Amortization of Bond Premium   | (86,024)     | (69,275)     |
| Amortization of Entrance Fees  | (3,830,929)  | (3,423,665)  |
| Nonrefundable Entrance Fees Received   | 3,716,899    | 5,872,581    |
| (Gain) Loss on Disposal of Property and Equipment  | 2,472        | (1,500)      |
| Allowance for Credit Losses  | (3,022)      | (44,324)     |
| Realized Gains on Sale of Investments, Net of Expenses   | (92,441)     | (31,514)     |
| Unrealized Gains on Investments  | (322,463)    | (2,155,766)  |
| Unrealized Gains on Beneficial Interest in Annuities   | (10,646)     | (27,842)     |
| Unrealized Gain on Fair Value of Interest Rate Cap Agreement                                     | (753)        | -            |
| Restricted Contributions   | (672,048)    | -            |
| Contribution of Refundable Entrance Fee  | (599,546)    | -            |
| Net Changes in Operating Assets and Liabilities:   |              |              |
| Accounts and Notes Receivable, Gross   | 587,010      | (661,964)    |
| Other Receivables  | (777,656)    | (11,664)     |
| Prepays  | 232,457      | (49,366)     |
| Deposits   | 16,877       | (49,834)     |
| Accounts Payable   | 907,024      | (922,404)    |
| Accrued Liabilities  | 259,121      | 28,608       |
| Payables from Assets Limited as to Use   | 8,490        | 6,340        |
| Application and Prepaid Admission Deposits   | 934,997      | 1,690,909    |
| Unamortized Intangible Assets  | 15,002       | 54,219       |
| Other Assets   | (7,850)      | (159,372)    |
| Net Cash Provided by Operating Activities  | 4,876,868    | 4,482,806    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |              |              |
| Net Change in Assets Limited as to Use   | (48,851,394) | (18,000)     |
| Purchase of Property and Equipment   | (23,114,962) | (4,923,609)  |
| Proceeds from Sale of Property and Equipment   | -            | 23,717       |
| Net Purchases of Investments   | (3,485,088)  | (469,711)    |
| Net Cash Used by Investing Activities  | (75,451,444) | (5,387,603)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |              |              |
| Proceeds from Long-Term Debt   | 73,295,000   | -            |
| Bond Issue Premium on Long-Term Debt   | 601,553      | -            |
| Cash Paid for Financing Costs  | (1,026,130)  | -            |
| Principal Payments on Long-Term Debt   | (529,883)    | (570,955)    |
| Restricted Contributions   | 672,048      | -            |
| Refunds of Entrance Fees   | (555,990)    | (1,353,107)  |
| Net Cash Provided (Used) by Financing Activities   | 72,456,598   | (1,924,062)  |

See accompanying Notes to Consolidated Financial Statements.

**PENICK VILLAGE, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

|   | <u>2025</u>         | <u>2024</u>         |
|---|---------------------|---------------------|
| <b>INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b> | \$ 1,882,022        | \$ (2,828,859)      |
| Cash, Cash Equivalents, and Restricted Cash - Beginning of Year           | <u>4,968,521</u>    | <u>7,797,380</u>    |
| <b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>          | <u>\$ 6,850,543</u> | <u>\$ 4,968,521</u> |
| Cash and Cash Equivalents   | \$ 2,549,469        | \$ 1,143,225        |
| Restricted Cash - Assets Limited as to Use                                | <u>4,301,074</u>    | <u>3,825,296</u>    |
| Total Cash, Cash Equivalents, and Restricted Cash                         | <u>\$ 6,850,543</u> | <u>\$ 4,968,521</u> |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                   |                     |                     |
| Cash Paid During the Year for Interest, Net of Amounts Capitalized        | <u>\$ 1,626,624</u> | <u>\$ 1,613,745</u> |
| <b>SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY</b>                        |                     |                     |
| Purchase of Equipment in Accounts Payable                                 | <u>\$ 4,624,757</u> | <u>\$ 142,850</u>   |
| Transfer of Refund Liability to Net Assets                                | <u>\$ 599,546</u>   | <u>\$ -</u>         |

See accompanying Notes to Consolidated Financial Statements.

**PENICK VILLAGE, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025 AND 2024**

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

**Organization**

Penick Village, Inc. (the Village), operates a life plan community. The Village is a nonprofit corporation under Internal Revenue Code (IRC) Section 501(c)(3) and is, therefore, exempt from federal and state income taxes.

The Penick Village Foundation, Inc. (the Foundation) was organized in September 2003 to raise funds for the Village's support. The Foundation is a nonprofit corporation under IRC Section 501(c)(3) and is, therefore, exempt from federal and state income taxes. The Foundation began receiving contributions in October 2005 and is not classified as a private foundation.

JA Greer Group, LLC (Greer) was organized in November 2016 to manage a multi-family property purchased by Greer in December 2016. Greer is a single-member limited liability company formed and organized in the state of North Carolina.

**Basis of Consolidation**

These consolidated financial statements include the accounts of the Village, Foundation, and Greer (collectively referred to as the Organization). All significant intercompany accounts and transactions have been eliminated in consolidation.

**Cash and Cash Equivalents**

The Organization considers cash and cash equivalents to include all cash and highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, including restricted cash.

**Assets Limited as to Use**

Assets limited as to use include reserves required by state statute and amounts required by bond agreements. In accordance with North Carolina General Statute 58-64-33, if a facility maintains an as-defined occupancy level in excess of 90% as of its fiscal year-end date, a provider is required to maintain an operating reserve equal to 25% of the total operating costs, including debt service not accounted for in a separate reserve, forecasted for the following fiscal year, otherwise an operating reserve equal to 50% is required. Occupancy levels were in excess of 90% at September 30, 2025 and 2024. Management has designated investments without restrictions to meet the 25% operating reserve requirement. Total required reserve at September 30, 2025 and 2024 was approximately \$3,705,000 and \$4,193,000, respectively.

Assets limited as to use also includes amounts held under bond agreements of approximately \$50,881,000 and \$1,556,000 at September 30, 2025 and 2024, respectively.

The current portion of assets limited as to use is primarily comprised of resident deposits of approximately \$2,034,000 and \$1,610,000 at September 30, 2025 and 2024, respectively. The remaining current portion of assets limited as to use is made up of various other small funds.

**PENICK VILLAGE, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025 AND 2024**

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

**Investments**

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in accordance with accounting requirements for certain investments held by nonprofit organizations, in the consolidated balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments, short and long-term capital gains, interest, and dividends) is reported as an increase in net assets without donor restrictions unless the income or loss is restricted by donor or law.

**Fair Value Measurements**

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Organization emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

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

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

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

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

Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets. Assets and liabilities valued using Level 2 inputs include the interest rate cap agreement. Assets or liabilities valued using Level 3 inputs include the beneficial interest in funds held by others (split interest agreements).

**PENICK VILLAGE, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025 AND 2024**

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

**Accounts and Notes Receivable**

Accounts receivable are uncollateralized resident obligations due under normal trade terms generally requiring payment within 30 days from the invoiced date. Notes receivable represent written promissory notes from residents to fulfill past due accounts based on agreed-upon payment schedules. The carrying amount of accounts and notes receivable is reduced by an allowance that reflects management's estimate of the amounts that will not be collected due to bad debt, charity write-offs and contractual adjustments. Management estimates its allowance for credit losses based on a combination of factors, including the Organization's historical loss experience and any anticipated effects related to current and future economic conditions, as well as the current payor mix of receivables. Management reviews each accounts receivable balance that exceeds 120 days from the invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. Additionally, management applies an estimated write-off percentage to total outstanding accounts and notes receivable, not previously reviewed, to estimate an allowance covering those amounts. At September 30, 2025 and 2024, the allowance was approximately \$55,000 and \$58,000, respectively.

**Property, Equipment, and Depreciation**

Property and equipment are carried at cost. The Organization capitalized all assets over \$5,000 with a useful life greater than one year. Expenditures for maintenance, repairs, and minor renovations are expensed as incurred. Major renovations and improvements are capitalized. Depreciation is provided on the straight-line method over the following estimated useful lives:

|                            |               |
|----------------------------|---------------|
| Buildings and Improvements | 7 to 50 Years |
| Equipment and Furnishings  | 3 to 10 Years |
| Land Improvements          | 5 to 15 Years |
| Paving                     | 5 to 10 Years |
| Motor Vehicles             | 3 to 5 Years  |

**Application and Admission Deposits**

Application and admission deposit payments are made by prospective residents for the purpose of establishing their name on the Village's waiting list or requesting a certain model of residence. These advance payments are applied to the resident's entrance fee once admitted or are refunded if not admitted or the prospective resident elects to cancel their wait-list reservation.

**PENICK VILLAGE, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025 AND 2024**

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

**Deferred Entrance Fees and Refund Liability**

Except for residents directly admitted to a Healthcare residence, new residents enter the Village under one of the following life plan contracts, 1) traditional amortized plan, 2) 50% refundable upon separation from the campus and re-occupancy of the residence, or 3) 90% refundable upon separation from the campus and re-occupancy of the residence. Under the traditional amortized plan, residents are not entitled to refunds after 12 months, 24 months, or 48 months depending on the contract. The nonrefundable portion of an entrance fee paid by a resident is amortized to income using the straight-line method over the actuarially determined estimated life expectancy of the resident. The nonrefundable portion of entrance fees is classified as deferred revenue. The refundable portion of entrance fees is carried as a liability as the Village's residency contracts generally do not explicitly limit the refundable portion of the entrance fees to the proceeds of the same residence's re-occupancy.

**Obligations to Provide Future Services**

The Village enters into various life plan contracts with residents. A life plan contract is an agreement between a resident and the Village specifying the services and facilities to be provided over the resident's remaining life. Under the contracts, the Village has the ability to increase fees as deemed necessary. For the years ended September 30, 2025 and 2024, the Village engaged an actuary to calculate the present value of the estimated net cost of future services to be provided, including the cost of facilities to current residents, and compared that calculated amount with deferred revenue from entrance fees. Under GAAP, if the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, an additional liability is shown in the consolidated balance sheets. No such liability was recorded as of September 30, 2025 and 2024 as the present value of the estimated net costs of future services and use of facilities is less than deferred revenues from entrance fees.

**Resident Service Revenue**

The Organization has agreements with third-party payors that provide for payments at amounts different from its established rates. Resident service revenue is reported at the estimated realizable amounts from residents, third-party payors, and others for services rendered.

**Benevolent Assistance**

The Organization provides services to residents who meet certain criteria under its benevolent assistance policy without charge or at amounts less than its established rates. Because the Organization does not pursue collection of amounts determined to qualify as benevolent assistance, such forgone resident service fees are not reported as net resident service revenue.

**PENICK VILLAGE, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025 AND 2024**

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

**Contributions**

Contributions received are recorded as increases in net assets with donor restrictions and net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restriction, either in purpose or in perpetuity, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), purpose restricted net assets are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as Net Assets Released from Restrictions.

**Income Taxes**

The Village and Foundation are exempt from federal and state income taxes under Section 501(c)(3) of the IRC; accordingly, the consolidated financial statements do not reflect a provision or liability for federal and state income taxes.

As a limited liability company, Greer's taxable income or loss is allocated to its members in accordance with the operating agreement and is included in their individual income tax returns; accordingly, the accompanying consolidated financial statements do not reflect a provision or liability for federal and state income taxes.

The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of September 30, 2025 and 2024.

**Net Assets**

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

**Use of Estimates**

The preparation of consolidated financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**PENICK VILLAGE, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025 AND 2024**

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

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

The consolidated statements of operations and changes in net assets include excess of revenues, gains, and other support over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues, gains, and other support over expenses consistent with industry practice include contributions of long-term assets, transfers to/from related parties, and net assets released from restrictions for purchases of property and equipment.

**Reclassifications**

Certain amounts in the 2024 consolidated financial statements have been reclassified to conform to the 2025 presentation, with no effect on the previously reported net assets or change in net assets.

**Subsequent Events**

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 26, 2026, the date the consolidated financial statements were available to be issued.

**NOTE 2 ASSETS LIMITED AS TO USE**

Assets limited as to use consist of the following at September 30:

|                               | <u>2025</u>          | <u>2024</u>         |
|-------------------------------|----------------------|---------------------|
| Current:                      |                      |                     |
| Residents' Checking and Trust | \$ 12,137            | \$ 25,320           |
| Expansion Deposits            | 2,033,735            | 1,609,707           |
| Held for Bond Funds           | 633,226              | 618,550             |
| Held for Scholarships         | 8,600                | 12,882              |
| Alms Money Market             | 69,761               | -                   |
| Gift Shop and Thiede Fund     | 2,317                | 2,740               |
| Total Current                 | <u>2,759,776</u>     | <u>2,269,199</u>    |
| Noncurrent:                   |                      |                     |
| Operating Reserve Requirement | 3,705,000            | 4,193,000           |
| Held for Bond Funds           | 50,880,692           | 1,556,097           |
| Total                         | <u>\$ 57,345,468</u> | <u>\$ 8,018,296</u> |

**PENICK VILLAGE, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025 AND 2024**

**NOTE 2 ASSETS LIMITED AS TO USE (CONTINUED)**

Assets limited to use, reported at fair value, are comprised of the following at September 30:

|                               | <u>2025</u>          | <u>2024</u>         |
|-------------------------------|----------------------|---------------------|
| Cash and Cash Equivalents     | \$ 4,301,074         | \$ 3,825,296        |
| U.S. Treasury Obligations     | 49,339,394           | -                   |
| Common Stock and Mutual Funds | 3,705,000            | 4,193,000           |
| Total                         | <u>\$ 57,345,468</u> | <u>\$ 8,018,296</u> |

**NOTE 3 INVESTMENTS**

Investments are composed of the following at September 30:

|  | <u>2025</u>          | <u>2024</u>          |
|--|----------------------|----------------------|
| Common Stock and Exchange-Traded Funds         | \$ 11,092,754        | \$ 7,587,860         |
| Mutual Funds                                   | 1,435,624            | 3,059,620            |
| Fixed Income Securities                        | 6,494,729            | 4,963,635            |
| Subtotal                                       | 19,023,107           | 15,611,115           |
| Less: Investment Operating Reserve Requirement | (3,705,000)          | (4,193,000)          |
| Total Investments                              | <u>\$ 15,318,107</u> | <u>\$ 11,418,115</u> |

Net investment income without restrictions is composed of the following for the years ended September 30:

|  | <u>2025</u>         | <u>2024</u>         |
|--|---------------------|---------------------|
| Interest and Dividends                   | \$ 676,478          | \$ 460,416          |
| Realized Gains on Sale of Investments    | 160,073             | 95,309              |
| Investment Expenses                      | (67,632)            | (62,231)            |
| Unrealized Gains (Losses) on Investments | 308,204             | 2,097,583           |
| Total                                    | <u>\$ 1,077,123</u> | <u>\$ 2,591,077</u> |

**NOTE 4 UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give are presented at fair value as of the date of the gift. All unconditional promises to give are considered to be currently due and as such, are not discounted to the anticipated net present value of the future cash flows. Unconditional promises to give at September 30, 2025 and 2024 are \$40,000.

**PENICK VILLAGE, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025 AND 2024**

**NOTE 5 PROPERTY AND EQUIPMENT**

Property and equipment and related accumulated depreciation are summarized as follows at September 30:

|                                | <u>2025</u>          | <u>2024</u>          |
|--------------------------------|----------------------|----------------------|
| Land and Improvements          | \$ 761,960           | \$ 821,341           |
| Buildings                      | 63,954,638           | 66,372,847           |
| Equipment and Furnishings      | 1,232,739            | 1,721,839            |
| Paving                         | 86,055               | 110,511              |
| Motor Vehicles                 | 242,518              | 357,108              |
| Construction in Progress       | <u>32,805,055</u>    | <u>6,597,577</u>     |
| Total Property and Equipment   | 99,082,965           | 75,981,223           |
| Less: Accumulated Depreciation | <u>(21,500,010)</u>  | <u>(23,385,361)</u>  |
| Property and Equipment, Net    | <u>\$ 77,582,955</u> | <u>\$ 52,595,862</u> |

During the year ended September 30, 2025, approximately \$401,000 of interest was capitalized. During the year ended September 30, 2024, no interest was capitalized. At September 30, 2025 and 2024, construction in progress consisted of costs and expenses associated with the Organization's Board-approved Expansion Plan – Phase 1.

**NOTE 6 LIQUIDITY AND AVAILABILITY**

The Organization invests cash in excess of short-term requirements in short-term investments. In addition, the Organization has mutual funds, common stock, and exchange-traded funds which are liquid within one week. The Organization also has \$650,000 available on an open line of credit and \$5,000,000 in an open revolving loan. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated balance sheet date, comprise the following:

|   | <u>2025</u>          | <u>2024</u>          |
|---|----------------------|----------------------|
| Cash and Cash Equivalents                 | \$ 2,549,469         | \$ 1,143,225         |
| Investments and Assets Limited as to Use: |                      |                      |
| Common Stock and Exchange-Traded Funds    | 11,092,754           | 7,587,860            |
| Mutual Funds                              | 1,435,624            | 3,059,620            |
| Fixed Income Securities                   | 6,494,729            | 4,963,635            |
| Receivables:                              |                      |                      |
| Accounts and Notes, Net of Allowance      | 577,786              | 1,161,774            |
| Other                                     | 165,477              | 112,412              |
| Less: Restricted Cash and Investments     | <u>(598,962)</u>     | <u>(467,340)</u>     |
| Total Financial Assets Available for Use  | <u>\$ 21,716,877</u> | <u>\$ 17,561,186</u> |

**PENICK VILLAGE, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025 AND 2024**

**NOTE 7 LONG-TERM DEBT**

Long-term debt consists of the following at September 30:

| <u>Description</u>  | <u>2025</u>           | <u>2024</u>          |
|---|-----------------------|----------------------|
| Business loan payable to bank, issued December 2016; maximum amount up to \$3,750,000; interest at 4.00% through November 2019; loan payable modified November 2019 on unpaid outstanding principal amount of \$3,000,000; modified interest at 4.5%; principal and interest due monthly with final payment due at maturity in November 2029. | \$ 2,615,318          | \$ 2,655,039         |
| 2019 Series tax-exempt bonds; issued November 2019; bi-annual payment of principal is due beginning September 2020; all unpaid principal and interest is due September 2054. Interest is payable bi-annually with an interest rate of 3.5% - 4.125%.  | 30,499,705            | 30,991,279           |
| 2024A Series tax-exempt bonds; issued November 2024; annual payment of principal is due beginning September 2029; all unpaid principal and interest is due September 2054. Interest is payable bi-annually with an interest rate of 5.00% - 5.50%.  | 54,870,000            | -                    |
| 2024B1 Series tax-exempt bonds; issued November 2024; all unpaid principal and interest is due September 2029. Interest is payable bi-annually with an interest rate of 4.75%.  | 3,275,000             | -                    |
| 2024B2 Series tax-exempt bonds; issued November 2024; all unpaid principal and interest is due September 2029. Interest is payable bi-annually with an interest rate of 4.50%.  | 4,350,000             |                      |
| 2024B3 Series tax-exempt bonds; issued November 2024; all unpaid principal and interest is due September 2030. Interest is payable bi-annually with an interest rate of 4.25%.  | <u>10,800,000</u>     | <u>-</u>             |
| Total Long-Term Debt  | 106,410,023           | 33,646,318           |
| Less: Current Maturities  | 615,730               | 566,267              |
| Plus: Unamortized Bond Premium  | 2,600,960             | 2,084,019            |
| Less: Unamortized Deferred Financing Costs  | <u>1,933,349</u>      | <u>967,996</u>       |
| Long-Term Debt, Net   | <u>\$ 106,461,904</u> | <u>\$ 34,196,074</u> |

**PENICK VILLAGE, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025 AND 2024**

**NOTE 7 LONG-TERM DEBT (CONTINUED)**

In December 2016, Greer received a business loan to fund the purchase of an existing multi-family property for \$3,750,000 through the establishment of a wholly owned subsidiary. The loan would bear interest at 4.00% per annum. Interest was paid monthly with all accrued interest and principal due in December 2019. This loan was collateralized by a deed of trust on the property and includes the assignment of all rents and is guaranteed by the Foundation. In November 2019, the business loan was modified. As part of the modification, a principal reduction of \$750,000 was required and paid, modifying the principal amount of the loan to \$3,000,000. The modified loan bears interest at 4.500% per annum. This loan was extended during the year ended September 30, 2024, and now matures in November 2029. Principal and interest are paid monthly with all accrued interest and principal due November 2029.

In November 2019, the Village entered into a debt agreement with the Public Finance Authority for the issuance of \$32,440,000 of Retirement Facilities Revenue Bonds (Series 2019 Bonds). The Series 2019 Bonds included a bond premium of \$2,424,620. Proceeds from the 2019 Bonds were used to finance the costs of construction of the Wharton apartments and master planning of future construction, to refund certain outstanding debt obligations, to fund a reserve fund and capitalized interest, and to pay certain expenses in connection with the issuance of the 2019 Bonds. Interest on the 2019 Bonds are payable each March 1 and September 1, beginning March 1, 2020, at rates ranging from 3.5% to 4.125% through the maturity date of September 1, 2054. The 2019 Bonds are secured by the property of the Village, including rights under its residency agreements. Under this agreement, the outstanding obligations related to the Series 2010B Bonds, Series 2012A Bonds, construction loan, Bank Loan, and Line of Credit were redeemed in whole.

In October 2024, the Village entered into a bond purchase and loan agreement with the North Carolina Medical Care Commission to issue the Retirement Facilities First Mortgage Revenue Bonds (Penick Village Project) Series 2024 (Series 2024 Bonds), in the amount of \$73,295,000. The Series 2024 Bonds included a bond premium of \$602,965. The Series 2024 Bonds, along with other available funds, will finance the construction of 44 new independent living units, a new wellness center, renovate the existing health care center, and pay for other routine capital expenditures. In addition, the Series 2024 Bonds will fund certain debt revenue funds, fund capitalized interest, and pay certain expenses incurred in connection with the issuance of the Series 2024 Bonds. Interest on the Series 2024 Bonds are payable each March 1 and September 1, beginning March 1, 2025, at rates ranging from 4.25% to 5.50% through the maturity date of September 1, 2054. The 2024 Bonds are secured by the property of the Village, including rights under its residency agreements.

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**NOTE 7 LONG-TERM DEBT (CONTINUED)**

The Village incurred deferred financing costs in the amount of \$1,126,670 for the year ended September 30, 2020, in association with the issuance of the Series 2019 Bonds. The Village incurred deferred financing costs in the amount of \$1,026,130 for the year ended September 30, 2025, in association with the issuance of the Series 2024 Bonds. The deferred financing costs have been capitalized and are being amortized using the straight-line method, which approximates the effective interest method, over the life of the underlying bonds or loans. Amortization expense of approximately \$61,000 and \$32,000 was recognized during 2025 and 2024, respectively, and is included with interest expense on the consolidated statements of operations and changes in net assets. Accumulated amortization was approximately \$226,000 and \$165,000 for the years ended September 30, 2025 and 2024, respectively. The remaining unamortized amount is presented as a reduction of long-term debt liability on the consolidated balance sheets.

The Village realized a bond premium in the amount of \$2,424,620 for the year ended September 30, 2020, in association with the issuance of the Series 2019 Bonds. The Village realized a bond premium in the amount of \$602,965 for the year ended September 30, 2025, in association with the issuance of the Series 2024 Bonds. The bond premium costs have been capitalized and are being amortized using the straight-line method over the life of the underlying bonds. Amortization expense of approximately \$86,000 and \$69,000 was recognized during 2025 and 2024, and is included with interest expense on the consolidated statements of operations and changes in net assets. Accumulated amortization was approximately \$426,000 and \$341,000 for the years ended September 30, 2025 and 2024, respectively. The remaining unamortized amount is presented as a reduction of long-term debt liability on the consolidated balance sheets.

Long-term debt is collateralized by a deed of trust on all real and personal property of the Village and includes the assignment of all rents and is guaranteed by the Foundation.

The Village recognizes interest expense when incurred rather than when paid. Interest costs for the years ended September 30, 2025 and 2024 totaled approximately \$1,733,000 and \$1,614,000, respectively.

The annual requirements to retire debt as of September 30, 2025 are as follows:

| <u>Year Ending September 30,</u> | <u>Amount</u>         |
|----------------------------------|-----------------------|
| 2026                             | \$ 615,730            |
| 2027                             | 640,817               |
| 2028                             | 11,466,138            |
| 2029                             | 9,346,703             |
| 2030                             | 3,755,412             |
| Thereafter                       | 80,585,223            |
| Total                            | <u>\$ 106,410,023</u> |

Under the terms of the bond and loan agreements, the Village is required to follow certain financial and nonfinancial covenants. Management is not aware of any noncompliance related to these loan agreement provisions as of September 30, 2025.

**PENICK VILLAGE, INC. AND AFFILIATES**  
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**NOTE 7 LONG-TERM DEBT (CONTINUED)**

In February 2021, the Village entered into a new \$650,000 secured line of credit with an interest rate of 4.00% that was set to expire in February 2022. During the year ended September 30, 2022, the Village replaced the line of credit with a new \$650,000 line of credit with an interest rate of *The Wall Street Journal* prime rate plus .50%. Interest accrues and is payable monthly. This line of credit was extended during the year ended September 30, 2025 and is set to expire in March 2026. There is no outstanding balance on the line of credit at September 30, 2025 and 2024.

In June 2023, the Village entered into a new \$5,000,000 open revolving line of credit with an interest rate ranging from 3.5% to 4.125% that is set to expire in June 2026. Interest accrues and is payable monthly. There is no outstanding balance on the revolving loan agreement at September 30, 2025 and 2024.

**NOTE 8 NET ASSETS**

The Organization's board of directors has chosen to place the following limitations on net assets without donor restrictions:

|                                       | <u>2025</u>          | <u>2024</u>          |
|---------------------------------------|----------------------|----------------------|
| Designated for Endowment Purposes     | \$ 2,277,547         | \$ 2,843,650         |
| Undesignated                          | 11,312,053           | 9,626,776            |
| Net Assets Without Donor Restrictions | <u>\$ 13,589,600</u> | <u>\$ 12,470,426</u> |

Net assets with donor restrictions as to their purpose consist of the following at September 30:

|   | <u>2025</u>         | <u>2024</u>       |
|---|---------------------|-------------------|
| Purpose Restricted:                             |                     |                   |
| Contributions Receivable – Beneficial Interests |                     |                   |
| in Annuities                                    | \$ 220,493          | \$ 209,847        |
| Unconditional Promises to Give                  | 40,000              | 40,000            |
| Scholarship Fund                                | 233,210             | 115,804           |
| Other   | 44,945              | 35,011            |
| Time Restricted:                                |                     |                   |
| Life Insurance Receivable                       | 552,852             | -                 |
| Perpetually Restricted                          | <u>329,407</u>      | <u>329,407</u>    |
| Donor-Restricted Net Assets                     | <u>\$ 1,420,907</u> | <u>\$ 730,069</u> |

During the years ended September 30, 2025 and 2024, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes totaling \$14,673 and \$105,952, respectively.

Certain Village investments are included in perpetually restricted net assets, as the use of the funds was restricted by the donor in perpetuity. The income from the investment of a portion of these funds is to be used for benevolent assistance. Net assets with perpetual donor restrictions at September 30, 2025 and 2024 are \$329,407.

**PENICK VILLAGE, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025 AND 2024**

**NOTE 9 RESIDENT SERVICE REVENUE**

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

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facilities receiving nursing services or housing residents receiving services in the facilities (e.g., therapy). The Organization considers daily services provided to residents of the nursing facilities, and monthly rental for housing services as a separate performance obligation and measures this on a monthly basis, or upon move-out within the month, whichever is shorter. Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement similar to the output method. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to residents and customers in a retail setting (for example, gift shop and cafeteria meals) and the Organization does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations have a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

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

**PENICK VILLAGE, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 9 RESIDENT SERVICE REVENUE (CONTINUED)**

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

Medicare

The Organization's licensed nursing facilities participate in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). The nursing facilities are paid under the Patient Driven Payment Model (PDPM) which became effective October 1, 2019. Under PDPM, therapy minutes were removed as the primary basis for payment and instead the underlying complexity and clinical needs of a patient is used as a basis for reimbursement. In addition, PDPM introduced variance adjustment factors that change reimbursement rates during the resident's length of stay. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

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

Medicaid

Effective October 1, 2019, new PDPM HIPPS codes replaced RUG scores listed on each claim for determining reimbursement amounts. Annual Medicaid cost reports are required by the state of North Carolina, however, they are not used to settle the costs of claims. Instead, the cost reports are used in the development of price-based rates and to monitor the adequacy of the reimbursement methodology.

Other

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

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant in 2025 or 2024.

**PENICK VILLAGE, INC. AND AFFILIATES**  
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**NOTE 9 RESIDENT SERVICE REVENUE (CONTINUED)**

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent charges to the estimate of the transaction price are recorded as adjustments to resident services revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended September 30, 2025 and 2024. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as an allowance for credit losses.

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

The composition of resident service revenue by primary payor for the years ended September 30 is as follows:

|                               | <u>2025</u>          | <u>2024</u>          |
|-------------------------------|----------------------|----------------------|
| Private Pay                   | \$ 14,723,472        | \$ 13,376,916        |
| Medicare                      | 531,033              | 1,208,772            |
| Medicaid                      | 666,753              | 520,202              |
| Amortization of Entrance Fees | 3,830,929            | 3,423,665            |
| Total                         | <u>\$ 19,752,187</u> | <u>\$ 18,529,555</u> |

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

The composition of resident service revenue based on the Organization's lines of business, method of reimbursement, and timing of revenue recognition for the years ended September 30 are as follows:

|                               | <u>2025</u>          | <u>2024</u>          |
|-------------------------------|----------------------|----------------------|
| Service Lines:                |                      |                      |
| Independent Living            | \$ 11,505,107        | \$ 11,054,383        |
| Assisted Living               | 3,644,636            | 3,362,457            |
| Health Care                   | 4,602,444            | 4,112,715            |
| Total                         | <u>\$ 19,752,187</u> | <u>\$ 18,529,555</u> |
| Method of Reimbursement:      |                      |                      |
| Monthly Service Fees          | \$ 14,531,184        | \$ 13,988,634        |
| Fee For Service               | 1,390,074            | 1,117,256            |
| Amortization of Entrance Fees | 3,830,929            | 3,423,665            |
| Total                         | <u>\$ 19,752,187</u> | <u>\$ 18,529,555</u> |

**PENICK VILLAGE, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 9 RESIDENT SERVICE REVENUE (CONTINUED)**

Certain other revenue streams included in other operating revenue on the consolidated statements of operations and changes in net assets relate to other residential services. These include other resident services, dining, meals, and beauty shop revenues among other residential service items. Revenue associated with these performance obligations are satisfied at a point in time and are generally recognized when goods or services are provided to residents. The Village does not believe it is required to provide any additional goods or services related to these transactions. These other revenue streams are primarily paid by private pay residents and are considered as other service lines to the Village.

**Financing Component**

The Organization has elected the practical expedient allowed under FASB *Accounting Standards Codification* (ASC 606-10-32-18) and does not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due to its expectation that the period between the time the service is provided to a resident and the time that the resident or a third-party payor pays for that service will be one year or less.

**Contract Costs**

The Organization has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Organization otherwise would have recognized is one year or less in duration.

The opening and closing contract balances were as follows:

|                                  | Accounts<br>Receivable | Deferred<br>Revenue |
|----------------------------------|------------------------|---------------------|
| Balance as of October 1, 2023    | \$ 455,486             | \$ 18,568,760       |
| Balance as of September 30, 2024 | 1,161,774              | 20,738,398          |
| Balance as of September 30, 2025 | 577,786                | 20,508,653          |

**NOTE 10 SPLIT-INTEREST AGREEMENTS**

The Village has entered into and/or been named the beneficiary of certain charitable remainder unitrusts and trusts. Under terms of the split-interest agreements, the donors or their designee receive income for their lifetime from an established trust. Upon their death, the Village will receive their proportion of the remaining value of the trust for its use based on the terms of the gift. The portion of the trust attributable to the present value of the future benefits to be received by the Village is recorded in the consolidated statements of operations and changes in net assets as a purpose restricted contribution, and in the consolidated balance sheets as beneficial interest in annuities. On an annual basis, the Village revalues the asset based on applicable mortality tables and discount rates which vary from 2.0% to 4.0%. The present value of the benefits as of September 30, 2025 and 2024 was approximately \$220,000 and \$210,000, respectively.

**PENICK VILLAGE, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 11 RETIREMENT PLANS**

Effective April 1, 2002, the Village instituted a 403(b) retirement plan that covers all employees who are at least 21 years old. For all eligible employees, the Village matches dollar-for-dollar participant contributions up to 2%. Employer contributions to the plan were approximately \$135,000 and \$106,000 for the years ended September 30, 2025 and 2024, respectively.

The Village contributes to the Church Pension Group for the chaplain's pension. The annual assessment by the Church Pension Group is 18% of the chaplain's total compensation. The Village did not contribute any in 2025. The Village contributed approximately \$14,000 in 2024.

**NOTE 12 BENEVOLENT ASSISTANCE AND CHARITY CARE**

The Village maintains records to identify and monitor the level of benevolent assistance it provides by measuring the amount of revenue and charges foregone for services and supplies furnished under its benevolent assistance policy. Costs incurred related to benevolent assistance provided was approximately \$628,000 and \$701,000 for the years ended September 30, 2025 and 2024, respectively. The estimated costs of providing benevolent assistance are based on management's calculation assuming a standard profit margin of the foregone resident service fees.

In addition to benevolent assistance provided, the estimated cost related to unreimbursed Medicaid services provided was approximately \$160,000 and \$157,000 for the years ended September 30, 2025 and 2024, respectively.

**NOTE 13 CONTINGENCIES AND COMMITMENTS**

**Refundable Entrance Fees**

The aggregate amount of entrance fees that are expected to be refunded is based on the Organization's 50% and 90% contracts, which total \$2,222,443 and \$3,262,264 at September 30, 2025 and 2024, respectively, as shown on the consolidated balance sheets as refundable liability – current and noncurrent portion. The total amount of contractual refund obligations under existing contracts (that is, in the event of move out, death, or termination of all residents) at September 30, 2025 and 2024 are estimated not to exceed \$8,439,003 and \$12,449,397, respectively.

**Commitments**

The Village has entered into various construction contracts related to construction projects, remodeling of existing residential units, and campus expansion. As of September 30, 2025 and 2024, approximately \$19,652,000 and \$1,142,000 had been incurred on these contracts, respectively. The remaining commitments as of September 30, 2025 and 2024 is \$31,475,000 and \$155,000, respectively.

**PENICK VILLAGE, INC. AND AFFILIATES**  
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**NOTE 14 CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits in excess of federally insured limits, investments, accounts receivable, and entrance fees receivable. The Village maintains cash balances in bank accounts, the balances of which may at times exceed federally insured limits. Uninsured balances were approximately \$3,605,000 and \$569,000 at September 30, 2025 and 2024, respectively. Investments are held in high quality institutions and are composed of common stock, fixed income securities, and mutual funds backed by the credit ratings of various companies and governments. Accounts receivable consist of amounts due from residents and third-party payors, including various insurance companies and the U.S. government under the Medicare and Medicaid programs. At September 30, 2025 and 2024, approximately 38% and 40%, respectively, were outstanding under the Medicare and Medicaid programs. Accounts receivable are carried at estimated net realizable value.

**NOTE 15 FAIR VALUE MEASUREMENTS**

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value, refer to Note 1 – Organization and Summary of Significant Accounting Policies.

The following tables set forth by level within the fair value hierarchy the Organization's financial assets and liabilities, accounted for at fair value on a recurring basis as of September 30:

|  | 2025                 |                   |                   | Total                |
|--|----------------------|-------------------|-------------------|----------------------|
|  | Level 1              | Level 2           | Level 3           |                      |
| <b>Assets:</b>                         |                      |                   |                   |                      |
| Common Stock and Exchange-Traded Funds | \$ 11,092,754        | \$ -              | \$ -              | \$ 11,092,754        |
| Mutual Funds                           | 1,435,624            | -                 | -                 | 1,435,624            |
| Fixed Income Securities                | 6,284,862            | 209,867           | -                 | 6,494,729            |
| U.S. Treasury Obligations              | 49,339,394           | -                 | -                 | 49,339,394           |
| Split Interest Agreements              | -                    | -                 | 220,493           | 220,493              |
| Total Assets at Fair Value             | <u>\$ 68,152,634</u> | <u>\$ 209,867</u> | <u>\$ 220,493</u> | <u>\$ 68,582,994</u> |
| <br>                                   |                      |                   |                   |                      |
|  | 2024                 |                   |                   | Total                |
|  | Level 1              | Level 2           | Level 3           |                      |
| <b>Assets:</b>                         |                      |                   |                   |                      |
| Common Stock and Exchange-Traded Funds | \$ 7,587,860         | \$ -              | \$ -              | \$ 7,587,860         |
| Mutual Funds                           | 3,059,620            | -                 | -                 | 3,059,620            |
| Fixed Income Securities                | 4,342,641            | 620,994           | -                 | 4,963,635            |
| Split Interest Agreements              | -                    | -                 | 209,847           | 209,847              |
| Total Assets at Fair Value             | <u>\$ 14,990,121</u> | <u>\$ 620,994</u> | <u>\$ 209,847</u> | <u>\$ 15,820,962</u> |
| <br>                                   |                      |                   |                   |                      |
| <b>Liabilities:</b>                    |                      |                   |                   |                      |
| Interest Rate Cap Agreement            | \$ -                 | \$ 753            | \$ -              | \$ 753               |
| Total Liabilities at Fair Value        | <u>\$ -</u>          | <u>\$ 753</u>     | <u>\$ -</u>       | <u>\$ 753</u>        |

**PENICK VILLAGE, INC. AND AFFILIATES**  
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**NOTE 15 FAIR VALUE MEASUREMENTS (CONTINUED)**

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended September 30, 2025 and 2024:

|                               |                          |
|-------------------------------|--------------------------|
| Balance at September 30, 2023 | \$ 182,005               |
| Unrealized Gain               | <u>27,842</u>            |
| Balance at September 30, 2024 | 209,847                  |
| Unrealized Gain               | <u>10,646</u>            |
| Balance at September 30, 2025 | <u><u>\$ 220,493</u></u> |

**NOTE 16 ENDOWMENT FUNDS**

The Organization's endowment consists of two individual funds established for the purposes of providing charitable care to residents. Endowments include both donor-restricted funds and funds designated by the board of directors to function as endowments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Management has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 Organization classifies as net assets with perpetual 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 accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with perpetual donor restrictions is classified as net assets with purpose donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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) other resources of the Organization, and (7) the Organization's investment policies.

**PENICK VILLAGE, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 16 ENDOWMENT FUNDS (CONTINUED)**

*Investment Return Objectives, Risk Parameters, and Strategies:* The Organization has adopted investment and spending policies, approved by the board of directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution although no annual distribution is required.

*Spending Policy:* The Organization can withdraw any amount of investment earnings generated by the donor-restricted endowment fund, as benevolent assistance typically exceeds the investment income and growth on an annual basis. As such, the Organization uses net assets without donor restrictions to absorb the excess cost of benevolent assistance. Therefore, investment income and gains and losses associated with the donor-restricted endowment fund, excluding investment income and gains and losses that the donor has restricted for a specific purpose, have been reflected on the below change in endowment net asset table as unrestricted activity. The current spending policy of the board-designated endowment fund authorizes the Organization to withdraw up to 10% of the trailing three calendar year-end market balance. Should the amount represented by the 10% calculation not be necessary to meet current demand or current economic conditions render such action imprudent, there is no obligation to withdraw that amount. As these funds are perpetual endowments, they may be invested to provide for principal stability while growing the underlying corpus at a rate above the spending ratio and a suitable measure of inflation. Use of fixed income instruments as well as equities is in keeping with the long-term objectives of this fund.

*Funds with Deficiencies:* It is the Organization's policy to maintain the corpus amounts of donor-restricted endowment funds received. If the fair value of the assets associated with these funds were to fall below the corpus level, deficiencies of this nature would be reported in net assets without donor restrictions.

**PENICK VILLAGE, INC. AND AFFILIATES**  
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**NOTE 16 ENDOWMENT FUNDS (CONTINUED)**

Endowment net asset composition by type of fund is as follows as of September 30:

|                                  | 2025                          |                       |                           | Total               |
|----------------------------------|-------------------------------|-----------------------|---------------------------|---------------------|
|                                  | Without Donor<br>Restrictions | Purpose<br>Restricted | Perpetually<br>Restricted |                     |
| Donor-Restricted Endowment Funds | \$ 426,001                    | \$ 187,850            | \$ 329,407                | \$ 943,258          |
| Board-Designated Endowment Funds | 2,277,547                     | -                     | -                         | 2,277,547           |
| Total Funds                      | <u>\$ 2,703,548</u>           | <u>\$ 187,850</u>     | <u>\$ 329,407</u>         | <u>\$ 3,220,805</u> |

  

|                                  | 2024                          |                       |                           | Total               |
|----------------------------------|-------------------------------|-----------------------|---------------------------|---------------------|
|                                  | Without Donor<br>Restrictions | Purpose<br>Restricted | Perpetually<br>Restricted |                     |
| Donor-Restricted Endowment Funds | \$ 68,893                     | \$ 165,033            | \$ 329,407                | \$ 563,333          |
| Board-Designated Endowment Funds | 2,843,650                     | -                     | -                         | 2,843,650           |
| Total Funds                      | <u>\$ 2,912,543</u>           | <u>\$ 165,033</u>     | <u>\$ 329,407</u>         | <u>\$ 3,406,983</u> |

Changes in endowment net assets are as follows as of September 30:

|  | 2025                          |                       |                           | Total               |
|--|-------------------------------|-----------------------|---------------------------|---------------------|
|  | Without Donor<br>Restrictions | Purpose<br>Restricted | Perpetually<br>Restricted |                     |
| Endowment Net Assets – Beginning of Year | \$ 2,912,543                  | \$ 165,033            | \$ 329,407                | \$ 3,406,983        |
| Net Withdrawals                          | (335,725)                     | -                     | -                         | (335,725)           |
| Net Investment Income                    | 47,534                        | 8,558                 | -                         | 56,092              |
| Net Appreciation                         | 79,196                        | 14,259                | -                         | 93,455              |
| Endowment Net Assets – End of Year       | <u>\$ 2,703,548</u>           | <u>\$ 187,850</u>     | <u>\$ 329,407</u>         | <u>\$ 3,220,805</u> |

  

|  | 2024                          |                       |                           | Total               |
|--|-------------------------------|-----------------------|---------------------------|---------------------|
|  | Without Donor<br>Restrictions | Purpose<br>Restricted | Perpetually<br>Restricted |                     |
| Endowment Net Assets – Beginning of Year | \$ 2,375,861                  | \$ 101,173            | \$ 329,407                | \$ 2,806,441        |
| Net Investment Income                    | 70,754                        | 65,424                | -                         | 136,178             |
| Net Appreciation                         | 465,928                       | (1,564)               | -                         | 464,364             |
| Endowment Net Assets – End of Year       | <u>\$ 2,912,543</u>           | <u>\$ 165,033</u>     | <u>\$ 329,407</u>         | <u>\$ 3,406,983</u> |

**PENICK VILLAGE, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025 AND 2024**

**NOTE 17 FUNCTIONAL EXPENSES**

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated on a square footage basis include depreciation and interest expense. Program, management, and fundraising expenses for the year ended September 30, 2025 are summarized below.

|                               | Program<br>Services  | Management<br>and General | Fundraising       | Total                |
|-------------------------------|----------------------|---------------------------|-------------------|----------------------|
| Salaries and Payroll Expenses | \$ 8,907,455         | \$ 2,418,136              | \$ 152,874        | \$ 11,478,465        |
| Service and Contract Fees     | 817,417              | 680,902                   | 7,834             | 1,506,153            |
| Advertising                   | 6,831                | 131,372                   | 8,679             | 146,882              |
| Office Expense                | 1,021,155            | 226,486                   | 150,495           | 1,398,136            |
| Occupancy                     | 110,002              | 596,942                   | -                 | 706,944              |
| Travel                        | 10,600               | 23,201                    | 1,093             | 34,894               |
| Interest                      | 1,557,802            | 125,500                   | -                 | 1,683,302            |
| Depreciation                  | 2,319,783            | 409,325                   | -                 | 2,729,108            |
| Insurance                     | 639,292              | 71,032                    | -                 | 710,324              |
| Other                         | 1,702,569            | 526,257                   | 296,919           | 2,525,745            |
| Total                         | <u>\$ 17,092,906</u> | <u>\$ 5,209,153</u>       | <u>\$ 617,894</u> | <u>\$ 22,919,953</u> |

Program, management, and fundraising expenses for the year ended September 30, 2024 are summarized below.

|                               | Program<br>Services  | Management<br>and General | Fundraising       | Total                |
|-------------------------------|----------------------|---------------------------|-------------------|----------------------|
| Salaries and Payroll Expenses | \$ 8,022,722         | \$ 2,499,935              | \$ 133,721        | \$ 10,656,378        |
| Service and Contract Fees     | 963,044              | 587,805                   | 1,950             | 1,552,799            |
| Advertising                   | 2,463                | 132,604                   | 3,243             | 138,310              |
| Office Expense                | 1,349,531            | 260,722                   | 413               | 1,610,666            |
| Occupancy                     | 795,428              | 150,546                   | -                 | 945,974              |
| Travel                        | 21,775               | 19,914                    | 203               | 41,892               |
| Conferences                   | -                    | 11,233                    | -                 | 11,233               |
| Interest                      | 1,524,057            | 122,760                   | -                 | 1,646,817            |
| Depreciation                  | 2,200,037            | 388,242                   | -                 | 2,588,279            |
| Insurance                     | 6,840                | 50,872                    | -                 | 57,712               |
| Other                         | 1,629,946            | 335,293                   | 147,315           | 2,112,554            |
| Total                         | <u>\$ 16,515,843</u> | <u>\$ 4,559,926</u>       | <u>\$ 286,845</u> | <u>\$ 21,362,614</u> |

**PENICK VILLAGE, INC. AND AFFILIATES**  
**CONSOLIDATING BALANCE SHEET**  
**YEAR ENDED SEPTEMBER 30, 2025**  
(SEE INDEPENDENT AUDITORS' REPORT)

| <b>ASSETS</b>  | Penick<br>Village, Inc. | Penick Village<br>Foundation, Inc. | JA Greer Group      | Eliminating<br>Entries | Total                 |
|--|-------------------------|------------------------------------|---------------------|------------------------|-----------------------|
| <b>CURRENT ASSETS</b>  |                         |                                    |                     |                        |                       |
| Cash and Cash Equivalents  | \$ 2,354,433            | \$ 194,191                         | \$ 845              | \$ -                   | \$ 2,549,469          |
| Assets Limited as to Use   | 2,751,176               | 8,600                              | -                   | -                      | 2,759,776             |
| Investments  | 12,672,119              | 2,316,581                          | -                   | -                      | 14,988,700            |
| Receivables:   |                         |                                    |                     |                        |                       |
| Accounts and Notes, Gross  | 633,228                 | -                                  | -                   | -                      | 633,228               |
| Allowance for Credit Losses  | (55,442)                | -                                  | -                   | -                      | (55,442)              |
| Accounts and Notes, Net  | 577,786                 | -                                  | -                   | -                      | 577,786               |
| Due from Affiliate   | 3,028,683               | -                                  | -                   | (3,028,683)            | -                     |
| Unconditional Promise to Give  | -                       | 40,000                             | -                   | -                      | 40,000                |
| Other Receivables  | 159,337                 | 6,140                              | -                   | -                      | 165,477               |
| Inventory  | 63,920                  | -                                  | -                   | -                      | 63,920                |
| Prepaid Assets   | 215,416                 | 2,175                              | -                   | -                      | 217,591               |
| Total Current Assets   | 21,822,870              | 2,567,687                          | 845                 | (3,028,683)            | 21,362,719            |
| <b>ASSETS LIMITED AS TO USE</b>  |                         |                                    |                     |                        |                       |
| Investments – Operating Reserve Requirement  | 3,705,000               | -                                  | -                   | -                      | 3,705,000             |
| Held By Trustee Under Bond Agreements  | 50,880,692              | -                                  | -                   | -                      | 50,880,692            |
| Total Assets Limited as to Use, Net of Current Portion                                       | 54,585,692              | -                                  | -                   | -                      | 54,585,692            |
| <b>INVESTMENTS, NET OF CURRENT</b>   | -                       | 329,407                            | -                   | -                      | 329,407               |
| <b>PROPERTY AND EQUIPMENT, NET</b>   | 73,531,491              | -                                  | 4,051,464           | -                      | 77,582,955            |
| <b>BENEFICIAL INTEREST IN NET ASSETS OF PENICK VILLAGE<br/>FOUNDATION AND JA GREER GROUP</b> | 1,288,534               | -                                  | -                   | (1,288,534)            | -                     |
| <b>OTHER ASSETS</b>  |                         |                                    |                     |                        |                       |
| Deposits   | 32,957                  | -                                  | -                   | -                      | 32,957                |
| Investment in Affiliate  | 1,000                   | -                                  | -                   | (1,000)                | -                     |
| Beneficial Interest in Annuities   | 220,493                 | -                                  | -                   | -                      | 220,493               |
| Intangible Asset   | 65,178                  | -                                  | -                   | -                      | 65,178                |
| Other Receivables, Net of Current  | 724,591                 | -                                  | -                   | -                      | 724,591               |
| Other  | 212,293                 | -                                  | -                   | -                      | 212,293               |
| Total Other Assets   | 1,256,512               | -                                  | -                   | (1,000)                | 1,255,512             |
| <b>Total Assets</b>  | <b>\$ 152,485,099</b>   | <b>\$ 2,897,094</b>                | <b>\$ 4,052,309</b> | <b>\$ (4,318,217)</b>  | <b>\$ 155,116,285</b> |

**PENICK VILLAGE, INC. AND AFFILIATES**  
**CONSOLIDATING BALANCE SHEET (CONTINUED)**  
**YEAR ENDED SEPTEMBER 30, 2025**  
(SEE INDEPENDENT AUDITORS' REPORT)

|  | <u>Penick<br/>Village, Inc.</u> | <u>Penick Village<br/>Foundation, Inc.</u> | <u>JA Greer Group</u> | <u>Eliminating<br/>Entries</u> | <u>Total</u>          |
|--|---------------------------------|--|-----------------------|--------------------------------|-----------------------|
| <b>LIABILITIES AND NET ASSETS</b>              |                                 |  |                       |                                |                       |
| <b>CURRENT LIABILITIES</b>                     |                                 |  |                       |                                |                       |
| Current Maturities of Long-Term Debt           | 505,000                         | \$ -                                       | \$ 110,730            | \$ -                           | \$ 615,730            |
| Payable from Assets Limited as to Use          | 132,886                         | -  | -                     | -                              | 132,886               |
| Accounts Payable                               | 6,244,822                       | 4,433                                      | 3,408                 | -                              | 6,252,663             |
| Accrued Liabilities                            | 1,039,928                       | 1,119                                      | 7,631                 | -                              | 1,048,678             |
| Due to Affiliate                               | -                               | 235,344                                    | 2,793,339             | (3,028,683)                    | -                     |
| Application and Prepaid Admission Deposits     | 2,862,821                       | -  | -                     | -                              | 2,862,821             |
| Refund Liability, Current Portion              | 203,132                         | -  | -                     | -                              | 203,132               |
| Total Current Liabilities                      | <u>10,988,589</u>               | <u>240,896</u>                             | <u>2,915,108</u>      | <u>(3,028,683)</u>             | <u>11,115,910</u>     |
| <b>REFUND LIABILITY, LESS CURRENT PORTION</b>  | 2,019,311                       | -  | -                     | -                              | 2,019,311             |
| <b>DEFERRED REVENUE</b>                        | 20,508,376                      | -  | 277                   | -                              | 20,508,653            |
| <b>LONG-TERM DEBT, LESS CURRENT MATURITIES</b> | <u>103,957,316</u>              | <u>-</u>                                   | <u>2,504,588</u>      | <u>-</u>                       | <u>106,461,904</u>    |
| Total Liabilities                              | 137,473,592                     | 240,896                                    | 5,419,973             | (3,028,683)                    | 140,105,778           |
| <b>NET ASSETS (DEFICIT)</b>                    |                                 |  |                       |                                |                       |
| Without Donor Restrictions                     | 13,590,600                      | 2,013,591                                  | (1,368,664)           | (645,927)                      | 13,589,600            |
| Paid-In Capital                                | -                               | -  | 1,000                 | (1,000)                        | -                     |
| With Donor Restrictions:                       |                                 |  |                       |                                |                       |
| Purpose Restricted                             | 1,091,500                       | 313,200                                    | -                     | (313,200)                      | 1,091,500             |
| Perpetually Restricted                         | 329,407                         | 329,407                                    | -                     | (329,407)                      | 329,407               |
| Total Net Assets (Deficit)                     | <u>15,011,507</u>               | <u>2,656,198</u>                           | <u>(1,367,664)</u>    | <u>(1,289,534)</u>             | <u>15,010,507</u>     |
| Total Liabilities and Net Assets (Deficit)     | <u>\$ 152,485,099</u>           | <u>\$ 2,897,094</u>                        | <u>\$ 4,052,309</u>   | <u>\$ (4,318,217)</u>          | <u>\$ 155,116,285</u> |

**PENICK VILLAGE, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**  
**YEAR ENDED SEPTEMBER 30, 2025**  
(SEE INDEPENDENT AUDITORS' REPORT)

|   | Penick<br>Village, Inc. | Penick Village<br>Foundation, Inc. | JA Greer Group | Eliminating<br>Entries | Total        |
|---|-------------------------|------------------------------------|----------------|------------------------|--------------|
| <b>REVENUES, GAINS, AND OTHER SUPPORT</b>           |                         |                                    |                |                        |              |
| Independent Living                                  | 8,816,701               | \$ -                               | \$ -           | \$ -                   | \$ 8,816,701 |
| Health Care Revenue                                 | 7,368,745               | -                                  | -              | -                      | 7,368,745    |
| Less: Contractual Adjustments                       | (264,188)               | -                                  | -              | -                      | (264,188)    |
| Resident Service Revenue                            | 15,921,258              | -                                  | -              | -                      | 15,921,258   |
| Earned Entrance Fees                                | 3,830,929               | -                                  | -              | -                      | 3,830,929    |
| Other Operating Revenue                             | 1,361,082               | -                                  | 201,719        | -                      | 1,562,801    |
| Contributions                                       | 1,158,991               | 475,824                            | -              | -                      | 1,634,815    |
| Net Assets Released from Restriction for Operations | -                       | 14,673                             | -              | -                      | 14,673       |
| Total Revenues, Gains, and Other Support            | 22,272,260              | 490,497                            | 201,719        | -                      | 22,964,476   |
| <b>OPERATING EXPENSES</b>                           |                         |                                    |                |                        |              |
| Program Services:                                   |                         |                                    |                |                        |              |
| Dining Services                                     | 3,125,779               | -                                  | -              | -                      | 3,125,779    |
| Facility Services                                   | 1,665,239               | -                                  | -              | -                      | 1,665,239    |
| Garden Cottage                                      | 509,186                 | -                                  | -              | -                      | 509,186      |
| Home Care   | 996,678                 | -                                  | -              | -                      | 996,678      |
| Housekeeping  | 1,113,281               | -                                  | -              | -                      | 1,113,281    |
| Life Enrichment                                     | 461,808                 | -                                  | -              | -                      | 461,808      |
| Construction  | 121                     | -                                  | -              | -                      | 121          |
| Nursing   | 2,834,795               | -                                  | -              | -                      | 2,834,795    |
| Resident Services                                   | 411,687                 | -                                  | -              | -                      | 411,687      |
| Residential Assisted Living                         | 929,921                 | -                                  | -              | -                      | 929,921      |
| Utilities   | 804,484                 | 2,150                              | -              | -                      | 806,634      |
| Total Program Services                              | 12,852,979              | 2,150                              | -              | -                      | 12,855,129   |
| Support Services:                                   |                         |                                    |                |                        |              |
| General and Administrative                          | 2,067,409               | 615,744                            | 464,435        | -                      | 3,147,588    |
| Human Resources                                     | 472,196                 | -                                  | -              | -                      | 472,196      |
| Information Technology                              | 664,470                 | -                                  | -              | -                      | 664,470      |
| Chapel  | 141,367                 | -                                  | -              | -                      | 141,367      |
| Marketing and Development                           | 516,469                 | -                                  | -              | -                      | 516,469      |
| Insurance   | 630,678                 | -                                  | 79,646         | -                      | 710,324      |
| Depreciation  | 2,591,110               | -                                  | 137,998        | -                      | 2,729,108    |
| Interest and Amortization                           | 1,505,023               | -                                  | 178,279        | -                      | 1,683,302    |
| Total Support Services                              | 8,588,722               | 615,744                            | 860,358        | -                      | 10,064,824   |
| Total Operating Expenses                            | 21,441,701              | 617,894                            | 860,358        | -                      | 22,919,953   |
| <b>OPERATING INCOME (LOSS)</b>                      | 830,559                 | (127,397)                          | (658,639)      | -                      | 44,523       |

**PENICK VILLAGE, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)**  
**YEAR ENDED SEPTEMBER 30, 2025**  
(SEE INDEPENDENT AUDITORS' REPORT)

|  | Penick<br>Village, Inc. | Penick Village<br>Foundation, Inc. | JA Greer Group        | Eliminating<br>Entries | Total                |
|--|-------------------------|------------------------------------|-----------------------|------------------------|----------------------|
| <b>NONOPERATING INCOME (LOSS)</b>  |                         |                                    |                       |                        |                      |
| Interest and Dividends   | \$ 607,778              | \$ 68,700                          | \$ -                  | \$ -                   | \$ 676,478           |
| Realized Gain on Sale of Investments, Net of Expenses  | 2,825                   | 89,616                             | -                     | -                      | 92,441               |
| Net Unrealized Gain on Investments   | 283,529                 | 24,675                             | -                     | -                      | 308,204              |
| Loss on Disposal of Assets   | (2,472)                 | -                                  | -                     | -                      | (2,472)              |
| Total Nonoperating Income  | <u>891,660</u>          | <u>182,991</u>                     | <u>-</u>              | <u>-</u>               | <u>1,074,651</u>     |
| <b>EXCESS (DEFICIT) OF REVENUES, GAINS, AND OTHER<br/>SUPPORT OVER (UNDER) EXPENSES</b>          | 1,722,219               | 55,594                             | (658,639)             | -                      | 1,119,174            |
| Decrease in Beneficial Interest in Net Assets of Penick Village<br>Foundation and JA Greer Group | (966,314)               | -                                  | -                     | 966,314                | -                    |
| Transfers of Net Assets from Foundation to Penick Village  | <u>363,269</u>          | <u>(363,269)</u>                   | <u>-</u>              | <u>-</u>               | <u>-</u>             |
| <b>INCREASE (DECREASE) IN NET ASSETS<br/>WITHOUT DONOR RESTRICTIONS</b>                          | 1,119,174               | (307,675)                          | (658,639)             | 966,314                | 1,119,174            |
| <b>PURPOSE RESTRICTED NET ASSETS</b>   |                         |                                    |                       |                        |                      |
| Change in Fair Value of Split-Interest Agreement   | 10,646                  | -                                  | -                     | -                      | 10,646               |
| Contributions  | 552,852                 | 119,196                            | -                     | -                      | 672,048              |
| Interest and Dividends   | -                       | 8,558                              | -                     | -                      | 8,558                |
| Realized Loss on Sales of Investments, Net of Expenses   | -                       | -                                  | -                     | -                      | -                    |
| Net Unrealized Gain on Investments   | -                       | 14,259                             | -                     | -                      | 14,259               |
| Increase in Beneficial Interest in Net Assets of Penick Village<br>Foundation and JA Greer Group | 127,340                 | -                                  | -                     | (127,340)              | -                    |
| Net Assets Released from Restrictions  | -                       | (14,673)                           | -                     | -                      | (14,673)             |
| Increase (Decrease) in Purpose Restricted Net Assets   | <u>690,838</u>          | <u>127,340</u>                     | <u>-</u>              | <u>(127,340)</u>       | <u>690,838</u>       |
| <b>INCREASE (DECREASE) IN NET ASSETS</b>   | 1,810,012               | (180,335)                          | (658,639)             | 838,974                | 1,810,012            |
| Net Assets (Deficit) – Beginning of Year   | <u>13,201,495</u>       | <u>2,836,533</u>                   | <u>(709,025)</u>      | <u>(2,128,508)</u>     | <u>13,200,495</u>    |
| <b>NET ASSETS (DEFICIT) – END OF YEAR</b>  | <u>\$ 15,011,507</u>    | <u>\$ 2,656,198</u>                | <u>\$ (1,367,664)</u> | <u>\$ (1,289,534)</u>  | <u>\$ 15,010,507</u> |

**PENICK VILLAGE, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF CASH FLOWS (CONTINUED)**  
**YEAR ENDED SEPTEMBER 30, 2025**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

|  | Penick<br>Village, Inc. | Penick Village<br>Foundation, Inc. | JA Greer Group   | Eliminations | Total               |
|--|-------------------------|------------------------------------|------------------|--------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                         |                                    |                  |              |                     |
| Increase (Decrease) in Net Assets  | \$ 1,810,012            | \$ (180,335)                       | \$ (658,639)     | \$ 838,974   | \$ 1,810,012        |
| Adjustments to Reconcile Increase (Decrease) in Net Assets to<br>Net Cash Provided (Used) by Operating Activities: |                         |                                    |                  |              |                     |
| Depreciation   | 2,591,110               | -                                  | 137,998          | -            | 2,729,108           |
| Amortization of Debt Issuance Costs  | 60,777                  | -                                  | -                | -            | 60,777              |
| Amortization of Bond Premium   | (86,024)                | -                                  | -                | -            | (86,024)            |
| Amortization of Entrance Fees  | (3,830,929)             | -                                  | -                | -            | (3,830,929)         |
| Nonrefundable Entrance Fees Received   | 3,716,899               | -                                  | -                | -            | 3,716,899           |
| (Gain) Loss on Disposal of Property and Equipment  | 2,472                   | -                                  | -                | -            | 2,472               |
| Allowance for Credit Losses  | (3,022)                 | -                                  | -                | -            | (3,022)             |
| Realized (Gains) Losses on Sale of Investments, Net of Expenses  | (182,057)               | 89,616                             | -                | -            | (92,441)            |
| Unrealized Losses (Gains) on Investments   | (361,397)               | 38,934                             | -                | -            | (322,463)           |
| Unrealized Gains on Beneficial Interest in Annuities   | (10,646)                | -                                  | -                | -            | (10,646)            |
| Unrealized Gain on Fair Value of Interest Rate Cap Agreement   | (753)                   | -                                  | -                | -            | (753)               |
| Restricted Contributions   | (672,048)               | -                                  | -                | -            | (672,048)           |
| Contribution of Refundable Entrance Fee  | (599,546)               | -                                  | -                | -            | (599,546)           |
| Decrease in Beneficial Interest in Net Assets of Penick Village<br>Foundation and JA Greer Group                   | 838,974                 | -                                  | -                | (838,974)    | -                   |
| Net Changes in Operating Assets and Liabilities:   |                         |                                    |                  |              |                     |
| Accounts and Notes Receivable  | 587,010                 | -                                  | -                | -            | 587,010             |
| Other Receivables  | (817,554)               | (286)                              | 40,184           | -            | (777,656)           |
| Prepays  | 214,284                 | (2,175)                            | 20,348           | -            | 232,457             |
| Deposits   | 16,877                  | -                                  | -                | -            | 16,877              |
| Accounts Payable   | 899,183                 | 4,433                              | 3,408            | -            | 907,024             |
| Accrued Liabilities  | 258,002                 | 1,119                              | -                | -            | 259,121             |
| Due to/from Affiliate  | (916,889)               | (121,835)                          | 1,038,724        | -            | -                   |
| Payables from Assets Limited as to Use   | 8,490                   | -                                  | -                | -            | 8,490               |
| Application and Prepaid Admission Deposits   | 934,997                 | -                                  | -                | -            | 934,997             |
| Unamortized Intangible Assets  | 15,002                  | -                                  | -                | -            | 15,002              |
| Deferred Revenue   | 39,883                  | -                                  | (39,883)         | -            | -                   |
| Other Assets   | (7,850)                 | -                                  | -                | -            | (7,850)             |
| Net Cash Provided (Used) by Operating Activities   | <u>4,505,257</u>        | <u>(170,529)</u>                   | <u>542,140</u>   | <u>-</u>     | <u>4,876,868</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                         |                                    |                  |              |                     |
| Net Change in Assets Limited as to Use   | (48,855,676)            | 4,282                              | -                | -            | (48,851,394)        |
| Purchase of Property and Equipment   | (22,567,407)            | -                                  | (547,555)        | -            | (23,114,962)        |
| Net Purchases of Investments   | (3,781,139)             | 296,051                            | -                | -            | (3,485,088)         |
| Net Cash Provided (Used) by Investing Activities   | <u>(75,204,222)</u>     | <u>300,333</u>                     | <u>(547,555)</u> | <u>-</u>     | <u>(75,451,444)</u> |

**PENICK VILLAGE, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF CASH FLOWS (CONTINUED)**  
**YEAR ENDED SEPTEMBER 30, 2025**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

|   | Penick<br>Village, Inc. | Penick Village<br>Foundation, Inc. | JA Greer Group    | Eliminations | Total               |
|---|-------------------------|------------------------------------|-------------------|--------------|---------------------|
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                               |                         |                                    |                   |              |                     |
| Proceeds from Long-Term Debt  | \$ 73,295,000           | \$ -                               | \$ -              | \$ -         | \$ 73,295,000       |
| Bond Issue Premium on Long-Term Debt                                      | 601,553                 | -                                  | -                 | -            | 601,553             |
| Cash Paid for Financing Costs   | (1,026,130)             | -                                  | -                 | -            | (1,026,130)         |
| Principal Payments on Long-Term Debt                                      | (490,162)               | -                                  | (39,721)          | -            | (529,883)           |
| Restricted Contributions  | 672,048                 | -                                  | -                 | -            | 672,048             |
| Refunds of Entrance Fees  | (555,990)               | -                                  | -                 | -            | (555,990)           |
| Net Cash Provided (Used) by Financing Activities                          | <u>72,496,319</u>       | <u>-</u>                           | <u>(39,721)</u>   | <u>-</u>     | <u>72,456,598</u>   |
| <b>INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b> | 1,797,354               | 129,804                            | (45,136)          | -            | 1,882,022           |
| Cash, Cash Equivalents, and Restricted Cash - Beginning of Year           | <u>4,858,153</u>        | <u>64,387</u>                      | <u>45,981</u>     | <u>-</u>     | <u>4,968,521</u>    |
| <b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>          | <u>\$ 6,655,507</u>     | <u>\$ 194,191</u>                  | <u>\$ 845</u>     | <u>\$ -</u>  | <u>\$ 6,850,543</u> |
| Cash and Cash Equivalents   | \$ 2,354,433            | \$ 194,191                         | \$ 845            | \$ -         | \$ 2,549,469        |
| Restricted Cash - Assets Limited as to Use                                | 4,301,074               | -                                  | -                 | -            | 4,301,074           |
| Total Cash, Cash Equivalents, and Restricted Cash                         | <u>\$ 6,655,507</u>     | <u>\$ 194,191</u>                  | <u>\$ 845</u>     | <u>\$ -</u>  | <u>\$ 6,850,543</u> |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                   |                         |                                    |                   |              |                     |
| Cash Paid During the Year for Interest, Net of Amounts Capitalized        | <u>\$ 1,448,345</u>     | <u>\$ -</u>                        | <u>\$ 178,279</u> | <u>\$ -</u>  | <u>\$ 1,626,624</u> |
| <b>SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY</b>                        |                         |                                    |                   |              |                     |
| Purchase of Equipment in Accounts Payable                                 | <u>\$ 4,624,757</u>     | <u>\$ -</u>                        | <u>\$ -</u>       | <u>\$ -</u>  | <u>\$ 4,624,757</u> |



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**Appendix B – Five-Year Prospective Financial Statements**

**PENICK VILLAGE, INC.**  
**COMPILATION OF A FINANCIAL FORECAST**  
**FOR THE YEARS ENDING SEPTEMBER 30, 2026,**  
**THROUGH SEPTEMBER 30, 2030**



CPAs | CONSULTANTS | WEALTH ADVISORS

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**PENICK VILLAGE, INC.**  
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## INDEPENDENT ACCOUNTANTS' REPORT

Board of Directors  
Penick Village, Inc.  
Southern Pines, North Carolina

Management is responsible for the accompanying forecasted financial statements of Penick Village, Inc. (the "Corporation"), which comprise the forecasted balance sheets as of September 30, 2026, 2027, 2028, 2029 and 2030, and the related forecasted statements of operations and changes in net assets, forecasted statements of cash flows for the years then ending, and the related summaries of significant assumptions and accounting policies in accordance with the guidelines for presentation of a financial forecast established by the American Institute of Certified Public Accountants ("AICPA"). 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 forecasted financial statements 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, nor provide any form of assurance on these forecasted financial statements or the assumptions. Furthermore, the forecasted results may not be achieved, as there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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

As discussed in Background and Information section, accounting principles generally accepted in the United States of America require that the financial statements for affiliates meeting certain criteria be consolidated with the parent organization's financial statements. For purposes of this forecast, the financial statements of two affiliates (The Penick Village Foundation, Inc. and JA Greer Group, LLC), which should be included with Penick Village, Inc.'s consolidated financial statements under accounting principles generally accepted in the United States of America, have been excluded from the forecasted financial statements. The effects of this departure from accounting principles generally accepted in the United States of America on the forecasted financial position, results of operations and cash flows have not been determined.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
February 26, 2026

**PENICK VILLAGE, INC.**  
**FORECASTED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS**  
**YEARS ENDING SEPTEMBER 30, 2026 THROUGH 2030**  
**(IN THOUSANDS)**

|   | 2026             | 2027             | 2028             | 2029             | 2030             |
|---|------------------|------------------|------------------|------------------|------------------|
| <b>REVENUES, GAINS AND, OTHER SUPPORT</b>                                   |                  |                  |                  |                  |                  |
| Independent Living  | \$ 9,411         | \$ 12,046        | \$ 13,041        | \$ 13,417        | \$ 13,804        |
| Health Care Revenue   | 7,654            | 8,131            | 8,376            | 8,580            | 8,814            |
| Less: Contractual Adjustments   | (440)            | (235)            | (238)            | (239)            | (241)            |
| Resident Service Revenue  | 16,625           | 19,942           | 21,179           | 21,758           | 22,377           |
| Earned Entrance Fees  | 4,330            | 5,847            | 6,075            | 6,317            | 6,560            |
| Other Operating Revenue   | 552              | 682              | 724              | 744              | 765              |
| Contributions   | 600              | 606              | 612              | 618              | 624              |
| <b>Total Revenue, Gains, and Other Support</b>                              | <b>22,107</b>    | <b>27,077</b>    | <b>28,590</b>    | <b>29,437</b>    | <b>30,326</b>    |
| <b>OPERATING EXPENSES</b>   |                  |                  |                  |                  |                  |
| Program Services:   |                  |                  |                  |                  |                  |
| Dining Services   | 3,209            | 3,450            | 3,588            | 3,693            | 3,801            |
| Facility Services   | 1,802            | 1,986            | 2,046            | 2,107            | 2,170            |
| Garden Cottage  | 552              | 569              | 586              | 604              | 622              |
| Home Care   | 1,024            | 1,055            | 1,087            | 1,119            | 1,153            |
| Housekeeping  | 1,124            | 1,282            | 1,320            | 1,360            | 1,400            |
| Life Enrichment   | 495              | 510              | 525              | 541              | 557              |
| Construction  | 6                | 6                | 6                | 7                | 7                |
| Nursing   | 3,010            | 3,100            | 3,193            | 3,289            | 3,388            |
| Resident Services   | 422              | 435              | 448              | 462              | 475              |
| Residential Assisted Living   | 999              | 1,029            | 1,060            | 1,092            | 1,125            |
| Utilities   | 783              | 953              | 981              | 1,011            | 1,041            |
| <b>Total Program Services</b>   | <b>13,426</b>    | <b>14,375</b>    | <b>14,840</b>    | <b>15,285</b>    | <b>15,739</b>    |
| Support Services:   |                  |                  |                  |                  |                  |
| General and Administrative  | 2,103            | 2,167            | 2,232            | 2,298            | 2,367            |
| Human Resources   | 570              | 587              | 605              | 623              | 641              |
| Information Technology  | 769              | 792              | 816              | 840              | 866              |
| Chapel  | 166              | 171              | 176              | 181              | 187              |
| Marketing and Development   | 560              | 606              | 594              | 612              | 630              |
| Insurance   | 607              | 739              | 761              | 784              | 808              |
| Depreciation  | 3,369            | 3,714            | 3,886            | 4,068            | 4,263            |
| Interest and Amortization   | 2,611            | 4,850            | 4,545            | 4,523            | 4,449            |
| <b>Total Supporting Services</b>  | <b>10,755</b>    | <b>13,626</b>    | <b>13,615</b>    | <b>13,929</b>    | <b>14,211</b>    |
| <b>Total Operating Expenses</b>   | <b>24,181</b>    | <b>28,001</b>    | <b>28,455</b>    | <b>29,214</b>    | <b>29,950</b>    |
| <b>OPERATING INCOME (LOSS)</b>  | <b>(2,074)</b>   | <b>(924)</b>     | <b>135</b>       | <b>223</b>       | <b>376</b>       |
| Nonoperating Income   |                  |                  |                  |                  |                  |
| Investment Earnings, Net  | 674              | 1,119            | 1,118            | 1,277            | 1,393            |
| <b>Total Nonoperating Income</b>  | <b>674</b>       | <b>1,119</b>     | <b>1,118</b>     | <b>1,277</b>     | <b>1,393</b>     |
| <b>Excess (Deficit) of Revenues Over Expenses and Changes in Net Assets</b> | <b>(1,400)</b>   | <b>195</b>       | <b>1,253</b>     | <b>1,500</b>     | <b>1,769</b>     |
| Transfers of Net Assets from Foundation to Penick Village                   | 444              | 469              | 496              | 523              | 551              |
| <b>INCREASE (DECREASE) IN NET ASSETS</b>                                    | <b>(956)</b>     | <b>664</b>       | <b>1,749</b>     | <b>2,023</b>     | <b>2,320</b>     |
| <b>NET ASSETS - END OF YEAR</b>   | <b>15,012</b>    | <b>14,056</b>    | <b>14,720</b>    | <b>16,469</b>    | <b>18,492</b>    |
| <b>Net Assets, End of Year</b>  | <b>\$ 14,056</b> | <b>\$ 14,720</b> | <b>\$ 16,469</b> | <b>\$ 18,492</b> | <b>\$ 20,812</b> |

**PENICK VILLAGE, INC.**  
**FORECASTED STATEMENTS OF CASH FLOWS**  
**YEARS ENDING SEPTEMBER 30, 2026 THROUGH 2030**  
**(IN THOUSANDS)**

|   | 2026            | 2027            | 2028            | 2029            | 2030            |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                 |                 |                 |                 |                 |
| Increase (Decrease) in Net Assets   | \$ (956)        | \$ 664          | \$ 1,749        | \$ 2,023        | \$ 2,320        |
| Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities: |                 |                 |                 |                 |                 |
| Depreciation  | 3,369           | 3,714           | 3,886           | 4,068           | 4,263           |
| Amortization of Debt Issuance Costs   | 121             | 121             | 121             | 121             | 121             |
| Amortization of Bond Premium  | (15)            | (15)            | (15)            | (15)            | (15)            |
| Amortization of Entrance Fees   | (4,330)         | (5,847)         | (6,075)         | (6,317)         | (6,560)         |
| Nonrefundable Entrance Fees Received  | 5,360           | 7,247           | 8,121           | 8,421           | 8,430           |
| Net Changes In Operating Assets and Liabilities:  |                 |                 |                 |                 |                 |
| Accounts and Notes Receivable   | (34)            | (123)           | (43)            | (23)            | (23)            |
| Other Receivables   | 784             | (7)             | (3)             | (3)             | (3)             |
| Prepays   | (75)            | (58)            | (21)            | (11)            | (11)            |
| Deposits  | (677)           | (1,356)         | -               | -               | -               |
| Accounts Payable  | (5,646)         | 41              | 19              | 20              | 20              |
| Accrued Liabilities   | (142)           | 61              | 29              | 29              | 30              |
| Inventory   | 64              | -               | -               | -               | -               |
| Refund Liability  | (203)           | -               | -               | -               | -               |
| <b>Net Cash Provided (Used) by Operating Activities</b>   | <b>(2,380)</b>  | <b>4,442</b>    | <b>7,768</b>    | <b>8,313</b>    | <b>8,572</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                 |                 |                 |                 |                 |
| Net Change in Assets Limited as to Use  | 40,712          | 3,047           | 1,068           | (149)           | (153)           |
| Purchases of Property and Equipment   | (3,541)         | (2,617)         | (2,696)         | (2,857)         | (3,029)         |
| Purchases of Property and Equipment (Project)   | (29,614)        | -               | -               | -               | -               |
| Interest Cost Capitalized during Construction Period, Net   | (2,013)         | -               | -               | -               | -               |
| Contract acquisition costs, net   | (48)            | (40)            | -               | -               | -               |
| Net Change in Investments   | (1,582)         | (632)           | (4,309)         | (2,737)         | (2,711)         |
| <b>Net Cash Provided by (Used in) Investing Activities</b>  | <b>3,914</b>    | <b>(242)</b>    | <b>(5,937)</b>  | <b>(5,743)</b>  | <b>(5,893)</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                 |                 |                 |                 |                 |
| Principal Payment of Long-Term Debt   | (3,785)         | (15,670)        | (545)           | (1,595)         | (1,670)         |
| Refunds of Entrance Fees  | (909)           | (1,432)         | (1,104)         | (790)           | (818)           |
| Entrance Fees Received from Initial Entrance Fees   | 6,441           | 13,284          | -               | -               | -               |
| <b>Net Cash Provided by (Used in) Financing Activities</b>  | <b>1,747</b>    | <b>(3,818)</b>  | <b>(1,649)</b>  | <b>(2,385)</b>  | <b>(2,488)</b>  |
| <b>INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>                                       |                 |                 |                 |                 |                 |
|   | 3,281           | 382             | 182             | 185             | 191             |
| Cash, Cash Equivalents and Restricted Cash - Beginning of Year  | 2,354           | 5,635           | 6,017           | 6,199           | 6,384           |
| <b>Cash and Cash Equivalents at End of Year</b>   | <b>\$ 5,635</b> | <b>\$ 6,017</b> | <b>\$ 6,199</b> | <b>\$ 6,384</b> | <b>\$ 6,575</b> |
| Cash Paid for Interest, Net of Capitalization   | \$ 2,747        | \$ 4,744        | \$ 4,439        | \$ 4,417        | \$ 4,343        |

**PENICK VILLAGE, INC.**  
**FORECASTED STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2026 THROUGH 2030**  
**(IN THOUSANDS)**

|  | 2026              | 2027              | 2028              | 2029              | 2030              |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>ASSETS</b>  |                   |                   |                   |                   |                   |
| <b>CURRENT ASSETS</b>  |                   |                   |                   |                   |                   |
| Cash and Cash Equivalents  | \$ 5,635          | \$ 6,017          | \$ 6,199          | \$ 6,384          | \$ 6,575          |
| Assets Limited As To Use, Current Portion  | 2,751             | 2,751             | 2,751             | 2,751             | 2,751             |
| Investments  | 14,254            | 14,885            | 19,194            | 21,931            | 24,642            |
| Receivables:   |                   |                   |                   |                   |                   |
| Accounts and Notes, Net  | 612               | 735               | 778               | 801               | 824               |
| Due from Affiliate   | 3,029             | 3,029             | 3,029             | 3,029             | 3,029             |
| Other Receivables  | 100               | 107               | 110               | 113               | 116               |
| Prepaid Assets   | 291               | 349               | 370               | 381               | 392               |
| <b>Total Current Assets</b>  | <b>26,672</b>     | <b>27,873</b>     | <b>32,431</b>     | <b>35,390</b>     | <b>38,329</b>     |
| <b>ASSETS LIMITED AS TO USE</b>  |                   |                   |                   |                   |                   |
| Investments - Operating Reserve Requirement  | 3,912             | 4,916             | 5,063             | 5,212             | 5,366             |
| Held by Trustee Under Bond Agreements  | 9,961             | 5,909             | 4,695             | 4,694             | 4,694             |
| <b>Total Assets Limited as to Use, Net Current Portion</b>                               | <b>13,873</b>     | <b>10,825</b>     | <b>9,758</b>      | <b>9,906</b>      | <b>10,060</b>     |
| <b>PROPERTY AND EQUIPMENT, NET</b>   | <b>105,338</b>    | <b>104,252</b>    | <b>103,073</b>    | <b>101,874</b>    | <b>100,654</b>    |
| <b>BENEFICIAL INTEREST IN NET ASSETS OF PENICK VILLAGE FOUNDATION AND JA GREER GROUP</b> | <b>1,289</b>      | <b>1,289</b>      | <b>1,289</b>      | <b>1,289</b>      | <b>1,289</b>      |
| <b>OTHER ASSETS</b>  |                   |                   |                   |                   |                   |
| Deposits   | 33                | 33                | 33                | 33                | 33                |
| Investment in Affiliate  | 1                 | 1                 | 1                 | 1                 | 1                 |
| Beneficial Interest in Annuities   | 220               | 220               | 220               | 220               | 220               |
| Intangible Asset   | 62                | 59                | 56                | 54                | 51                |
| Other  | 212               | 212               | 212               | 212               | 212               |
| Contract Acquisition Costs, Net  | 44                | 76                | 67                | 58                | 48                |
| <b>Total Assets</b>  | <b>\$ 147,744</b> | <b>\$ 144,840</b> | <b>\$ 147,140</b> | <b>\$ 149,037</b> | <b>\$ 150,897</b> |
| <b>Liabilities and Net Assets</b>  |                   |                   |                   |                   |                   |
| <b>CURRENT LIABILITIES</b>   |                   |                   |                   |                   |                   |
| Current Maturities of Long-Term Debt   | \$ 525            | \$ 545            | \$ 1,595          | \$ 1,670          | \$ 1,750          |
| Payable from Assets Limited as to Use  | 133               | 133               | 133               | 133               | 133               |
| Accounts Payable   | 598               | 638               | 659               | 679               | 702               |
| Accrued Liabilities  | 898               | 959               | 987               | 1,017             | 1,047             |
| Application and Prepaid Admission Deposits   | 2,186             | 829               | 829               | 829               | 829               |
| <b>Total Current Liabilities</b>   | <b>4,340</b>      | <b>3,104</b>      | <b>4,203</b>      | <b>4,328</b>      | <b>4,461</b>      |
| <b>REFUND LIABILITY, LESS CURRENT PORTION</b>  | <b>2,019</b>      | <b>2,019</b>      | <b>2,019</b>      | <b>2,019</b>      | <b>2,019</b>      |
| <b>DEFERRED REVENUE</b>  | <b>27,071</b>     | <b>40,323</b>     | <b>41,265</b>     | <b>42,578</b>     | <b>43,630</b>     |
| Long-Term Debt, Net of Current Portion - Existing  | 29,470            | 28,925            | 28,355            | 27,765            | 27,145            |
| Long-Term Debt, Net of Current Portion - Series 2024 Bonds                               | 70,015            | 54,870            | 53,845            | 52,765            | 51,635            |
| Deferred Financing Costs   | (1,812)           | (1,691)           | (1,570)           | (1,449)           | (1,328)           |
| Bond Premium   | 2,585             | 2,570             | 2,554             | 2,539             | 2,523             |
| <b>LONG-TERM DEBT, LESS CURRENT MATURITIES</b>   | <b>100,258</b>    | <b>84,674</b>     | <b>83,184</b>     | <b>81,620</b>     | <b>79,975</b>     |
| <b>Total Liabilities</b>   | <b>133,688</b>    | <b>130,120</b>    | <b>130,671</b>    | <b>130,545</b>    | <b>130,085</b>    |
| <b>Net Assets</b>  |                   |                   |                   |                   |                   |
| Without Donor Restrictions   | 12,635            | 13,299            | 15,048            | 17,071            | 19,391            |
| With Donor Restrictions:   |                   |                   |                   |                   |                   |
| Purpose Restricted   | 1,092             | 1,092             | 1,092             | 1,092             | 1,092             |
| Perpetually Restricted   | 329               | 329               | 329               | 329               | 329               |
| <b>Total Net Assets</b>  | <b>14,056</b>     | <b>14,720</b>     | <b>16,469</b>     | <b>18,492</b>     | <b>20,812</b>     |
| <b>Total Liabilities and Net Assets</b>  | <b>\$ 147,744</b> | <b>\$ 144,840</b> | <b>\$ 147,140</b> | <b>\$ 149,037</b> | <b>\$ 150,897</b> |

See Summary of Significant Forecast Assumptions and Accounting Policies and Independent Accountants' Report

# **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

---

## **BACKGROUND AND INFORMATION**

### **Basis of Presentation**

Penick Village, Inc. (the “Corporation” and the “Existing Community”) operates a life plan community. The Corporation is a not-for-profit corporation under Internal Revenue Code Section 501(c)(3) and is, therefore exempt from federal and state income taxes.

The financial forecast presents, to the best of management’s (“Management”) knowledge and belief the Corporation’s, excluding its two affiliates Penick Village Foundation, Inc. (the “Foundation”) and JA Greer Group, LLC (the “Group”), expected balance sheets, statements of operations and changes in net assets and cash flows as of and for each of the five years ending September 30, 2026 through 2030 (the “Forecast Period”).

The Foundation was organized in September 2003 to raise funds for the Corporation’s support. The Foundation began receiving contributions in October 2005. The Foundation is a not-for-profit corporation under Internal Revenue Code Section 501(c)(3) and is therefore, exempt from federal and state income taxes. The Foundation is not classified as a private foundation.

The Group was organized in November 2016 to own and manage a multi-family property purchased by the Group in December 2016. The Group is a single-member limited liability company formed and organized in the state of North Carolina.

Neither the Foundation nor Greer Group is obligated to make payments on the Series 2019 Bonds and Series 2024 Bonds, as defined hereinafter, of the Corporation, and none of their property or revenues are pledged to payment on the Series 2019 Bonds or the Series 2024 Bonds or any obligations under the Master Indenture. Neither the Foundation nor Greer Group is a member of the Corporation.

Management’s financial forecast has been prepared for the specific purpose of presenting the forecasted balance sheets, statements of operations and changes in net assets, and cash flows for Penick Village, Inc. This presentation is not intended to include the consolidated forecasted financial statements of Penick Village, Inc. which would include the Foundation and the Group. Accordingly, the forecast is not intended to be a presentation in conformity with U.S. generally accepted accounting principles since it excludes the Foundation and the Group.

Accordingly, the financial forecast reflects Management’s assumptions as of February 26, 2026, the date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are the assumptions which Management believes are significant to the financial forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

**This financial forecast is intended solely for the information and use of Management, the Board of Directors, and the North Carolina Department of Insurance (pursuant to the requirements of North Carolina General Statutes, Chapter 58, Article 64A and included in the Corporation’s disclosure statement filing), and is not intended to be and should not be used by anyone other than these specified parties.**

### **Penick Village, Inc.**

Penick Village, Inc. is a North Carolina nonprofit corporation incorporated in 1957 that owns and operates a continuing care retirement community known as Penick Village. The Community is located in Southern

## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

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Pines, North Carolina, a town in Moore County, North Carolina. The Corporation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code") and is not a private foundation under Section 509(a) of the Code.

Penick Village, Inc. was organized to establish and operate a retirement community for those desiring a full spectrum of care from independent living to assisted living to skilled nursing, regardless of race, creed, national origin or denomination; to provide in home care and other services to the aging; and to provide for such programs or other charitable work in connection therewith as may be necessary or convenient in the operation of the Corporation. The objectives of the Corporation are to (1) promote the independence of each resident and each non-resident client; (2) ensure privacy and personal security; (3) encourage spiritual growth and development; (4) foster intellectual and cultural opportunities; (5) promote wellness through physical, mental and spiritual activity; (6) nurture an atmosphere of congeniality and community; (7) turn no existing residents out for lack of funds; and (8) provide service and education to the community in ways that are consistent with the Corporation's mission, which is: *"to cultivate a friendly and safe community where residents have the freedom to focus on their wellness and relationships while living to life's fullest potential."*

The Corporation is affiliated with the Episcopal Church and the Bishop of the Diocese of North Carolina serves as the honorary chair of the Board of Directors. The Episcopal Church is not legally responsible in any financial and contractual obligations entered into by the Corporation.

The Corporation, formerly the Episcopal Home for the Ageing in the Diocese of North Carolina, Inc., was incorporated on February 4, 1957, at the direction of the Diocese of North Carolina of the Protestant Episcopal Church. The Corporation began operating the Community, which was formerly known as Bishop Edwin A. Penick Memorial Home, in April of 1964. In October 2015, the Corporation changed its name to Penick Village, Inc.

The Community is located on approximately 38 acres of land, the first 13 acres of which was donated by the Boyd family. Upon its opening in 1964, the Community originally consisted of one building that housed 29 single room apartments and 10 infirmary beds. This building was known as the "South Building." In 2019, the Corporation relocated the residents remaining in the South Building to other accommodations in the Community. In 2022, the Corporation demolished the South Building and a portion of the Project will be built on this land.

In the mid-1970s, the Corporation built six cottages and six duplex independent living apartments. In 1984, the Corporation broke ground for construction of a two-phase project that would virtually double the capacity of all that had been built in the first 20 years of the Community's history. The first phase opened in 1985, and the second phase was completed in 1986. The "North Building," completed in 1986, originally housed 50 skilled nursing beds, seven personal care home rooms, and 50 single and four two-room suites Independent Living Units. The North Building was built in response to a growing need for such a healthcare facility. The Corporation has since renamed the North Building as "The Terrace," which currently consists of 32 skilled nursing beds and 32 Assisted Living Units. During 2025, the Corporation sold 18 skilled nursing beds licenses is now licensed to own and operate 32 skilled nursing beds.

From 1982 to 1990, the Corporation built 30 independent living cottages, known as the "Weymouth Cottages", to provide residents additional choices in residence styles, and in response to the needs of prospective residents.

In 2004, the Corporation refinanced its existing debt as part of a repositioning of the Community, and such repositioning included master site planning, evaluating the small house model of care, replacing the personal care unit, and growing the campus. In 2009, replacing the assisted living process began with

## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

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the start of construction on a 10-unit small house (the “Blanche Robertson Garden Cottage”) for assisted living that opened in 2010.

Since 2007, the Corporation has constructed nine independent living cottages known as the “Woodlands Cottages.”

In 2010 and 2011, the Corporation began and completed the construction of an independent living apartment building (“The Woodlands”) and a 38,000 square foot community center (the “Village House”). The Woodlands contains 73 independent living apartments in nine different styles and sizes and two guest suites. The Village House contains multiple dining venues, a large multi-purpose auditorium, a chapel, a library, meeting spaces and administrative offices.

In 2015, the Corporation demolished three of the 1970s cottages and a maintenance shop in order to construct a new apartment building known as the “Parkview Apartment Building.” The Parkview Apartment Building opened in 2016 and contains 18 independent living apartments and under building parking. Additionally, in 2017, the Corporation demolished seven more of the 1970s cottages to construct another apartment building known as the “Wharton Apartment Building.” The Wharton Apartment Building opened in 2020. The Wharton Apartment Building has 19 independent living apartments and under building parking.

The Community is currently composed of the three independent living apartment buildings (Parkview Apartment Building, Woodlands Apartment Building and Wharton Apartment Building), one multi-level of care building with both assisted living and skilled nursing (the Terrace), 40 independent living cottages, a memory support assisted living building (Blanche Robertson Garden Cottage) and a community center (Village House).

### **The Community**

The Community is located on approximately 38 acres in the Town of Southern Pines, North Carolina (the “Town”). The Town is centrally located in North Carolina and is one hour from Raleigh, North Carolina and a two-hour drive northeast from Charlotte, North Carolina. The Community is approximately one mile from the Town's downtown area, which has many boutiques, specialty stores, art galleries and dining options. The Town is approximately seven miles from Pinehurst, North Carolina, which is most known for the Pinehurst Resort, a historic golf resort that hosted the 124th U.S. Open golf tournament in June 2024.

The Community borders the Weymouth Center for the Arts & Humanities, an arts and humanities cultural center and former estate of author James Boyd, and the Weymouth Woods – Sandhills Nature Preserve, a North Carolina state park. The Community is also located 4 miles south of Reservoir Park, a 326-acre forested park with a 95-acre lake and miles of trails that connect to the Southern Pines greenway network.

The Community offers a variety of programs geared toward the delivery of residential and healthcare services for seniors residing at the Community and currently derives its revenues from (i) an entrance fee paid when a resident moves into an Independent Living Unit (the “Entrance Fee”) (ii) monthly service fees paid by such residents in the Independent Living Units, Assisted Living Units, Memory Support Units (the “Monthly Service Fees”), and (iii) daily fees for skilled nursing care in the Skilled Nursing Beds.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

### Independent Living Units

The Community currently consists of 110 independent living apartments and 40 independent living cottages (collectively, the “Existing Independent Living Units”), which is detailed further in the following table.

**Table 1**  
**Existing Independent Living Units <sup>(1)</sup>**  
**Unit Mix, Square Footage and Fees (Standard Agreement)**  
**Effective as of January 1, 2026**

| Unit Name   | Unit Type         | Total Units | Average Square foot | Monthly Service Fee <sup>(1)(3)</sup> | Entrance Fee <sup>(2)(3)</sup> |
|---|-------------------|-------------|---------------------|---------------------------------------|--------------------------------|
| <b>Woodlands Apartments</b>                                     |                   |             |                     |                                       |                                |
| Loft  | One Bedroom       | 1           | 540                 | \$ 2,620                              | \$ 114,059                     |
| Crape Myrtle  | One Bedroom       | 8           | 700                 | 2,689                                 | 135,987                        |
| Linden  | One Bedroom       | 5           | 850                 | 3,254                                 | 176,686                        |
| Periwinkle  | One Bedroom       | 3           | 1,000               | 3,619                                 | 215,033                        |
| CMB   | One Bedroom       | 2           | 700                 | 2,689                                 | 135,987                        |
| Redbud  | One Bedroom + Den | 11          | 1,000               | 3,723                                 | 226,087                        |
| Birch   | Two Bedroom       | 12          | 1,250               | 4,083                                 | 292,029                        |
| Pin Oak   | Two Bedroom       | 19          | 1,500               | 4,644                                 | 311,497                        |
| Poplar  | Two Bedroom + Den | 6           | 1,700               | 5,012                                 | 377,742                        |
| Chestnut  | Two Bedroom + Den | 6           | 1,900               | 5,566                                 | 422,182                        |
| <b>Total/Weighted Average - Woodlands</b>                       |                   | <b>73</b>   | <b>1,245</b>        | <b>\$ 4,086</b>                       | <b>\$ 270,024</b>              |
| <b>Parkview Apartments</b>                                      |                   |             |                     |                                       |                                |
| Topanga   | One Bedroom       | 2           | 600                 | \$ 2,546                              | \$ 140,687                     |
| Arcadia   | One Bedroom       | 2           | 650                 | 2,792                                 | 152,412                        |
| Lincoln   | One Bedroom + Den | 2           | 1,050               | 3,795                                 | 278,477                        |
| Griffith  | Two Bedroom       | 2           | 1,300               | 4,139                                 | 354,100                        |
| Franklin  | Two Bedroom + Den | 2           | 1,500               | 4,860                                 | 440,882                        |
| Aurora  | Two Bedroom + Den | 4           | 1,500               | 4,912                                 | 440,882                        |
| Hyde  | Two Bedroom + Den | 4           | 1,600               | 5,093                                 | 470,271                        |
| <b>Total/Weighted Average - Parkview</b>                        |                   | <b>18</b>   | <b>1,256</b>        | <b>\$ 4,238</b>                       | <b>\$ 354,318</b>              |
| <b>Wharton Apartments</b>                                       |                   |             |                     |                                       |                                |
| Topanga   | One Bedroom       | 1           | 600                 | \$ 2,546                              | \$ 140,687                     |
| Acadia  | One Bedroom       | 2           | 650                 | 2,792                                 | 152,412                        |
| Boyd  | One Bedroom       | 2           | 800                 | 3,257                                 | 200,704                        |
| Lincoln   | One Bedroom + Den | 2           | 1,050               | 3,795                                 | 278,477                        |
| Sierra  | One Bedroom + Den | 2           | 1,095               | 3,906                                 | 305,340                        |
| Umstead   | One Bedroom       | 2           | 1,130               | 4,030                                 | 315,103                        |
| Griffith  | Two Bedroom       | 2           | 1,300               | 4,139                                 | 354,100                        |
| Franklin  | Two Bedroom       | 2           | 1,500               | 4,860                                 | 440,882                        |
| Aurora  | Two Bedroom + Den | 2           | 1,500               | 4,912                                 | 440,882                        |
| Hyde  | Two Bedroom + Den | 2           | 1,600               | 5,093                                 | 470,271                        |
| <b>Total/Weighted Average - Wharton</b>                         |                   | <b>19</b>   | <b>1,150</b>        | <b>\$ 4,006</b>                       | <b>\$ 318,791</b>              |
| <b>Cottages / Woodland Homes</b>                                |                   |             |                     |                                       |                                |
| Dogwood   | Two Bedroom + Den | 3           | 1,957               | \$ 6,101                              | \$ 700,487                     |
| Longleaf  | Two Bedroom + Den | 4           | 2,100               | 6,256                                 | 751,800                        |
| Magnolia  | Two Bedroom + Den | 2           | 2,250               | 6,411                                 | 805,500                        |
| Weymouth  | Two Bedroom       | 31          | 1,548               | 4,726                                 | 433,796                        |
| <b>Total/Weighted Average - Cottages</b>                        |                   | <b>40</b>   | <b>1,669</b>        | <b>\$ 5,067</b>                       | <b>\$ 504,184</b>              |
| <b>Total/Weighted Average Existing Independent Living Units</b> |                   | <b>150</b>  | <b>1,347</b>        | <b>\$ 4,356</b>                       | <b>\$ 348,759</b>              |

Source: Management

Notes:

- (1) Entrance fees noted in the table above are for the 24-Month Declining Refundable Entrance Fee. The 50% and 90% Entrance Fee options are available for prospective residents aged 84 and less. Such Entrance Fees are based upon an occupant's age at entry at an actuarial determined multiplier.
- (2) The second person Monthly Service Fee is \$1,416.
- (3) Fees are adjusted on January 1 of each year.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

### Assisted Living and Skilled Nursing

The Community currently licensed for 32 “Assisted Living Units”, 10 “Memory Support Units”, and 32 “Skilled Nursing Beds”. The Corporation currently staffs and operates 32 Assisted Living units, 10 Memory Support Units, and 32 Skilled Nursing Beds.

The Assisted Living Units in the Terrace are either studios, one or two-bedroom apartments and all Skilled Nursing Beds are in private rooms. The Terrace also contains a rehabilitation suite, multiple dining venues and exercise and life enrichment spaces. Ten of the Community's Assisted Living Units are located in a separate building, known as the Blanche Robertson Garden Cottage. Thirteen of the 32 assisted living beds are closed for use by residents of the Community with a Residency Agreement. None of the 32 skilled nursing bed licenses are closed for use by residents of the Community.

The following table summarizes unit type, square footage, and current stated per diem rate as of January 1, 2025, for assisted living and skilled nursing services at the Corporation for non-life-care contract residents.

**Table 2**  
**Assisted Living and Memory Support Units**  
**Unit Mix, Square Footage and Fees**  
**Effective as of January 1, 2026**

| Level                          | Room Type       | Total Units | Square Footage | Direct Entrance Fee | Internal Resident Daily Fee | Direct Admission Daily Fee |
|--------------------------------|-----------------|-------------|----------------|---------------------|-----------------------------|----------------------------|
| Assisted Living <sup>(1)</sup> |                 |             |                |                     |                             |                            |
| Camelia                        | Studio          | 8           | 270            | \$ 11,500           | \$ 219                      | \$ 225                     |
| Dogwood                        | Extended Studio | 6           | 380            | 11,500              | 271                         | 291                        |
| Forsythia                      | One-Bedroom     | 17          | 560            | 11,500              | 312                         | 340                        |
| Hydrandea                      | Two-Bedroom     | 1           | 840            | 11,500              | 356                         | 392                        |
| Total Assisted Living          |                 | 32          | 463            | \$ 11,500           | \$ 282                      | \$ 304                     |
| Memory Support                 | Garden Cottage  | 10          | 315            | 11,500              | 299                         | 312                        |
| Total/Weighted Average         |                 | 42          | 427            | \$ 11,500           | \$ 286                      | \$ 306                     |

Source: Management

Note:

(1) Second person fees, where applicable, are \$219 for an internal resident and \$225 for a direct admission resident, respectively.

**Table 3**  
**Skilled Nursing Beds**  
**Unit Mix, Square Footage and Fees**  
**Effective as of January 1, 2026**

| Unit Type | Approximate Square Footage | Total Beds | Per Diem |
|-----------|----------------------------|------------|----------|
| Private   | 210                        | 32         | \$ 419   |
| Total     | 210                        | 32         | \$ 419   |

Source: Management

## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

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### **Fee Structure**

Under the residency agreement (the “Residency Agreement”), the Corporation agrees to provide certain services under a fee-for-service contract to the resident upon payment by the resident of an Entrance Fee to the Corporation and ongoing payments Monthly Service Fees or daily service fees to the Corporation. Such fees vary in amount depending on the size of the residential unit to be occupied by the resident.

#### *Entrance Fees*

Upon executing the Residency Agreement, the resident pays the Corporation a non-refundable application fee of \$250 and 10% of the Entrance Fee and arranges with the Corporation a mutually satisfactory schedule of subsequent payments of the Entrance Fee, provided that the entire amount of the Entrance Fee must be paid to the Corporation by the time the unit is occupied. A resident is required to take financial occupancy of such resident's unit within 90 days of signing a Residency Agreement. Refunds due to a resident or the resident's estate will be paid by the Corporation within 30-days of the vacated unit being occupied and the Corporation receiving a full Entrance Fee from a new resident.

- 24-Month Declining Refundable Plan (“24-Month Declining Refundable Plan”) – A portion of the Entrance Fee paid is refunded if residents die or move from the Community and terminate the Residency Agreement within 24 months of their occupancy date. The refund will be an amount equal to the Entrance Fee paid, less 8 percent of the Entrance Fee paid for the first day of the first month occupied, then 4 percent for each month of occupancy thereafter for the next 23 months. After 24 months of occupancy, the Entrance Fee paid is fully amortized and nonrefundable. The Corporation may deduct from the refund any unpaid charges and the full amount of any financial assistance provided to the resident, including interest.
- 50% Refundable Plan (“50% Refundable Plan”) – A portion of the Entrance Fee paid is refunded when residents die or move from the Community and terminate the Residency Agreement after their occupancy date. The refund amount will be an amount equal to the Entrance Fee paid, less 5 percent of the Entrance Fee paid for the first day of the first month the unit is occupied, then 4 percent monthly for any portion of each month the unit is occupied for the following 11 months, and then 1 percent on the first day of the 13<sup>th</sup> month of occupancy, at which time the refund amount is fully exhausted at 50%. Additionally, the 50% Refundable Plan is not available to potential residents aged 85 or older (in cases of couples, the older of the two applicants' age applies) as of the date of occupancy. The Corporation may deduct from the refund any unpaid charges and the full amount of any financial assistance provided to the resident, including interest.
- 90% Refundable Plan (“90% Refundable Plan”) – A portion of the Entrance Fee paid is refunded when residents die or move from the Community and terminate the Residency Agreement after their occupancy date. The refund amount will be an amount equal to the Entrance Fee paid, less 5 percent of the Entrance Fee paid for the first day of the first month the unit is occupied, then 1 percent monthly for any portion of each month the unit is occupied for the following 5 months, at which time the refund amount is fully exhausted at 10%. Additionally, the 90% Refundable Plan is not available to potential residents aged 85 or older (in cases of couples, the older of the two applicants' age applies) as of the date of occupancy. The Corporation may deduct from the refund any unpaid charges and the full amount of any financial assistance provided to the resident, including interest.

The Entrance Fees associated with the 50% Refundable Plan and the 90% Refundable Plan are calculated based on actuarial calculated multipliers multiplied by the Entrance Fees associated with the

## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

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24-Month Declining Refundable Entrance Fee plan for the applicable unit. The 50% Refundable Plan and the 90% Refundable Plan are not available to residents 85 years of age or older. In the event there is a second resident, such Entrance Fees will be based on the age of the older of the two residents on the date the Residency Agreement is signed.

### **Expansion Plans: Independent Living Units**

The Corporation has forecasted the construction and operations on an addition of 44 independent living apartments (the “New Independent Living Units”), renovations to the existing healthcare center, a new welcome house, and a new wellness center.

The Project is forecasted to consist of the following:

- The Grove - 18 independent living apartments in three separate mini-hybrid buildings. Each mini-hybrid building is planned to include six (6) two-bedroom apartments ranging from 1,500 – 1,900 square feet, in a two-story building over garages for each apartment. Each mini-hybrid building is assumed to be approximately 16,100 square feet.
- Weymouth Glen – 26 independent living apartments in a single hybrid building. The Hybrid is planned to include one- and two-bedroom apartments ranging from 1,000 – 1,900 square feet, in an approximate 67,000 square feet, three-story building over an underground parking garage. The Hybrid is anticipated to include a small, shared common area.
- The Healthcare Renovation – Management plans to renovate the existing healthcare center’s interior to include new paint, new carpet, and renovations to the dining and commons areas. Management also plans improvements and repairs to the exterior building including new paint and an upgraded porte-cochere. The healthcare renovation will also reduce the number of beds in operation to 32 Skilled Nursing Beds.
- The New Wellness Center – Management plans to construct an approximate 5,000 square feet New Wellness Center to include a fitness room and a separate multipurpose room for aerobics, classroom education, and a pickleball court.
- The Welcome House – Management plans to include a new security guard house and a replacement security gate at the main entrance to Penick Village.

Each New Independent Living Unit includes multiple flooring options, numerous closets and storage areas, a fully-equipped kitchen (refrigerator/freezer, disposal, microwave, and oven/range), washer and dryer, bathrooms with tub and/or shower and vanities, high ceilings, an emergency call system with 24-hour security and emergency health care assistance, fire and smoke detectors, individualized heating and air-conditioning systems, lever door handles, pre-wired cable, telephone and computer modem outlets, with all units having a balcony.

Following the completion of the Project the total Independent Living Units at the Community will increase from 150 to 194.

### ***Project Configuration and Pricing***

The following table summarizes Management’s forecasted unit configuration and pricing for the Project’s New Independent Living Units. The Monthly Service Fees are presented in fiscal year 2026 dollars. The Entrance Fees noted below are presented in fiscal year 2026 dollars and are for charter members (the “Charter Members”), the generation of depositors who place a deposit equal to 10 percent of the Entrance Fee (the “Charter Entrance Fees”). The Charter Entrance Fees are anticipated to increase 8 percent upon opening of the New Independent Living Units and are anticipated to increase 3 percent annually thereafter.

**SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

**Table 4  
New Independent Living Units  
Forecasted Unit Configuration, Sizes and Pricing  
Effective as of January 1, 2026**

| Unit Name  | Unit Type                 | Total Units | Average Square foot | Monthly Service Fee <sup>(1)(2)</sup> | Entrance Fee <sup>(1)</sup> |
|--|---------------------------|-------------|---------------------|---------------------------------------|-----------------------------|
| <b>Weymouth Glen:</b>                                      |                           |             |                     |                                       |                             |
| Wren   | One Bedroom               | 2           | 1,000               | \$ 3,675                              | \$ 291,731                  |
| Sparrow  | One Bedroom + Den         | 4           | 1,250               | 4,603                                 | 383,425                     |
| Dove   | One Bedroom + Den         | 2           | 1,450               | 4,754                                 | 468,815                     |
| Starling   | Two Bedroom               | 6           | 1,500               | 4,921                                 | 484,968                     |
| Bluebird   | Two Bedroom + Den         | 6           | 1,700               | 5,575                                 | 549,630                     |
| Cardinal   | Two Bedroom + Den         | 6           | 1,900               | 6,220                                 | 614,305                     |
| <b>Total/Weighted Average - Weymouth Glen</b>              |                           | <b>26</b>   | <b>1,558</b>        | <b>\$ 5,214</b>                       | <b>\$ 498,008</b>           |
| <b>The Grove:</b>  |                           |             |                     |                                       |                             |
| Robin  | Two Bedroom               | 6           | 1,500               | \$ 5,066                              | \$ 533,465                  |
| Osprey   | Two Bedroom + Den         | 6           | 1,650               | 5,570                                 | 586,814                     |
| Heron  | Two Bedroom + Den/Laundry | 6           | 1,900               | 6,414                                 | 675,725                     |
| <b>Total/Weighted Average - The Grove</b>                  |                           | <b>18</b>   | <b>1,683</b>        | <b>\$ 5,683</b>                       | <b>\$ 598,668</b>           |
| <b>Total/Weighted Average New Independent Living Units</b> |                           | <b>44</b>   | <b>1,609</b>        | <b>\$ 5,406</b>                       | <b>\$ 539,187</b>           |

Source: Management

Notes:

- (1) Entrance Fees noted in table above are for the 24-Month Declining Refundable Entrance Fee. The Corporation expects to increase the Entrance Fees 8% upon opening of the new units. The 50% and 90% Entrance Fee options are available for prospective residents aged 84 and less. Such Entrance Fees are based on occupant's age at entry and an actuarially-determined multiplier.
- (2) For units on the top floor, an additional \$5,000 premium will be added to the Entrance Fee.
- (3) Second person Monthly Service Fee is \$1,416. The Corporation expects to increase the Monthly Service Fee annually consistent with existing units until the new units are available for occupancy.

The following table summarizes the forecasted utilization of the Residency Agreement options during the Forecast Period.

**Table 5  
Forecasted Utilization of Residency Agreement Plan Type  
During the Forecast Period**

|                                    | First Generation Residents of New Independent Living Units | Future Residents in New Independent Living Units |
|------------------------------------|--|--|
| <b>Resident Entrance Fee Plans</b> | <b>Percent of Total</b>                                    | <b>Percent of Total</b>                          |
| 24-Month Declining Refundable Plan | 100%   | 100%   |
| The 50% Plan                       | 0%   | 0%   |
| The 90% Plan                       | 0%   | 0%   |
| Total Percentage                   | 100%   | 100%   |

Source: Management

**Project Timeline**

A proposed timeline for the construction and fill-up of the Project, as provided by Management, is presented below.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

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**Table 6**  
**Project Timeline**

| <b>Event</b>  | <b>Date</b>    |
|---|----------------|
| Construction Complete - New Wellness Center                         | May 2026       |
| Construction Complete - New Independent Living Units <sup>(1)</sup> | June 2026      |
| Construction Complete - New Welcome House                           | September 2026 |
| New Independent Living Units Achieve Stabilized Occupancy (95%)     | May 2027       |

Source: Management

Note:

- (1) Management has forecasted Weymouth Glen would be available for occupancy beginning June 2026 and The Grove beginning August 2026.

## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

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### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Accounting**

The Corporation maintains its accounting and financial records according to the accrual basis of accounting. Management's Forecast has been presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants.

#### **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 financial statements and accompanying notes.

#### **Basis of Presentation**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Include net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. At times, the governing board can designate, from net assets without donor restrictions, net assets for a board-designated endowment or other purposes.

*Net Assets with Donor Restrictions* - Purpose restricted net assets are those whose use by the Corporation has been limited by donors to a specific time period or purpose. Perpetually restricted net assets have been restricted by donors to be maintained by the Corporation in perpetuity.

*Donor-Restricted Gifts* - Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either purpose or perpetually restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, purpose restricted net assets are reclassified as net assets without donor restrictions and reported in the forecasted statements of operations and changes in net assets (deficit) without donor restrictions as net assets released from restriction. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions without restrictions in the accompanying combined financial statements.

#### **Cash and Cash Equivalents**

For purposes of reporting cash flows, the Corporation considers cash and cash equivalents to include all cash and highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, including restricted cash.

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## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

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### **Assets Limited as to Use**

Assets limited as to use includes reserves by state statute, limitations placed on assets by the Board of Directors, funds held by a trustee under the debt-related agreements, and funds held for the residents and other purposes.

### **Investments**

The Corporation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in accordance with accounting requirements for certain investments held by nonprofit organizations, in the forecasted statement of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, short and long-term capital gains, interest, and dividends) is reported as an increase in net assets without donor restrictions unless the income or loss is restricted by donor or law.

### **Accounts and Notes Receivable**

Accounts receivable are uncollateralized resident obligations due under normal trade terms generally requiring payment within 30 days from the invoiced date. Notes receivable represent written promissory notes from residents to fulfill past due accounts based on agreed payment schedules. The carrying amount of accounts and notes receivable is reduced by an allowance for current expected credit losses that reflects management's estimate of the amounts that will not be collected. Management reviews each account receivable balance that exceeds 120 days from the invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. Additionally, management applies an estimated write-off percentage to total outstanding accounts and notes receivable, not previously reviewed, to estimate a general allowance for expected credit losses covering those amounts. The adequacy of the Corporation's allowance for credit losses is reviewed on an ongoing basis, using historical payment trends, write-off experience, aging of receivables, a review of specific accounts, as well as expected future economic conditions and market trends, and adjustments are made to the allowance as necessary. As of September 30, 2025, the allowance for expected credit losses was approximately \$55,000 and Management has forecasted maintaining a consistent allowance for expected credit losses during the Forecast Period.

### **Property, Equipment and Depreciation**

Property and equipment are carried at cost. Expenditures for maintenance, repairs and minor renovations are expensed as incurred. Major renovations and improvements are capitalized. The Corporation capitalizes all assets over \$5,000 with a useful life greater than one year. Depreciation is provided on the straight-line method over the following estimated useful lives:

|                           |            |
|---------------------------|------------|
| Buildings                 | 7-50 years |
| Equipment and Furnishings | 3-10 years |
| Landscaping               | 5-15 years |
| Paving                    | 5-10 years |
| Motor Vehicles            | 3-5 years  |

## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

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### **Financing Costs**

Financing costs incurred in connection with the issuance of long-term debt are deferred and amortized over the term of the related indebtedness, which approximates the effective interest method. Amortization expense is included with interest expense on the forecasted statement of operations and changes in net assets (deficit).

### **Original Issuance Premium**

Bond premium incurred in connection with the issuance of long-term debt is assumed to be recorded as a direct addition to the carrying amount of the debt and over the term of the related indebtedness, which approximates the effective interest method. Amortization expense is included with interest expense on the forecasted statement of operations and changes in net assets (deficit).

### **Application and Admission Deposits**

These advance payments are made by prospective residents for the purpose of establishing their name on the Corporation's waiting list or requesting a certain model of residence. These advance payments are applied to the resident's Entrance Fee once admitted, less an administrative fee, or are refunded if not admitted or the prospective resident elects to cancel their wait-list reservation.

### **Deferred Entrance Fees and Refund Liability**

New residents enter the Corporation under one of the following contracts, 1) traditional amortized plan, 2) 50% refundable upon separation from the campus and re-occupancy of the residence, or 3) 90% refund upon separation from the campus and re-occupancy of the residence. Under the traditional amortized plan, residents are not entitled to refunds after 24 months. The nonrefundable portion of an Entrance Fee paid by a resident is amortized to income using the straight-line method over the actuarially calculated life expectancy of the resident. The nonrefundable portion of Entrance Fees is classified as deferred revenue. The refundable portion of Entrance Fees is carried as a liability as the Corporation's residency contracts generally do not explicitly limit the refundable portion of the Entrance Fees to the proceeds of the same residence's re-occupancy.

### **Obligations to Provide Future Services**

The Corporation enters into various continuing care contracts with residents. A life plan contract is an agreement between a resident and the Corporation specifying the services and facilities to be provided over the resident's remaining life. Under the contracts, the Corporation has the ability to increase fees as deemed necessary. For the year ended September 30, 2025, the Corporation engaged a nationally accredited actuary firm to calculate the present value of the estimated net cost of future services to be provided, including the cost of facilities to current residents; and compared that calculated amount with deferred revenue from Entrance Fees. Under GAAP, if the present value of the net cost of future services and use of facilities exceeds the deferred revenue from Entrance Fees, an additional liability is shown in the forecasted statement of financial position. No such liability was recorded as of September 30, 2025, as the present value of the estimated net costs of future services and use of facilities is less than deferred revenues from Entrance Fees. Management has assumed that there will be no such liability throughout the Forecast Period.

## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

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### **Resident Service Revenue**

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

Performance obligations are determined based on the nature of the services provided by the Corporation. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Corporation believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facilities receiving nursing services or housing residents receiving services in the facilities (e.g., therapy). The Corporation considers daily services provided to residents of the nursing facilities, and monthly rental for housing services as a separate performance obligation and measures this on a monthly basis, or upon move-out within the month, whichever is shorter. Nonrefundable Entrance Fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable Entrance Fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement similar to the output method. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to residents and customers in a retail setting (for example, gift shop and dining room meals) and the Corporation does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations have a duration of less than one year, the Corporation has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

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

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

#### **Medicare**

The Corporation's licensed nursing facilities participate in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). The nursing facilities are paid under the Patient Driven Payment Model (PDPM). Under PDPM, therapy minutes were removed as the primary basis for payment and instead the underlying complexity and clinical needs of a patient is used as a basis for reimbursement. In addition, PDPM introduced variance adjustment factors that change reimbursement rates during the resident's length of stay.

## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

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

### **Medicaid**

Effective October 1, 2019, new PDPM Health Insurance prospective Payment System (“HIPPS”) codes replaced Resource Utilization Group (“RUG”) scores listed on each claim for determining reimbursement amounts. Annual Medicaid cost reports are required by the state of North Carolina, however, they are not used to settle the costs of claims. Instead, the cost reports are used in the development of price-based rates and to monitor the adequacy of the reimbursement methodology.

### **Other**

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

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Corporation’s historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Corporation estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent charges to the estimate of the transaction price are recorded as adjustments to resident services revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the resident’s ability to pay are recorded as a credit loss expense.

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

### **Financing Component**

The Corporation has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due to its expectation that the period between the time the service is provided to a resident and the time that the resident or a third-party payor pays for that service will be one year or less.

## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

### **Contract Costs**

The Corporation has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Corporation otherwise would have recognized is one year or less in duration.

### **Benevolent Assistance**

The Corporation provides services to residents who meet certain criteria under its benevolent assistance policy without charge or at amounts less than its established rates. Because the Corporation does not pursue collection of amounts determined to qualify as benevolent assistance, such forgone resident service fees are not reported as net resident service revenue.

### **Excess (Deficit) of Revenues, Gains, and Other Support under Expenses**

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

### **Income Taxes**

The Corporation is exempt from federal and state income taxes under Code Section 501(c)(3) of the Internal Revenue code. Management is not aware of any activities that would jeopardize the tax-exempt status of the Corporation. Management is not aware of any significant activities that are subject to tax on unrelated business income or excise or other taxes for the Corporation. The Corporation follows guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The application has had no impact on the Corporation's forecasted financial statements and accordingly, the accompanying forecasted financial statements do not reflect a provision or liability for federal and state income taxes.

### **Concentrations of Credit Risk**

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash deposits in excess of federally insured limits, investments, accounts receivable, and Entrance Fees receivable. The Corporation maintains cash balances in bank accounts, the balances of which may at times exceed federally insured limits. Investments are held in high quality institutions and are composed of stocks, fixed income securities, and mutual funds backed by the credit ratings of various companies and governments. Accounts receivable consist of amounts due from residents and third-party payors, including various insurance companies and the U.S. Government under the Medicare and Medicaid programs. Accounts receivable are carried at estimated net realizable value.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

### MANAGEMENT'S BASIS FOR FORECAST OF REVENUE AND ENTRANCE FEES

#### Resident Services and Healthcare Service Revenue

Resident Services Revenue includes revenue from Monthly Service Fees in the Independent Living Units, Assisted Living Units and Skilled Nursing Beds, ancillary revenue, and other resident revenue.

Forecasted revenues for the Independent Living Units are primarily based on the Monthly Service Fees planned to be charged to the Independent Living Unit residents and the planned utilization of the Independent Living Units.

Forecasted assisted living, memory support and nursing revenues are planned to primarily consist of funds generated from services provided to residents either transferring from the Independent Living Units to the Assisted Living Units, Memory Support Units or Skilled Nursing Beds as well as from direct admissions.

Management has forecasted the following occupancy for the Independent Living Units.

**Table 7**  
**Independent Living Units**  
**Forecasted Average Occupancy**  
**For the Years Ending September 30,**

| <b>First Person</b>                                       | <b>2026</b> | <b>2027</b> | <b>2028</b> | <b>2029</b> | <b>2030</b> |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>Average Occupied Units</b>                             |             |             |             |             |             |
| Existing Independent Living Units                         | 141.0       | 141.0       | 141.0       | 141.0       | 141.0       |
| New Independent Living Units                              | 2.9         | 33.7        | 41.8        | 41.8        | 41.8        |
| Average Occupied Units                                    | 143.9       | 174.7       | 182.8       | 182.8       | 182.8       |
| <b>Average Available Units</b>                            |             |             |             |             |             |
| Existing Independent Living Units                         | 150.0       | 150.0       | 150.0       | 150.0       | 150.0       |
| New Independent Living Units                              | 11.7        | 44.0        | 44.0        | 44.0        | 44.0        |
| Average Available Units                                   | 161.7       | 194.0       | 194.0       | 194.0       | 194.0       |
| Average Occupied Units                                    | 89.0%       | 90.0%       | 94.2%       | 94.2%       | 94.2%       |
| <b>Second Person</b>                                      |             |             |             |             |             |
| Average Second Person - Existing Independent Living Units | 49.0        | 49.0        | 49.0        | 49.0        | 49.0        |
| Average Second Person - Occupancy Percentage              | 34.8%       | 34.8%       | 34.8%       | 34.8%       | 34.8%       |
| Average Second Person - New Independent Living Units      | 1.7         | 20.2        | 24.2        | 23.4        | 22.6        |
| Average Second Person - Occupancy Percentage              | 60.0%       | 60.0%       | 58.0%       | 56.0%       | 54.0%       |

Source: Management

Note:

(1) Management forecasts the New Independent Living Units to be available for occupancy beginning in June 2026.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

Forecasted occupancy for the New Independent Living Units is based upon Management's assumed move-in schedule for the New Independent Living Units, as depicted in the following table:

**Table 8**  
**New Independent Living Units Move-In Schedule**

|                          | Total Available<br>New Independent<br>Living Units <sup>(1)</sup> | Monthly Fill | Cumulative<br>Occupancy | Occupancy<br>Percent |
|--------------------------|---|--------------|-------------------------|----------------------|
| <b>Fiscal Year 2026:</b> |   |              |                         |                      |
| June                     | 26  | 3.5          | 3.5                     | 13.4%                |
| July                     | 26  | 3.5          | 7.0                     | 26.8%                |
| August                   | 44  | 3.5          | 10.4                    | 23.7%                |
| September                | 44  | 3.5          | 13.9                    | 31.6%                |
| <b>Fiscal year 2027:</b> |   |              |                         |                      |
| October                  | 44  | 3.5          | 17.4                    | 39.5%                |
| November                 | 44  | 3.5          | 20.9                    | 47.5%                |
| December                 | 44  | 3.5          | 24.4                    | 55.4%                |
| January - 2027           | 44  | 3.5          | 27.8                    | 63.3%                |
| February                 | 44  | 3.5          | 31.3                    | 71.2%                |
| March                    | 44  | 3.5          | 34.8                    | 79.1%                |
| April                    | 44  | 3.5          | 38.3                    | 87.0%                |
| May                      | 44  | 3.5          | 41.8                    | 95.0%                |
| Thereafter               | 44  |              | 41.8                    | 95.0%                |

Source: Management

Note:

(1) Management has forecasted Weymouth Glen would be available for occupancy beginning June 2026 and The Grove beginning August 2026.

### ***Independent Living Units***

The following table summarizes the forecasted average Monthly Service Fees for the Independent Living Units during the Forecast Period.

**SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

**Table 9  
Independent Living Units  
Forecasted Weighted Average Monthly Service Fees  
For the Years Ending September 30,**

| For the Year Ending September 30,                          | 2026     | 2027     | 2028     | 2029     | 2030     |
|--|----------|----------|----------|----------|----------|
| <b>First Person Weighted Average Monthly Service Fees</b>  |          |          |          |          |          |
| Existing Independent Living Units                          | \$ 4,356 | \$ 4,486 | \$ 4,621 | \$ 4,760 | \$ 4,902 |
| New Independent Living Units                               | \$ 5,406 | \$ 5,568 | \$ 5,735 | \$ 5,907 | \$ 6,085 |
| <b>Second Person Weighted Average Monthly Service Fees</b> |          |          |          |          |          |
| Existing Independent Living Units                          | \$ 1,416 | \$ 1,458 | \$ 1,502 | \$ 1,547 | \$ 1,594 |
| New Independent Living Units                               | \$ 1,416 | \$ 1,458 | \$ 1,502 | \$ 1,547 | \$ 1,594 |

Source: Management

Notes:

- (1) The forecasted average Monthly Service Fees represent the weighted average of the units available and occupied during each year, the Residency Agreement types selected and any forecasted premiums, discounts, additional revenue, etc.
- (2) Management has forecasted occupancy of the New Independent Living Units beginning in June 2026. The forecasted average monthly service fees represent the weighted average of the Residency Agreement contract type selected and the unit types available and occupied during each year.

Monthly Service Fees for the Independent Living Units are forecasted to inflate by 3.0 percent beginning in 2027 and annually thereafter during the Forecast Period.

***Assisted Living***

Forecasted assisted living revenue consists of revenue from operating the Assisted Living Units during the Forecast Period. Management has forecasted this revenue based upon its historical experience during the Forecast Period.

Management has forecasted occupancy of the Assisted Living Units during the Forecast Period as shown in the table below.

**Table 10  
Assisted Living Units  
Forecasted Average Occupancy  
For the Years Ending September 30,**

|                         | 2026  | 2027  | 2028  | 2029  | 2030  |
|-------------------------|-------|-------|-------|-------|-------|
| Average Occupied Units  | 27.5  | 27.5  | 27.5  | 27.5  | 27.5  |
| Average Available Units | 32.0  | 32.0  | 32.0  | 32.0  | 32.0  |
| Average Occupancy       | 86.0% | 86.0% | 86.0% | 86.0% | 86.0% |

Source: Management

Management has forecasted the following daily fee for the Assisted Living Units during the Forecast Period.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

**Table 11**  
**Assisted Living Units**  
**Forecasted Weighted Average Daily Fee**  
**For the Years Ending September 30,**

| Forecasted Daily Fee  | 2026   | 2027   | 2028   | 2029   | 2030   |
|-----------------------|--------|--------|--------|--------|--------|
| Assisted Living Units | \$ 296 | \$ 305 | \$ 315 | \$ 324 | \$ 334 |

Source: Management

Note:

- (1) The forecasted average daily fee for the Assisted Living Units represents the weighted average of the units occupied at that time including premiums, discounts, level of care fees, etc.

Management has forecasted the daily fees for the Assisted Living Units to inflate by 3.0 percent beginning in 2027 and annually thereafter during the Forecast Period.

Management has forecasted occupancy of the Memory Support Units during the Forecast Period as shown in the table below.

**Table 12**  
**Memory Support Units**  
**Forecasted Average Occupancy**  
**For the Years Ending September 30,**

|                         | 2026  | 2027  | 2028  | 2029  | 2030  |
|-------------------------|-------|-------|-------|-------|-------|
| Average Occupied Units  | 8.8   | 8.8   | 8.8   | 8.8   | 8.8   |
| Average Available Units | 10.0  | 10.0  | 10.0  | 10.0  | 10.0  |
| Average Occupancy       | 87.5% | 87.5% | 87.5% | 87.5% | 87.5% |

Source: Management

Management has forecasted the following daily fee for the Memory Support Units during the Forecast Period.

**Table 13**  
**Memory Support Units**  
**Forecasted Weighted Average Daily Fee**  
**For the Years Ending September 30,**

| Forecasted Daily Fee | 2026   | 2027   | 2028   | 2029   | 2030   |
|----------------------|--------|--------|--------|--------|--------|
| Memory Support Units | \$ 296 | \$ 305 | \$ 315 | \$ 324 | \$ 334 |

Source: Management

Note:

- (1) The forecasted average daily fee for the Memory Support Units represents the weighted average of the units occupied at that time including premiums, discounts, additional revenue, etc.

Management has forecasted the daily fee for the Memory Support Units will be inflated by 3.0 percent beginning in 2027 and annually thereafter during the Forecast Period.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

### Skilled Nursing

Management has forecasted patient services revenue from the Skilled Nursing Beds based upon Management's historical experience operating the Skilled Nursing Beds. Management has forecasted the average payor mix and average daily rates of the Skilled Nursing Beds during the Forecast Period as shown in the table below:

**Table 14**  
**Skilled Nursing Beds**  
**Forecasted Average Payor Mix (by Days) and Weighted Average Daily Fees**

|                                       | 2026   | 2027   | 2028   | 2029   | 2030   |
|---------------------------------------|--------|--------|--------|--------|--------|
| <b>Average Occupied Beds by Payor</b> |        |        |        |        |        |
| Medicaid (Hospice)                    | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   |
| Medicare                              | 6.00   | 6.00   | 6.00   | 6.00   | 6.00   |
| Medicaid (Skilled)                    | 3.00   | 3.00   | 3.00   | 3.00   | 3.00   |
| Private/VA                            | 14.00  | 16.00  | 16.00  | 16.00  | 16.00  |
| Average Occupied Units                | 24.0   | 26.0   | 26.0   | 26.0   | 26.0   |
| Average Available Beds                | 32.0   | 32.0   | 32.0   | 32.0   | 32.0   |
| Average Occupied Units                | 75.0%  | 81.3%  | 81.3%  | 81.3%  | 81.3%  |
| <b>Forecasted Payor Daily Fees</b>    |        |        |        |        |        |
| Medicaid (Hospice)                    | \$ 219 | \$ 222 | \$ 224 | \$ 226 | \$ 228 |
| Medicare                              | \$ 533 | \$ 544 | \$ 556 | \$ 568 | \$ 581 |
| Medicaid (Skilled)                    | \$ 219 | \$ 222 | \$ 224 | \$ 226 | \$ 228 |
| Private/VA                            | \$ 415 | \$ 428 | \$ 441 | \$ 454 | \$ 467 |
| Overall Weighted Average Daily Fees   | \$ 412 | \$ 423 | \$ 434 | \$ 445 | \$ 457 |

Source: Management

Private pay daily fees for the Skilled Nursing Beds are assumed to increase at an average of 3.0 percent for fiscal year 2027 and annually thereafter for the remainder of the Forecast Period. Medicare and Medicaid daily fees for the Skilled Nursing Beds are assumed to increase at an average of 2.0 percent and 1.0 percent respectively for the Forecast Period, beginning in 2027.

Benevolent assistant is forecasted at approximately \$604,000 in 2026 and forecasted to increase by 3.0 percent annually throughout the Forecast Period, beginning in 2027. Benevolent assistance is included in net resident service revenue on the forecasted statements of operations and changes in net assets

### Entrance Fee Receipts and Refunds

Refunds of the Entrance Fees are generated upon death or termination of the Residency Agreement and withdrawal from the Community, subject to the refund terms and timing previously disclosed. Entrance Fees may be generated from Independent Living Units turning over without a corresponding refund because the resident has not withdrawn from the Community but has permanently transferred to the Assisted Living Units or Skilled Nursing Beds. Entrance Fees are forecasted to inflate at 3.5 percent annually during the Forecast Period, beginning in 2027.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

The following table presents the assumed initial and attrition Entrance Fees received and the total Entrance Fee refunds.

**Table 15**  
**Entrance Fee Receipts and Total Entrance Fee Refunds**  
**(Dollars in Thousands)**

| <b>For the Year Ending September 30,</b>                                    | <b>2026</b>      | <b>2027</b>      | <b>2028</b>     | <b>2029</b>     | <b>2030</b>     |
|---|------------------|------------------|-----------------|-----------------|-----------------|
| Initial Entrance (Deposits) Fees Received From New Independent Living Units | \$ 6,441         | \$ 13,284        | \$ -            | \$ -            | \$ -            |
| Entrance Fees Received from Unit Turnover <sup>(1)</sup>                    | 5,360            | 7,247            | 8,121           | 8,421           | 8,430           |
| Entrance Fees Refunded from Unit Turnover <sup>(1)</sup>                    | (909)            | (1,432)          | (1,104)         | (789)           | (818)           |
| <b>Net Entrance Fees Received</b>   | <b>\$ 10,892</b> | <b>\$ 19,099</b> | <b>\$ 7,017</b> | <b>\$ 7,632</b> | <b>\$ 7,612</b> |

  

| <b>Entrants Generating Entrance Fees:</b>                                      | <b>2026</b> | <b>2027</b> | <b>2028</b> | <b>2029</b> | <b>2030</b> |
|--|-------------|-------------|-------------|-------------|-------------|
| Number of Initial Fill Entrants - New Independent Living Units - First Person  | 13.9        | 27.9        | -           | -           | -           |
| Number of Initial Fill Entrants - New Independent Living Units - Second Person | 8.4         | 16.7        | -           | -           | -           |
| Number of Turnover Entrants <sup>(1)</sup>                                     | 18.0        | 20.0        | 21.0        | 21.0        | 21.0        |

Source: Management and Actuary (as defined hereinafter)

Note:

(1) Includes turnover from both Existing Independent Living Units and New Independent Living Units.

### **Other Revenue**

Management has forecasted other revenue based on their experience at the Community. Other revenues are forecasted to include service revenue, additional meals, guest meals, guest rooms, transportation services, unit upgrades, beauty and barber services, and other miscellaneous revenues. Management has forecasted other revenue to approximate 3.5% of total net resident revenue.

### **Contributions**

Management has forecasted contributions based upon their experience at the Community. Forecasted contributions consist of amounts received from external contributions designed for use within the Corporation.

### **Investment Return**

Management has forecasted investment return to consist of interest earned on available cash and cash equivalents, investments and assets limited as to use. During construction of the Project, forecasted interest expense on the Series 2024 Bonds has been netted with interest earned on the various trustee-held funds relating to the Series 2024 Bonds.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

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The following table reflects Management's forecasted investment earning rates during the Forecast Period.

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**Table 16**  
**Forecasted Investment Earning Rates**

| <b>For the Year Ending September 30,</b> | <b>2026</b> | <b>2027</b> | <b>2028</b> | <b>2029</b> | <b>2030</b> |
|--|-------------|-------------|-------------|-------------|-------------|
| Cash and Cash Equivalents                | 1.00%       | 1.00%       | 1.00%       | 1.00%       | 1.00%       |
| Investments                              | 4.00%       | 4.00%       | 4.00%       | 4.00%       | 4.00%       |
| Bond Fund                                | 3.00%       | 3.00%       | 3.00%       | 3.00%       | 3.00%       |
| Reserve Fund                             | 1.00%       | 1.00%       | 1.00%       | 1.00%       | 1.00%       |
| Operating Reserve Fund                   | 3.00%       | 3.00%       | 3.00%       | 3.00%       | 3.00%       |
| Entrance Fee Fund                        | 3.00%       | 3.00%       | N/A         | N/A         | N/A         |

Source: Management

N/A: Not Applicable

Management has not forecasted any unrealized gains or losses on investments during the Forecast Period.

## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

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### **MANAGEMENT'S BASIS FOR FORECAST OF EXPENSES**

#### **Operating Expenses**

Operating expenses have been forecasted to be recognized during the month incurred. Management has forecasted operating expenses based upon Management's operating plans, including changes associated with operating the Project when it becomes available. In general, operating expenses, including salaries and hourly wages, are forecasted to increase by 3.0 percent annually throughout the Forecast Period for inflation.

The specific basis for major expense items were formulated by Management and are discussed as follows.

#### ***Salaries, Wages, and Benefits***

A full time equivalent ("FTE") is assumed to represent 2,080 hours of time paid annually. Salaries and wages are forecasted to increase by 3.0 percent annually during the Forecast Period.

Employee benefits costs include FICA, unemployment taxes, medical insurance, life insurance, retirement contributions and other miscellaneous benefits. Management has forecasted that these benefit costs are approximately 25.0% percent of salaries and wages during the Forecast Period.

#### **Non-Salary Operating Costs**

Management has forecasted non-salary operating costs will increase by 3.0 percent for inflation annually throughout the Forecast Period, as well as changes in occupancy, where applicable, beginning in fiscal year 2027.

#### ***Property Taxes***

The Corporation is exempt from the payment of real estate taxes. Management is of the opinion that this exception should remain unchanged throughout the Forecast Period.

#### ***Depreciation and Amortization***

Property and equipment have been forecasted to be depreciated over their estimated useful lives by the straight-line method.

#### ***Interest and Amortization***

Interest and financing expense is forecasted based upon the terms of the Series 2019 Bonds and the Series 2024 Bonds, related amortization of the associated deferred debt issuance costs and premium associated with the Series 2019 Bonds and Series 2024 Bonds and the issuing authority/trustee fees. Management has forecasted capitalizing interest expense related to the Project during the construction period, net of interest income on the related trustee-held funds.

## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

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### **MANAGEMENT'S BASIS FOR FORECAST OF OTHER ITEMS**

#### **Current Assets and Current Liabilities**

##### ***Cash and Cash Equivalents***

Cash and cash equivalent balances for the Forecast Period are based on the results of the forecasted statements of cash flows and reflect net cash flows during the Forecast Period.

##### ***Accounts and Notes Receivables, Net of Current Expected Credit Losses***

Accounts and notes receivable, net of current expected credit losses has been forecasted based upon Management's estimate and historical activity, which is approximately 13 days of revenue from resident fees earned.

##### ***Other Receivables***

Prepaid expenses and other current assets have been forecasted based upon Management's estimate of approximately 2 days of operating expenses excluding depreciation, and interest and financing expenses throughout the Forecast Period.

##### ***Prepaid Expenses and Other Current Assets***

Prepaid expenses have been forecasted based upon Management's estimate of approximately 6 days of operating expenses excluding depreciation, and interest and financing expenses throughout the Forecast Period.

##### ***Accounts Payable***

Accounts payable have been forecasted based upon Management's estimate of approximately 12 days of operating expenses excluding depreciation, and interest and financing expenses throughout the Forecast Period.

##### ***Accrued Liabilities***

Accrued expenses has been forecasted based upon Management's estimate of approximately 18 days of salaries, employee taxes and benefits throughout the Forecast Period.

##### ***Accrued Interest***

Accrued interest has been forecasted based upon the terms of existing indebtedness and the Series 2024 Bonds during the Forecast Period.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

### Assets Limited as to Use

#### ***Held by Trustee***

The following funds have been forecasted to be held by the trustee of the Series 2019 Bonds and the Series 2024 Bonds in the name of the Corporation:

*Reserve Funds* — The Corporation is forecasted to maintain reserve funds related to the Series 2019 Bonds and the Series 2024 Bonds, which was funded from proceeds of the Series 2024 Bonds.

*Bond Funds* – Represents monthly advance payments of bond principal and interest made by the Corporation to the trustee relating to outstanding Series 2024 Bonds. The funds held in these bond funds are expected to be used by the trustee to make principal and interest payments to owners of the outstanding bonds when due.

*Entrance Fee Fund* – Initial Entrance Fees related to the New Independent Living Units are planned to be deposited into the Entrance Fee Fund. Amounts on deposit in the Entrance Fee Fund are assumed to be used to re-pay the Series 2024B Bonds.

*Advance Deposits* – Represents deposits received from prospective residents which the Corporation has set aside in an escrow account.

The following table reflects Management's forecasted funds to be held by the trustee during Forecast Period.

**Table 17**  
**Forecasted Funds to be Held by Trustee**

| <b>For the Year Ending September 30,</b>  | <b>2026</b> | <b>2027</b> | <b>2028</b> | <b>2029</b> | <b>2030</b> |
|---|-------------|-------------|-------------|-------------|-------------|
| Debt Service Reserve Fund - Series 2019 Bonds   | 2,007       | 2,007       | 2,007       | 2,007       | 2,007       |
| Debt Service Reserve Fund - Series 2024 Bonds   | 4,835       | 4,024       | 4,024       | 4,024       | 4,024       |
| Bond Fund - Series 2019 Bonds   | 167         | 167         | 168         | 167         | 167         |
| Bond Fund - Series 2024 Bonds   | 272         | 249         | 334         | 334         | 334         |
| Advance Deposits  | 2,186       | 829         | 829         | 829         | 829         |
| Entrance Fee Fund   | 3,161       | 1,300       | -           | -           | -           |
| Other Restricted Funds  | 84          | 84          | 84          | 84          | 84          |
| Subtotal  | 12,712      | 8,660       | 7,446       | 7,445       | 7,445       |
| Less: Current Portion   | (2,751)     | (2,751)     | (2,751)     | (2,751)     | (2,751)     |
| Total Assets Limited as to Use - Held by Trustee Under Bond Agreements, Net Current Portion | 9,961       | 5,909       | 4,695       | 4,694       | 4,694       |

#### ***Not Held by Trustee***

Statutory Operating Reserve – North Carolina Statutory Operating Reserve – Section 58-64A-245 of the General Statutes of North Carolina, as amended, requires that all continuing care facilities maintain operating reserves equal to 50 percent of the total operating costs (as defined in Section 58-64A-245) for the 12-month period related to the calculation. Once a continuing care facility achieves a 12-month daily average independent living unit occupancy rate of ninety percent (90% or higher) a provide shall only be

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

required to maintain an operating reserve in an amount calculated using the table below, unless otherwise instructed by the Commission.

| Independent Living Unit Occupancy Rate: | Operating Reserve Percentage Requirement |
|---|--|
| 90% or above                            | 25.00%                                   |
| 86% to 89.9%                            | 31.25%                                   |
| 83% to 85.9%                            | 37.50%                                   |
| 80% to 82.9%                            | 43.75%                                   |
| Below 80%                               | 50.00%                                   |

Such operating reserves may only be released upon approval of the North Carolina Commissioner of Insurance. Management has forecasted, based on its forecasted occupancies, meeting the 25 percent operating reserve requirement for all years of the Forecast Period, noting that this can be reduced to 12.5 percent in situations where the debt service coverage ratio also exceeds 2.0.

The following table sets forth the forecasted calculation of the operating reserve.

**Table 18**  
**North Carolina Statutory Operating Reserve**  
**For the Years Ending September 30,**

|  | 2026             | 2027             | 2028             | 2029             | 2030             |
|--|------------------|------------------|------------------|------------------|------------------|
| <b>Statutory Operating Reserve Calculation (Expenses in Thousands)</b> |                  |                  |                  |                  |                  |
| Total Operating Expenses   | \$ 24,181        | \$ 28,001        | \$ 28,455        | \$ 29,214        | \$ 29,950        |
| Less: Depreciation   | (3,369)          | (3,714)          | (3,886)          | (4,068)          | (4,263)          |
| Less: Amortization of Issuance Costs and Original Issue Premium        | 106              | 106              | 106              | 106              | 106              |
| Plus: Routine Principal Payments                                       |                  |                  |                  |                  |                  |
| Series 2019 Bonds  | 505              | 525              | 545              | 570              | 590              |
| Series 2024 Bonds  | 3,280            | 15,145           | -                | 1,025            | 1,080            |
| Less: Amounts Set-Aside in Debt Service Reserve Fund                   |                  |                  |                  |                  |                  |
| Series 2019 Bonds  | (2,002)          | (2,002)          | (2,001)          | (2,004)          | (2,002)          |
| Series 2024 Bonds  | (3,772)          | (3,252)          | (2,967)          | (3,992)          | (3,996)          |
| Less: Principal Payments paid from Entrance Fee Fund                   | (3,280)          | (15,145)         | -                | -                | -                |
| <b>Total Operating Costs</b>   | <b>\$ 15,649</b> | <b>\$ 19,664</b> | <b>\$ 20,252</b> | <b>\$ 20,851</b> | <b>\$ 21,465</b> |
| Required Reserve Multiplier <sup>(1)</sup>                             | 25%              | 25%              | 25%              | 25%              | 25%              |
| <b>Required Operating Reserve (In Thousands)</b>                       | <b>\$ 3,912</b>  | <b>\$ 4,916</b>  | <b>\$ 5,063</b>  | <b>\$ 5,212</b>  | <b>\$ 5,366</b>  |
| <b>Average Available Units for the Year Ending September 30:</b>       |                  |                  |                  |                  |                  |
| Existing Independent Living Units                                      | 150              | 150              | 150              | 150              | 150              |
| New Independent Living Units   | 12               | 44               | 44               | 44               | 44               |
| <b>Total Available Units</b>   | <b>162</b>       | <b>194</b>       | <b>194</b>       | <b>194</b>       | <b>194</b>       |
| <b>Average Occupied Units for the Year Ending September 30:</b>        |                  |                  |                  |                  |                  |
| Existing Independent Living Units                                      | 141              | 141              | 141              | 141              | 141              |
| New Independent Living Units   | 3                | 34               | 42               | 42               | 42               |
| <b>Total Occupied Units</b>  | <b>144</b>       | <b>175</b>       | <b>183</b>       | <b>183</b>       | <b>183</b>       |
| Occupancy at September 30 <sup>(2)</sup>                               | 89.0%            | 90.0%            | 94.2%            | 94.2%            | 94.2%            |

Source: Management

Notes:

- Due to the Corporation forecasted occupancy in excess of 90%, the Corporation is required to have a 25 percent operating reserve, otherwise the operating reserve would be equal to 50 percent.
- As noted above, in fiscal year 2026, management has assumed a 25 percent operating reserve. While the table above shows total occupied units of 144, Management has also assumed that the remaining depositors on the Project have

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

executed a contract, as defined by the Statue, and have yet to move-in. As such, Management is basing the Operating Reserve on both occupied and reserved but not yet occupied units of the Project.

### Due from Related Party

Management has forecasted due from related party based upon the historical balance. Management has not forecasted any change during the Forecast Period.

### Beneficial Interest in Net Assets of Penick Village Foundation and JA Greer Group

Management has forecasted the beneficial interest in net assets of Penick Village Foundation and JA Greer Group based upon the historical balance. Management has not forecasted any change during the Forecast Period.

### Property and Equipment, Net

Property and equipment balances, net of accumulated depreciation, are forecasted based on the cost of the existing facility and the forecasted costs of constructing the Project, and other routine property and equipment additions during the Forecast Period, reduced by estimated annual depreciation.

The following table reflects the project related costs, capitalized interest, net of interest earnings, and other routine capital additions during the Forecast Period:

**Table 19**  
**Forecasted Property and Equipment Additions**  
**For the Years Ending September 30,**  
**(Dollars in Thousands)**

|  | 2026      | 2027     | 2028     | 2029     | 2030     |
|--|-----------|----------|----------|----------|----------|
| Project Costs  | \$ 29,614 | \$ -     | \$ -     | \$ -     | \$ -     |
| Capitalized Interest, Net of Interest Earnings during Project Construction | 2,013     | -        | -        | -        | -        |
| Routine Additions  | 3,541     | 2,617    | 2,696    | 2,857    | 3,029    |
| Total Capital Additions  | \$ 35,168 | \$ 2,617 | \$ 2,696 | \$ 2,857 | \$ 3,029 |

Source: Management

### Long-Term Liabilities

#### **Long-Term Debt**

At September 30, 2025, the Corporation's outstanding long-term debt totaled approximately \$106,410,000 which was comprised of Series 2024 Bonds and Series 2019 Bonds.

#### Series 2024 Bonds

- \$54,870,000 Series 2024A Bonds (the "Series 2024A Bonds), consisting of:
  - \$6,975,000 term bonds maturing September 1, 2034, with annual mandatory sinking fund redemptions beginning September 1, 2029 through September 1, 2034, bearing a stated interest rate of 5.00 percent;

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

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- \$17,690,000 term bonds maturing September 1, 2044, with annual mandatory sinking fund redemptions beginning September 1, 2035 through September 1, 2044, bearing a stated interest rate of 5.50 percent; and
  - \$30,205,000 term bonds maturing September 1, 2054, with annual mandatory sinking fund redemptions beginning September 1, 2045 through September 1, 2054, bearing a stated interest rate of 5.50 percent.
  - Management has forecasted semi-annual interest payments on September 1 and March 1 of each year beginning March 1, 2025.
  - The Series 2024A Bonds are also expected to have a premium of approximately \$603,000.
- \$18,425,000 Series 2024B Bonds (the “Series 2024B Bonds”) consisting of:
    - Series 2024B-1 Bonds: \$10,800,000 of tax-exempt mandatory paydown securities (TEMPS 50) assumed to be issued with a fixed coupon of 4.25% with a stated maturity of January 1, 2030. Interest on the Series 2024B-1 Bonds is forecasted to be payable semi-annually, beginning March 1, 2025, or monthly if an initial Entrance Fee is forecasted to be collected and utilized for principal payment. The Series 2024B-1 Bonds are expected to be repaid from initial Entrance Fees from first generation residents of the New Independent Living Units by approximately February 1, 2027, which is in advance of their stated maturity date.
    - Series 2024B-2 Bonds: \$4,350,000 of tax-exempt mandatory paydown securities (TEMPS 70) assumed to be issued with a fixed coupon of 4.50% with a stated maturity of January 1, 2030. Interest on the Series 2024B-2 Bonds is forecasted to be payable semi-annually, beginning March 1, 2025, or monthly if an initial Entrance Fee is forecasted to be collected and utilized for principal payment. The Series 2024B-2 Bonds are expected to be repaid from initial Entrance Fees from first generation residents of the New Independent Living Units by approximately April 1, 2027, which is in advance of their stated maturity date.
    - Series 2024B-3 Bonds: \$3,275,000 of tax-exempt mandatory paydown securities (TEMPS 85) assumed to be issued with a fixed coupon of 4.75% with a stated maturity of January 1, 2030. Interest on the Series 2024B-3 Bonds is forecasted to be payable semi-annually, beginning March 1, 2025, or monthly if an initial Entrance Fee is forecasted to be collected and utilized for principal payment. The Series 2024B-3 Bonds are expected to be repaid from initial Entrance Fees from first generation residents of the New Independent Living Units by approximately June 1, 2027, which is in advance of their stated maturity date.

In October 2024, the Corporation entered into a bond purchase and loan agreement with the North Carolina Medical Care Commission to issue the Retirement Facilities First Mortgage Revenue Bonds (Penick Village Project) Series 2024 (Series 2024 Bonds), in the amount of \$73,295,000. The Series 2024 Bonds included a bond premium of \$602,965. The Series 2024 Bonds, along with the other available funds, financed the Project and paid for other routine expenditures. In addition, the Series 2024 Bonds funded certain debt revenue funds, funded capitalized interest, and paid certain expenses incurred in connection with the issuance of the Series 2024 Bonds. Interest on the Series 2024 Bonds are payable each March 1 and September 1, beginning March 1, 2025, at rates ranging from 4.25% to 5.50% through the maturity date of September , 205. The Series 2024 Bonds are secured by the property of the Village, including rights under its residency agreements.

## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

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### Series 2019 Bonds

At September 30, 2025, the Corporation's outstanding long-term debt totaled \$30,499,705 which was comprised of the following:

- Series 2019 tax-exempt bonds (the "Series 2019 Bonds"); issued November 2019; annual payment of principal is due beginning September 2020; all unpaid principal and interest is due September 2054. Interest on the Series 2019 Bonds is payable bi-annually with an interest rate of 3.5% - 4.125%.

In November 2019, the Corporation entered into a debt agreement with the Public Finance Authority for the issuance of \$32,440,000 of Retirement Facilities Revenue Bonds (the "Series 2019 Bonds"). The Series 2019 Bonds included a bond premium of \$2,424,620. Proceeds from the 2019 Bonds were used to finance the costs of construction of the Wharton Apartment Residences and master planning of future construction, to refund certain outstanding debt obligations, to fund a reserve fund and capitalized interest, and to pay certain expenses in connection with the issuance of the 2019 Bonds. Interest on the 2019 Bonds are payable on each March 1 and September 1, beginning on March 1, 2020, at rates ranging from 3.5% to 4.125% through the maturity date of September 1, 2054. The 2019 Bonds are secured by the property of the Village, including rights under its residency agreements. Under this agreement, the outstanding obligations related to the Series 2010B Bonds, Series 2012A Bonds, construction loan, Bank Loan, and Line of Credit were redeemed in whole.

The Corporation realized a bond premium in the amount of \$2,424,620 for the year ended September 30, 2020, in association with the issuance of the Series 2019 Bonds. The bond premium costs have been capitalized and are being amortized using the straight-line method over the life of the underlying bonds. Amortization expense of approximately \$69,000 included with interest expense on the forecasted statements of operations and changes in net assets. The remaining unamortized amount is presented as additional long-term debt liability on the forecasted statement of financial position.

In February 2021, the Corporation entered into a \$650,000 secured line of credit with a variable interest rate (based upon the Wall Street Journal Prime Rate (the "Index") + .5%, but at no time less than 4.00%). The line of credit has a maturity date of March 2026. Interest accrues and is payable monthly. There is no outstanding balance on the line of credit at September 30, 2025. Management has forecasted no draw downs on the line of credit during the Forecast Period.

In June 2023, the Corporation entered into a \$5,000,000 open revolving line of credit with an interest rate ranging from 3.5 percent to 4.125 percent that is set to expire in June 2026. Interest accrues and is payable monthly. As of September 30, 2025, there was no outstanding balance. Management has forecasted no draw downs on the line of credit during the Forecast Period.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

The following table summarizes the existing debt obligations of the Corporation.

**Table 20**  
**Forecasted Principal Payments on Long-Term Debt**  
**(In Thousands)**

| For the Years Ending September 30, | Series 2019<br>Bonds | Series 2024A<br>Bonds | Series 2024B<br>Bonds <sup>(1)</sup> | Total      |
|------------------------------------|----------------------|-----------------------|--------------------------------------|------------|
| 2026                               | 505                  | -                     | 3,280                                | 3,785      |
| 2027                               | 525                  | -                     | 15,145                               | 15,670     |
| 2028                               | 545                  | -                     | -                                    | 545        |
| 2029                               | 570                  | 1,025                 | -                                    | 1,595      |
| 2030                               | 590                  | 1,080                 | -                                    | 1,670      |
| 2031                               | 620                  | 1,130                 | -                                    | 1,750      |
| 2032                               | 655                  | 1,185                 | -                                    | 1,840      |
| 2033                               | 685                  | 1,245                 | -                                    | 1,930      |
| 2034                               | 720                  | 1,310                 | -                                    | 2,030      |
| Thereafter                         | 25,085               | 47,895                | -                                    | 72,980     |
| Gross Principal                    | \$ 30,500            | \$ 54,870             | \$ 18,425                            | \$ 104,285 |

Source: Management and Underwriter

Notes:

- 1) Management has forecasted the above payments based upon the forecasted availability of the Initial Entrance Fees of the New Independent Living Units.

### **Deferred Revenue from Entrance Fees**

The nonrefundable portion of Entrance Fee receipts is initially recorded as deferred revenue and amortized over the life expectancy of the resident. Management forecasts deferred Entrance Fees based upon the historical balance as of September 30, 2025, and the forecasted nonrefundable Entrance Fees received and amortization of these nonrefundable Advance Fees during the Forecast Period.

### **Entrance Fee Liability**

Management has forecasted the Entrance Fee liability based upon the historical balance as of September 30, 2025, and the estimated refundable portion of Entrance Fees received during the Forecast Period.

### **Net Assets without Donor Restriction**

Management has forecasted net assets without donor restriction based upon the results of the forecasted statements of operations and changes in net assets.



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**Appendix C – Statement of Actuarial Opinion**

## Summary of Actuarial Analysis for Penick Village

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

Each year Penick Village engages A. V. Powell & Associates, LLC, a nationally recognized actuarial firm, to update our assumptions and test our status in regard to the Board’s objective to comply with ASOP#3. The most recent update as of September 30, 2023, shows Penick Village is in satisfactory actuarial balance and has earned the A.V. Powell & Associates’ exemplary recognition seal, provided future experience substantially follows the underlying assumptions contained in the actuarial report.

**Source: Actuarial Study Report as of September 30, 2023, dated February 21, 2024**

| Actuarial Criteria and Opinions                        | 9.30.2023 | 9.30.2022 | AVP Median  | ASOP#3 Minimum |
|--|-----------|-----------|---|----------------|
| 1. Funded Status                                       | 120.0%    | 118.7%    | 103.1%  | 100.0%         |
| 2. New Entrant Pricing                                 |           |           |   |                |
| 48 Month Declining Plan                                | NA        | 4.2%      |   |                |
| 24 Month Declining Plan                                | 4.2%      | NA        |   |                |
| 50% Refundable Plan                                    | 2.8%      | 4.1%      |   |                |
| 90% Refundable Plan                                    | 5.0%      | 6.2%      | 9.9%  | 0.0%           |
| Weighted Average                                       | 4.2%      | 4.2%      |   |                |
| 3. 10-Year Reserve Increase Factor                     | 2.22      | 1.90      | 2.33  | >\$0 balance   |
| Unified Funded Status<br>(Combines Criteria #1 and #2) | 125.9%    | 124.9%    | 111.5%  | 100.0%         |
| Satisfactory Actuarial Balance?                        | Yes       | Yes       |  |                |
| AVP Seal?  | Yes       | Yes       |   |                |
| Health Care Capacity Adequate?                         | Yes       | Yes       |   |                |

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

1. Average annual independent living unit occupancy increases from 135 units to 140 units in fiscal year 2024 and maintains an average occupancy of 93.3% thereafter. During the prior three years, average independent living unit occupancy was 91.2%, 92.8%, and 91.0%.
2. Average annual assisted living/garden cottages occupancy increases from 34 units in fiscal 2024 to 35 units in fiscal year 2025 and remains constant thereafter at 85.4% and average annual nursing care occupancy increases from 62.0% to 64.0%.
3. In prior fiscal year, average occupancy for independent living unit was 91.2%; for assisted living/garden cottages was 75.5%; and for nursing care was 63.7%.
4. Entry fees for CCRC residents moving into independent living units are assumed to increase from 0% to 12.5% for fiscal year 2024 and annually thereafter at 3.5%. All new entrants in fiscal year 2024 are assumed to select the 24 month declining plan.
5. Monthly and per diem rate increases for independent living, assisted living, garden cottages and nursing care are assumed to be 3.5%, matching operating expense increases throughout the projection period. Monthly fees and per diem rates are assumed to increase by 5.0% for fiscal year 2024, annually thereafter at 3.5%. Budgeted operating expenses excluding interest and depreciation for fiscal year 2024 were 3.9% over audited operating expenses for fiscal year 2023 and are assumed to increase by 3.5% annually.
6. Residents are assumed to be able to pay projected monthly fees, and assessment of this capability was beyond the scope of the actuarial study engagement. Management believes this assumption is valid or that other funds not accounted for in the actuarial study will be sufficient to cover any shortfall.
7. The difference between interest earnings/discount rate and expense inflation (“real rate-of-return”) is 1.5%.
8. Projected capital expenditures are adequate to maintain the market position of the community and total \$19.9 million during the next 10 years.
9. Projected accumulated cash balances are all available for the exclusive benefit of contractholders and all cash outflows have been reflected in the report to the best of our knowledge.

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

## **Caveats for Third-Party Readers of the Actuarial Analysis Summary for Penick Village**

This summary is prepared for use as statutory disclosure of the actuarial study conducted on Penick Village as of September 30, 2023, and submitted to the Board of Penick Village on February 21, 2024. Any reader of this summary should be made aware that this actuarial summary was prepared for users of the report who are familiar with the proposed operations of Penick Village and the environment in which a CCRC operates. The consulting staff of A.V. Powell & Associates, LLC are available, at the reader's expense and with written permission from Penick Village, to further explain the assumptions, implications and appropriate interpretations of this summary. In particular, the reader is alerted to the context that the actuarial opinion is only valid for the unique and extensive set of actuarial, financial, demographic, operational, and new entrant assumptions that were used to prepare the actuarial report and content therein.

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

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

## **Appendix D – Representative Contract(s)**



**PENICK  
VILLAGE**

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**RESIDENCY AGREEMENT**

**for**

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## PENICK VILLAGE RESIDENCY AGREEMENT

### **NOTICE OF RIGHT TO RESCIND**

**You may rescind this Residency Agreement at the later of (i) 30 days following the execution date hereof or (ii) the date of delivery of Penick Village’s Disclosure Statement. The resident(s) to whom the contract pertains is not required to move into Penick Village before the expiration of the 30-day period. A full refund, minus any agreed upon non-refundable fees, will be refunded to you within 30 days of receipt of your rescission of this Residency Agreement.**

### **TERMS OF OCCUPANCY**

This Residency Agreement ("Agreement") is entered into by \_\_\_\_\_ (individually and/or collectively "you" or "Resident(s)"), and Penick Village, Inc. doing business as Penick Village (hereinafter referred to as "Penick Village" or "PV"), a North Carolina not-for-profit corporation. The term "Penick Village", "PV", "we", "our", and "the Community" are used throughout this Agreement to denote Penick Village, Inc. All Depositors that are parties to this Agreement shall all be jointly and severally responsible for payment of all fees and charges under this agreement.

Penick Village Inc. presently owns and operates a Life Plan Community (also known as a Continuing Care Retirement Community) located at 500 East Rhode Island Avenue, Southern Pines, North Carolina. Subject to the conditions contained in this Agreement, we agree to make available to you an unfurnished Independent Living Residence in Penick Village and provide you with services and amenities described in this Agreement, including assisted living and healthcare services. The Residence is identified as follows:

RESIDENCE STYLE: \_\_\_\_\_

RESIDENCE ADDRESS: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## **SECTION 1: GENERAL SERVICES AND FACILITIES**

**1.1 Basic Agreement.** In consideration of payment of a \_\_\_\_\_ Refundable Entrance Fee in the amount stated in Section 4.2 and payment of the appropriate Monthly Service Fee, initially in the amount stated in Section 4.3, you are entitled to occupy the Residence indicated above and to receive the services and use of the community spaces described in and according to the provisions of this Agreement.

Your right to occupy the Residence or such other service accommodations to which you may be transferred in accordance with this Agreement shall continue for your lifetime unless sooner terminated as provided herein.

The right to occupy the Residence and receive services under this Agreement shall apply exclusively to the named Resident(s) hereunder, and to no other individual(s). No person other than the Resident(s) entering into this Agreement shall be permitted to occupy the Residence without the express written permission of Penick Village as hereinafter provided.

**1.2 Residence Furnishings.** The Residence is furnished at our expense with standard flooring and window coverings, refrigerator/freezer with ice maker, range and oven, dishwasher, microwave oven, garbage disposal, washer/dryer, emergency call system, telephone jack(s) and internet/cable TV connections. Certain structures may not include certain furnishings described above, and availability of these furnishings depends on the Residence selected.

**1.3 Parking.** Parking areas are provided for you and Penick Village guests as defined in the Resident Handbook. Based on availability, covered parking is an option for the Woodlands apartment areas for (i) an upfront fee and (ii) a monthly maintenance fee. In the Parkview & Wharton buildings, one parking space is reserved in the garage area for each apartment. Golf Cart parking for IL residents is available on a limited basis for a fee and needs to be pre-arranged.

**1.4 Community Spaces.** You may use Penick Village community spaces in accordance with the Penick Village Resident Handbook, as modified and amended from time to time. Community spaces are non-smoking and are anticipated to include but are not guaranteed or warranted to include:

- Chapel
- Living rooms
- Restaurant & Bar
- Library
- Hair & Nail Salon
- Card/life enrichment room
- Multi-purpose/media room
- Mail center
- Fitness center

**1.5 Included General Services.** So long as you are in compliance with your obligations hereunder, we provide the following services covered by the Entrance Fee and Monthly Service Fee:

**a. Food Service.** Breakfast, lunch and dinner are served Monday thru Saturday; Breakfast and lunch only are served on Sunday. You are entitled to receive a monthly allowance

allocated to food in Penick Village dining venues per person covered in this Residency Agreement. Meal allowances are to be used for standard dining service prepared meals and meal portions only. If you exceed your monthly allowance, it will be billed directly to your account to be paid with your monthly statement. Food prices are subject to change per market costs and no 30-day notice is required to be given by Penick Village for such changes. Allowances may not be used for raw, frozen or seared foods, bulk purchases or guest holiday and special occasion meals (Thanksgiving, Christmas, Valentine's Day, etc...). When you permanently leave Penick Village or reside in a different level of care, the monthly food allowance, if applicable, will be prorated in proportion to the number of days you occupied or occupy your Independent Living Residence.

**b. Housekeeping.** Residential Housekeeping, including vacuuming, routine cleaning, mopping, sweeping, etc. occurs on a weekly scheduled basis.

**c. Utilities.** The costs of sewer, natural gas (if applicable), water, waste disposal, and electricity are included in the Monthly Service Fee. In consideration of the evolving new alternate forms of fuels and power sources, Penick Village reserves the right to apply up-front and/or ongoing charges to cover such costs. Basic cable television service is included in the Monthly Service Fee. While the Residence is centrally wired for cable television and telephone service, you are responsible for all telephone, premium cable television, DVR, if available, and internet service provider charges.

**d. Security and Emergency Alert System.** Residences are equipped with smoke and/or heat detectors and emergency alert systems. The Healthcare Building, Parkview, Wharton, and Woodlands Residences are also equipped with a fire sprinkler system. Along with 24-hour security, all areas on campus have access control. The staff of Penick Village monitor the emergency alert systems around the clock and supports emergency responses as appropriate.

**e. Maintenance.** We maintain all community spaces and grounds as well as repair, maintain and replace Penick Village provided equipment and furnishings. If repairs are required as a result of your negligence you will be financially responsible for all repairs. You are responsible for maintenance of your personal property.

**f. Mail.** A mailbox is provided for you along with mail slots for intra-Penick Village communications.

**g. Transportation.** We provide scheduled group transportation to designated local shopping, social and cultural events, and other local destinations. For larger group events requiring transportation or destinations outside of Southern Pines, a transportation charge will apply. Transport to local medical appointments is available with a reservation. Transport to out-of-county medical appointments is available for a fee.

**h. Spiritual Programs.** A Chaplain or equivalent coordinates a variety of spiritual programs for those residents wishing to participate.

**i. Social, Educational, Cultural and Recreational Programs.** A Life Enrichment team coordinates a variety of social, recreational, educational, wellness and cultural programs for those residents wishing to participate.

**j. Property Taxes and Insurance.** Penick Village is not required to pay property taxes due to its exempt status. You, the Resident, are responsible for taxes assessed on your personal property.

Penick Village maintains property and casualty insurance coverage on the buildings and grounds. Such coverage will not insure against loss or damage to your personal property or damage or injury to others caused by you. For that reason, Penick Village requires you purchase comprehensive insurance with a coverage amount of \$250,000.00. This insurance is typically referred to as “renter’s” as well as, if you elect, flood and personal “excess” insurance policies. If bringing a pet to Penick Village, pet liability insurance is also required. Proof of insurance must be provided prior to Occupancy.

**k. Storage Area.** Except for Residences in a home or cottage, a storage area located in Penick Village is assigned and available for your use.

**l. Medical Director.** We retain the services of a qualified physician for certain regulatory requirements.

**m. Long Term Care Benefit.** If it is determined that you require assisted living or healthcare services you will receive priority access to our Residential Assisted Living, the Blanche Robertson Garden Cottage, or Joan L. Grant Skilled Nursing. Upon admission, we will provide you with basic personal services available in Residential Assisted Living or the Blanche Robertson Garden Cottage or healthcare services available in the Joan L. Grant Nursing Center as described below and subject to changes in law.

**(i). Admission.** When a determination is made by your physician and approved by the Medical Director or appropriate Penick Village representative that you need assisted living or nursing services, or that you be transferred as provided in Section 3, we will admit you to Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Joan L. Grant Nursing Center or, under the conditions set forth in the following paragraph, to another facility.

In the event that, for any reason, space for you is not available in Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Joan L. Grant Skilled Nursing, upon determination that a permanent transfer is required, Penick Village will arrange for your care at your cost in your Residence by a licensed Home Health Care Agency or Home Care Agency, if reasonably possible, until space becomes available in Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Joan L. Grant Skilled Nursing. If Home Health Care or Home Care is not medically possible or available at a reasonable cost, Penick Village will arrange for your care at your cost in another facility of Penick Village’s choice that can provide similar care that would otherwise have been provided by Penick Village until space becomes available. Penick Village will provide transportation to another facility as appropriate and pay for transportation costs above those costs paid by third party payors such as Medicare.

**(ii). Assisted Living.** We will provide to you, in a standard Residential Assisted Living room or apartment or Blanche Robertson Garden Cottage room, services that are designed to assist with the activities of daily living in accordance with applicable North Carolina statutes. Services included are assistance with dressing, grooming, bathing, toileting and ambulating and three meals a day.

**(iii). Nursing Health Services.** We will provide to you, in a private room, licensed nursing services in accordance with applicable North Carolina statutes. The services provided will include those services covered by the basic published daily rate for a private nursing room then in effect. Such services may include those required by statute to be supervised or administered by a professional licensed nursing staff, e.g., medication administration, condition and behavior observation and assessment, creation and administration of a care plan, assistance with events of daily living and communication with physicians and other care providers.

**(iv). Fees and Charges.** Penick Village will provide for fourteen (14) cumulative days annually per resident, without additional charge, following admission to Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Joan L. Grant Nursing Center from your Residence, basic Assisted Living or Nursing Services for a Temporary Transfer as defined in Section 3.3, to the extent that it is not covered by your insurance, Medicare or any other governmental programs or entitlements that you are required to maintain under this Agreement. After fourteen (14) days, you will pay for basic Assisted Living or Nursing Services as defined in Section 1.5.n. (ii) and (iii) to the extent that it is not covered by your insurance, Medicare or any governmental programs or entitlements that you are required to maintain under this Agreement. Accrual of contract days pauses during Assisted Living, Garden Cottage, and/or Skilled Nursing stays.

#### **Effect on Monthly Service Fee.**

##### **a. Temporary Transfers.**

1. **Single Occupancy.** Should you have a temporary need for assisted living or nursing services while you are still occupying your Residence, you will be required to pay the then current Monthly Service Fee for your Residence. Penick Village will provide, without additional charge, basic Assisted Living or Nursing Services as defined in Section 1.5.n. (ii) and (iii) for the maximum banked days per calendar year following admission to Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Joan L. Grant Skilled Nursing. This benefit is provided in addition to the Nursing Services covered by Medicare or insurance. Thereafter, you will pay the prevailing daily rate at Residential Assisted Living, the Blanche Robertson Garden Cottage or the Joan L. Grant Nursing Center and the monthly service fee for your Residence. By “temporary” we mean a Temporary Transfer as defined in Section 3.3.
2. **Double Occupancy.** Should one or both residents have a temporary need for assisted living or nursing services while you are still occupying the Residence, you will be required to pay the then prevailing current Monthly Service Fee and the prevailing second person Monthly Service Fee for your Residence. Penick Village will provide, without additional charge, basic Assisted Living or Nursing Services as defined in Section 1.5.n. (ii) and (iii) for the maximum banked days per calendar year per resident following admission to Assisted Living, the Blanche Robertson Garden Cottage, or the Joan L. Grant Nursing Center from your Residence. Thereafter, you will pay the prevailing daily rate at Residential Assisted Living, the Blanche Robertson Garden Cottage or the Joan L. Grant Nursing Center and the resident remaining in the Residence will pay the prevailing single Monthly Service Fee. This benefit is provided in addition to the nursing services covered by Medicare or insurance. By

“temporary” we mean a Temporary Transfer as defined in Section 3.3.

**b. Permanent Transfers.**

- 1. Single Occupancy.** Should you have a permanent need for assisted living or nursing services, you will be required to release your Residence as provided under Section 3.3. You will pay the prevailing daily rate at Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Joan L. Grant Skilled Nursing. By “permanent” we mean a Permanent Transfer as defined in Section 3.3.
  - 2. Double Occupancy.** Should one Resident have a permanent need for assisted living or nursing services, the resident remaining in the residence will pay the prevailing single Monthly Service Fee and the transferred Resident will pay the prevailing applicable daily rate at Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Joan L. Grant Skilled Nursing. Should both Residents have a permanent need for Assisted Living or Nursing services, the Residents will be required to release the Residence as provided under Section 3.3. Both residents will pay the prevailing daily rate at Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Joan L. Grant Skilled Nursing. By “permanent” we mean a Permanent Transfer as defined in Section 3.3.
- c. Additional Charges.** Residents will be responsible for all costs and charges associated with Residential Assisted Living, the Blanche Robertson Garden Cottage, and/or the Joan L. Grant Nursing Center that are not covered by the basic published market daily rates for such care then in effect, as described in Section 1.5.n. (ii) and (iii).

These services are provided to all Residents, regardless of level of accommodation and are included in the monthly/daily fees. (Fees will not be reduced or unbundled for services that are declined such as Dining or Housekeeping.)

**1.6 Optional Services.** The following Optional Services and other services may be available to Residents on a fee-for-service basis:

- Guest food to include Holiday and Special Occasion meals
- Catering for special occasions
- Barber and beauty services
- Food delivery
- Additional transportation
- Additional housekeeping services
- Computer/IT services
- Usage of guest suites, if available
- Personal business services
- Additional maintenance services
- Electric car and golf cart charging stations

Charges for these Optional Services and others that may be offered are made in accordance with the Resident Handbook then in effect and will be billed to you monthly.

**1.7 Alteration to Residence.** You may make alterations to your Residence at your cost, subject to Penick Village policies and with Penick Village’s prior written approval. Any approved alteration will be performed by our maintenance staff or by a contractor Penick Village approves. Any alterations of a

permanent nature become the property of Penick Village. Should Penick Village choose to restore your Residence to its original condition upon vacancy, Penick Village may fund all restoration and refurbishment costs from the refund of your Entrance Fee as described in Section 6.4 or bill you, before any work is completed, a non-refundable charge that is estimated to restore and refurbish your unit. In the event no refund is due to you, all restoration costs become an obligation of you or your estate. For your safety, you agree not to replace or add any locking devices to your Residence. All alteration costs are at your expense and are non-refundable and due 100 percent in advance of work beginning.

- 1.8 Advance Notice for Changes in Scope of Services.** In the event it is deemed necessary to effect a change in the scope of care or services provided in this Agreement, Penick Village will provide at least thirty (30) days advance notice before any change in the scope of care or services becomes effective. This includes notification of any changes in charges for Optional Services, with the exception for dining service food, services, and program costs.

## **SECTION 2: RESIDENT'S OBLIGATIONS**

- 2.1 Health Insurance.** Penick Village will provide you with the services described in this Agreement, as appropriate. During the term of this Agreement, you shall obtain and maintain in force Medicare Parts A and B and any future program that may be offered by Medicare or its equivalent. Evidence of such insurance coverage is required upon our request. If you are not qualified for Medicare coverage, you will be required to maintain comprehensive health coverage satisfactory to Penick Village. You agree to provide evidence of such insurance to Penick Village upon request. You also agree to (i) execute all necessary forms to obtain payment of benefits that are or may be payable in the future for health services provided hereunder to you and (ii) documentation authorizing the payor to remit any resulting benefit payments directly to and in the name of Penick Village.

You are responsible for paying separately for all health services that are not covered by Penick Village, Medicare (or an equivalent substitute policy approved by Penick Village), or Medicare supplemental insurance, as set forth in this Agreement. If you have any questions about such coverage, we will assist you in obtaining answers.

- 2.2 Power of Attorney, Guardianship.** You acknowledge that at some future time you may be unable by reason of mental or physical disability to properly handle your own affairs and that it may be in your best interest to have an attorney in fact or a guardian appointed to handle your affairs. Therefore, you agree to designate in writing, prior to or at the time of entrance, a person(s) who will have authority to act on your behalf in the event you should at any time become unable to properly handle your own affairs. Thereafter, if you become either physically or mentally unable to properly administer your own affairs, this designated person shall either commence handling your affairs pursuant to the terms of a durable power of attorney or file a petition in a court of competent jurisdiction to have a guardian or conservator appointed to handle your affairs. If the designated person(s) are unable or unwilling to file such a petition, we are empowered to do so at your expense.

- 2.3 Home Health Care, Home Care and Companion Services.** It is the intent of Penick Village to enable you to maintain the highest level of independence possible. As such, you may arrange for home care services to be provided to you in your Residence at your expense. If you do not use Penick Village's Home Care Services or contracted Home Health Provider, any assistance by Penick Village in choosing an appropriate agency shall in no way be deemed an endorsement of a particular agency or persons, and Penick Village shall in no way be deemed responsible for the

acts or failure to act of any such agency or persons. It is your responsibility to ensure that your health care needs are being met while in your Residence. If you choose to receive home health, home care or companion services, you are obligated to utilize a licensed agency and you agree to report the agency's periods of visitation to Penick Village in accordance with the policies set forth in the Resident Handbook.

- 2.4 Cost of Physicians, Medicines, Etc.** You acknowledge and agree that any and all expenses or charges that may be incurred by or on behalf of you for costs not covered by this Agreement, including, but not limited to, physicians, therapists, podiatrists, diagnostic services, mental health, medicines, prescription drugs, medical supplies, eyeglasses, hearing aids, supplements, crutches, braces, walkers, wheelchairs, special duty nursing, hospitalization, emergency medical services, ambulances, care and treatment of eyes, ears and teeth, and any and all other personal medical expenses shall be your sole and exclusive responsibility. You shall be entitled to treatment by the physician of your choice at your expense. Unpaid charges billed to your insurance will appear on your statement indicating they are pending a response from the insurance company. If a charge has been filed with your insurance for over 60 days without a response, it is the resident's responsibility to contact the insurance company. If the insurance company denies a service or does not pay in full, the resident is responsible for paying the remaining balance in full.
- 2.5 Resident Handbook.** We have established and adopted policies and procedures (collectively "Policies") for the occupancy and orderly operation and management of Penick Village. These Policies provide for the safety, welfare, peace, and comfort of all Residents consistent with the provisions of the Residency Agreement. These Policies are published in writing in the Resident Handbook, which will be provided to you on or before the date you move in and which may be amended from time to time. You agree to abide by and observe such Policies and all amendments and additions thereto. These Policies, as amended from time to time, are hereby incorporated by reference. In the event that the terms of this Agreement conflict with the Policies, the terms of this Agreement shall control.
- 2.6 Non-Impairment of Financial Responsibility.** After execution of this Agreement, you agree not to impair your ability to meet your financial obligations under this Agreement and not to cause any act such that you would no longer meet the financial qualifications as set by Penick Village for your Residence.

### **SECTION 3: TRANSFERS AND RE-ADMISSION**

There may come a time when you must move to Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Joan L. Grant Nursing Center or to another community that provides services not available at Penick Village. Penick Village is aware that this is a critical transition and will follow the following procedures during any transfer or reassignment.

- 3.1 Consultations.** Except in case of emergency, Penick Village agrees not to transfer you from your Residence to Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Joan L. Grant Skilled Nursing, or to another community or hospital not on the Penick Village campus, for health- related or other reasons, unless it has consulted with you, your physician, your family and/or your designated representative, if applicable. Such a decision shall be made in the best interests of the Resident, and the decision of Penick Village shall be final and binding. In the case of an emergency transfer, Penick Village will schedule the consultations described above within seven (7) days after transfer.

Circumstances that may warrant a Resident's transfer include, but are not limited to, the following:

- a. A determination that the Resident can no longer function in an independent manner in a Residence, and the Resident requires additional assistance with events of daily living or nursing services;
- b. A determination that the Resident is unable to remain ambulatory (for purposes of this document, the term "ambulatory" is used to describe a person who is capable of demonstrating the mental competence and physical ability report to an Area of Rescue or to leave a building without human assistance or supervision in case of emergency); or,
- c. A determination that the continued residency of the Resident at Penick Village would be harmful to either the Resident, other Residents or staff of Penick Village.

If we determine, after consultation, that your health requires that you be transferred (a) from the Residence covered by this Agreement to Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Joan L. Grant Nursing Center or (b) to a community or hospital that provides services that Penick Village does not provide or is not licensed to provide, you agree to be relocated in accordance with the decision.

- 3.2 Consents.** When Penick Village determines, after consultations as described above, to transfer you to Residential Assisted Living, the Blanche Robertson Garden Cottage, the Joan L. Grant Skilled Nursing, or to a suitable care facility or hospital for health care or other health-related services, Penick Village shall be authorized to transfer you without having to obtain your further consent.

When Penick Village determines, after consultations as described above, that you need home care services to remain independent in your residence, you are responsible for arranging Home Care services through Penick Village or another licensed Home Health agency. If such services are not obtained, Penick Village shall be authorized to transfer you to the appropriate level of care without having to obtain your further consent. Penick Village shall not be responsible for the cost of any services rendered to a Resident who is transferred from Penick Village to another community, or for any home care services, per Section 2.3 of this Residency Agreement except as specifically provided otherwise hereunder.

- 3.3 Transfers.** Pursuant to Section 3.1 and 3.2, transfers are defined below as temporary and permanent.

- a. **Temporary Transfer.** A transfer is considered temporary when, pursuant to Section 3.1 and 3.2, the determination is made that the condition that requires your transfer has the potential to be resolved in a manner that may allow you to return to your Residence within sixty (60) days. Your Residence will be held for your return.
- b. **Permanent Transfer.** A transfer is considered permanent when pursuant to Section 3.1 and 3.2, the determination is made that the condition that requires your transfer will not allow you to return to your Residence within sixty (60) days.

In the event of a Permanent Transfer, you shall release your Residence, in order for Penick Village to make your Residence available to a new Resident. In such event, Penick Village may enter into a new Residency Agreement for occupancy of the Residence with a new Resident. At your expense you grant Penick Village the right to inventory, remove and store your personal property from the Residence thirty (30) days after a Permanent Transfer. Penick Village assumes no financial or physical responsibility for the stored items. If your Residence is reassigned and should you subsequently recover sufficiently to maintain yourself independently in a Residence, you shall receive the next available Residence similar to the one relinquished. Should you request to keep your

Residence following a Permanent Transfer and Penick Village consents, you will continue to pay the current monthly service fee for your Residence, in addition to the then current applicable daily rate in Residential Assisted Living, the Blanche Robertson Garden Cottage, or the Joan L. Grant Skilled Nursing. Please note, that if this action depletes your financial resources you will nullify Section 4.7 and not be eligible for Penick Village's financial assistance program.

If the Residence is occupied by two (2) Residents, the Permanent Transfer of one (1) Resident does not affect the rights and privileges under this Agreement of the remaining Resident.

**SECTION FOUR: ENTRANCE FEE AND OTHER FEES**

**4.1 Occupancy Date.** The "Occupancy Date" will be within ninety (90) days of executing the Residency Agreement. If the date you take physical or financial occupancy (as each is defined below) is different from this Occupancy Date, it must be previously approved in writing by Penick Village. "Occupancy" is defined as (i.) when the Residence is occupied by the resident, (ii.) any of the resident's personal belongings are present, and/or (iii.) financial occupancy occurs. Financial Occupancy/Responsibility is defined as (i.) the Entrance Fee is paid in full and (ii.) the Monthly Service Fee begins. Financial Occupancy is required in order to prevent your Residence from being actively marketed. Customized modifications may delay your physical move-in date, they will not delay the date of assuming Financial Occupancy/Responsibility for the Monthly Service Fee.

Resident Name(s): \_\_\_\_\_

The agreed upon occupancy date is \_\_\_\_\_ .                      \_\_\_\_\_    \_\_\_\_\_    \_\_\_\_\_  
Initial                      Initial                      Initial

Should you decide not to occupy your Residence on the Occupancy Date, Penick Village's obligation to provide care and services as provided hereunder will be null and void until you assume Financial Occupancy/Responsibility for your residence. Penick Village, in its sole discretion, may terminate the Residency Agreement and market your Residence, if you decide not to assume Financial Responsibility for your Residence on the Occupancy Date. Penick Village may require the Monthly Service Fee to begin if the Residence has been ready for occupancy for 30 days.

**4.2 Entrance Fee.** You agree to make a \_\_\_\_\_, non-transferable, non-interest bearing Entrance Fee in the total amount of \$\_\_\_\_\_. The Entrance Fee will be paid in two installments unless otherwise contractually agreed upon in an addendum letter as part of this contract. The deposit of \$\_\_\_\_\_ (the "First Installment"), which is an amount equal to ten percent (10%) of the Entrance Fee, less any Reservation or Future Residency Program deposit, is due at the time you execute the Residency Agreement. The second installment or the remaining balance of your Entrance Fee, being \$\_\_\_\_\_, is due on or before the Occupancy Date, unless otherwise previously agreed in writing. In the event the remaining balance of the Entrance Fee is not paid by the Occupancy Date, Penick Village, in its sole discretion, may terminate the Residency Agreement and market your Residence to a new Resident. Once paid, this Entrance Fee will not be increased or changed during the duration of this Agreement.

**4.3 Monthly Service Fees and Changes in Fees.** Your Monthly Service Fee will initially be \$\_\_\_\_\_ per month for one (1) person and initially an additional \$\_\_\_\_\_ per month for a second person. The Monthly Service Fee shall be due beginning on the Occupancy Date and will be prorated, if necessary, on a daily basis for the first and last months of occupancy. We may increase the Monthly Service Fee, upon thirty (30) days written notice to you. Changes in fees are

determined by considering actual expenses and revenues, projected expenses and revenues, and other projections. It is our intent to make any adjustments to the Monthly Service Fee only once per year. The Monthly Service Fee shall be billed in advance along with any other fees and charges to you on or before the fifth (5th) day of each month and shall be paid on or before the fifteenth (15th) day of the month.

No credit will be provided to you should you refuse services which are included in the Monthly Service Fee, such as laundry, housekeeping and meals.

#### **Responsibility for Monthly Service Fees and Daily Rates Upon Vacancy**

The Resident, and if applicable the Resident's estate, shall remain responsible for payment of the Monthly Service Fee and/or any applicable daily rate until the earlier of (i) the date on which all personal belongings have been fully removed from the Residence, or (ii) the date on which the Residence has been formally surrendered to Penick Village in writing. No cessation or proration of Monthly Service Fees or daily rates shall occur until one of these conditions has been satisfied and the Residence has been returned to Penick Village's possession.

Penick Village, at its sole discretion, may extend the required vacancy date(s) provided the Monthly Service Fee continues to be paid. Any such extension shall only be valid if it is in writing and signed by an officer of the company.

- 4.4 Payment Due Date.** Penick will automatically draft payments from the resident's designated account the fifteenth (15<sup>th</sup>) day of each month, or on the business day prior if the 15<sup>th</sup> of the month falls on a weekend and holidays, for accumulated service fees and miscellaneous expenses.
- 4.5 Late Fee.** We will assess you a late fee of eighteen percent (18%) annually (or the maximum amount allowed by applicable law, if less) of the amount due if the Monthly Service Fee or Optional Services Fees are not paid in full on or before the fifteenth day (15<sup>th</sup>) of the calendar month in which they are due.
- 4.6 Changes in Occupancy.** If your Residence is occupied by two (2) Residents and one (1) Resident surrenders possession of the Residence to the other, other than by death or by a transfer covered by Section 3, the obligations of the Resident remaining in the Residence under this Agreement remain in legal force and effect, except that the Monthly Service Fee will be adjusted to reflect the single occupancy rate then in effect for the Residence. The Resident not remaining in the Residence will receive no services or benefits under this Agreement but will continue to be jointly and severally liable for the obligations of the Resident remaining in the Residence. The remaining Resident may elect to relocate to a different Residence, if desired, as covered in Section 6. No refund of the Entrance Fee, if applicable, will be made until the remaining Resident vacates the Residence and all conditions of Section 6.4 are met.

In the event the joint occupants of a Residence desire separate living accommodations at Penick Village, and one (1) Resident remains in the Residence designated hereunder, no refund of the Entrance Fee, if applicable, shall be made until the conditions of Section 6.4 are met and the Monthly Service Fee shall be adjusted to reflect the single occupancy rate then in effect for the Residence. Upon occupancy of the second Residence by the departing joint occupant, a new Residency Agreement must be executed and submitted for approval by Penick Village, accompanied by the then current Entrance Fee, for the second living accommodations.

In the event of the marriage of a Resident to another Resident, they may: (a) continue to maintain two Residences and pay the applicable Monthly Service Fee for single occupancy for each Residence then in effect; or (b) release either Residence occupied by them, and pay the applicable Monthly Service Fee for first and second person occupancy then in effect. All benefits provided in each

Residency Agreement shall remain and continue in effect. There shall be no refund of the Entrance Fee, if applicable, to either Resident until both Residents leave and the conditions of Section 6.4 have been met.

If you and a non-Resident (including a new spouse) desire to share the Residence, the non-Resident may become a Resident and live in the Residence only if he/she meets the qualifications for residency set forth in Section 5 and both persons execute a new Residency Agreement. In such event, the Monthly Service Fee shall be adjusted to reflect the additional charge per month for a second person, and the non-Resident may be required to make an Entrance Fee in accordance with the then current policies established by Penick Village.

In the event you marry an individual while at Penick Village who does not meet the residency requirements, Penick Village, in its sole discretion, may allow such person to reside at Penick Village. However, this person would not have any rights, privileges or protection under this Agreement.

**4.7 Liability for Charges.** Each person who is designated as Resident in this Agreement is jointly and severally liable for the payment of the Monthly Service Fee, Optional Service Fees and all other amounts required to be paid to Penick Village, pursuant to the provisions of this Agreement for so long as any one of the person(s) is a Penick Village resident. In the event it is necessary for us to institute legal action or other proceedings to recover amounts payable to Penick Village under this Agreement, we also will be entitled to recover reasonable legal fees and costs incurred in connection with all such proceedings. This provision will survive any termination of this Agreement.

**4.8 Residents Who Become Unable to Pay.** It is Penick Village's current policy, which is subject to change at any time without notice in our sole and exclusive discretion, that this Agreement will not be terminated solely because of your financial inability to continue to pay the Monthly Service Fee or other charges payable under the terms of this Agreement by reason of circumstances beyond your control; provided, however, this policy shall not be construed to qualify or limit Penick Village's right to terminate this Agreement in accordance with its terms. If you present facts that, in the opinion of Penick Village, justify special financial consideration, Penick Village will give careful consideration to subsidizing in part or in whole the Monthly Service Fee and other charges payable by you under the terms of this Agreement, so long as such subsidy can be made without impairing the ability of Penick Village to attain its objectives while operating on a sound financial basis. Any determination by Penick Village with regard to the granting of financial assistance shall be within the sole discretion of Penick Village, and any decision to provide such financial assistance shall continue in effect only so long as Penick Village, in its sole discretion, determines that it can continue to operate for the benefit of all Residents on a sound basis.

As a means of providing financial assistance to Residents, Penick Village maintains an endowment fund and has an annual fund for donations. Income from the endowment fund and annual fund may be used to provide financial assistance in accordance with the Benevolent Assistance policy partially described above.

In the event Penick Village determines to provide you with any financial assistance or subsidy, you expressly agree to (i) grant Penick Village the right to offset any such assistance, plus interest, against the refund of your Entrance Fee, if applicable and/or (ii) allow Penick Village a first or prior claim against your estate(s). The cost of any such financial assistance provided shall be accrued and remain an obligation of the Resident and his or her estate. Furthermore, we may require you to move to a smaller or less expensive Residence. You also agree to an annual financial update and review of your assistance status.

## **SECTION FIVE: APPLICATION AND ACCEPTANCE FOR RESIDENCY**

The obligations of Penick Village to provide services and community spaces hereunder are conditioned upon acceptance of the Resident for residency in accordance with this paragraph. The decision to accept a Resident for residency shall be within the sole discretion of Penick Village.

- 5.1 Residency Requirements for Acceptance.** We require that you be capable of independent living and have assets and income sufficient (under foreseeable circumstances and after provision for payment of your obligations hereunder) to meet ordinary and customary living expenses, after assuming occupancy. You hereby represent and warrant that you are capable of independent living and have assets and income sufficient to meet ordinary and customary living expenses after assuming occupancy.
- a. Confidential Application.** You shall complete and submit a Confidential Application provided by Penick Village prior to or concurrent with the execution of this Agreement. You hereby certify to Penick Village that all information reflected on such Confidential Application, which is hereby incorporated by reference and made a part of this Agreement, is complete and accurate. Penick Village reserves the right to conduct background checks, including but not limited to criminal background checks, sexual predator registry and credit checks. All financial information given must be complete and accurate. At a minimum, you will be required to submit your most recent tax return filed with the IRS, and any relevant documentation, including summary reports of investment returns, to verify personal financial data. Copies of medical insurance cards and any long term care insurance policies are to be submitted prior to occupancy. All residents at Penick Village will be required to provide updated financial data at least bi-annually.
  - b. Confidential Medical Report.** Prior to your acceptance to Penick Village, you will be required to submit a Confidential Medical Report. You also agree to have a home visit by a Penick Village representative as part of the Medical Assessment.
  - c. Age.** To be accepted for residency at Penick Village, you must be at least sixty-two (62) years of age at or before the Occupancy Date.
- 5.2 Notification of Decision.** Penick Village shall notify you of its decision concerning your acceptance to Penick Village. In the event you are not accepted for residency at Penick Village, your First Installment deposit, specified in Section 4 and tendered upon execution of the Residency Agreement shall be refunded less a \$1,000.00 administrative fee within 30 days of the date of the notification to you of non-acceptance for residency, and the parties shall have no further obligations to one another under this Agreement.
- 5.3 Residency is Conditional on No Material Changes Prior to Occupancy.** Acceptance for residency at Penick Village shall be conditioned upon no material change in the matters covered by the Confidential Application, Confidential Financial Statement and Confidential Medical Report prior to your Occupancy Date. In the event of any such material change prior to the Occupancy Date, Penick Village may request that additional information be provided. In the event of the existence of a material change in condition, Penick Village may revoke its acceptance of you for residency to Penick Village at any time prior to the Occupancy Date by written notification to you, and your First Installment deposit as specified in Section 4 shall be refunded less a \$1,000.00 administrative fee within 30 days of the date of such notification.
- 5.4 Duty of Resident to Notify Penick Village.** You acknowledge and agree that Penick Village has relied upon all of the information contained in your Confidential Application and Financial Statement (Addendum B) and Confidential Medical Report (Addendum C) to make its decision regarding your acceptance for residency at Penick Village. Any misrepresentation or omission by you shall render

this Agreement null and void at the option of Penick Village. You agree to notify Penick Village prior to the Occupancy Date of any material change in any of the matters covered by, or reflected on, the Confidential Application, Confidential Financial Statement and the Confidential Medical Report.

## **SECTION SIX: TERMINATION AND REFUNDS**

### **6.1 Termination Prior to Occupancy.**

**a.** You will be entitled to full reimbursement of any monies paid to us, less any contractually agreed upon non-refundable charges for your requested specific upgrades, within thirty (30) days of our receiving your written termination of this Agreement, if applicable, and will be released from liability to pay to us any other amount under this Agreement under the following condition. If you die before occupying your Residence at Penick Village, or if, because of illness, injury, or incapacity, you would be precluded from occupying your Residence consistent with the representations made by you in the Confidential Application and/or the Confidential Medical Report, this Agreement will be automatically canceled and the refund process listed in this paragraph will apply.

**b.** You will be entitled to full reimbursement of any monies paid to us, less any contractually agreed non-refundable charges for your requested specific upgrades and an administrative processing fee of one thousand dollars (\$1,000), within thirty (30) days, of our receiving your written termination of this Agreement, if applicable, and will be released from liability to pay us any other amount under this Agreement under any one of the following conditions:

**(i)** If you terminate this Agreement prior to the date you occupy your Residence for reasons or conditions other than those described in Section 6.1(a); or

**(ii)** If we terminate this Agreement for your failure to pay the second installment (or installments contractually agreed upon) or remaining Entrance Fee by the Occupancy Date as further described in Section 4.2.

### **6.2 Termination of Residency after Occupancy.** After you have assumed occupancy of your Residence, this Agreement is subject to termination as follows and refund provisions described in Section 6.4.

**a.** By you at any time upon thirty (30) days prior written notice to Penick Village.

**b.** Penick Village may terminate this Agreement after the Occupancy Date for the following non-medical reasons:

**(i)** A material misrepresentation or omission by you in the Confidential Application, Confidential Financial Statement, or Confidential Medical Report, or related materials, which, if such information had been accurately provided, would have been material to the decision whether or not to accept the Resident for residency;

**(ii)** If you fail to comply with the policies and procedures of Penick Village or create a situation detrimental to the health, safety or quiet enjoyment of the community by yourself, other Residents, staff or neighboring property users;

**(iii)** If you fail to pay the Monthly Service Fee or other amounts due us when due unless other mutually satisfactory arrangements have been made, provided however it is our policy that this Agreement shall not be terminated solely because of your financial inability to pay the fees to the extent that (1) your inability to pay is not the result of your willful action; and (2) in our judgement, the ability of Penick Village to operate on a sound financial basis will

not be impaired;

(iv) Material breach by you of the terms and conditions of this Agreement; and,

(v) The Residence is no longer fit for occupancy and Penick Village elects not to restore the Residence to habitable condition. To the extent another Residence is available, Penick Village will relocate you.

c. Penick Village may terminate this Agreement subsequent to Occupancy Date for medical reasons. If it is determined by the Medical Director or appropriate personnel of Penick Village (after consultation "to the extent feasible" with you, your personal physician, and your family and/or designated representative) that:

(i) You have developed a dangerous or contagious disease or mental illness;

(ii) You are in need of drug or alcoholic rehabilitation or any other condition for which we are not licensed or for which services cannot be provided by us without a significant and unique expenditure; or,

(iii) You are or have become mentally or emotionally disturbed to a degree that your continued presence in Penick Village is determined to be detrimental to the health, safety and welfare of other Residents or staff.

If any of these situations occur, we are expressly authorized (after consultation with the Medical Director or appropriate personnel of Penick Village, your personal physician and your family and/or your designated representative to the extent feasible) to transfer you, at your expense, to an appropriate hospital or alternative care facility.

If Penick Village seeks to terminate this Agreement and your occupancy, Penick Village shall give you sixty (60) days prior written notice of termination which shall reasonably describe the conduct alleged to warrant the termination of this Agreement and shall set the time, place, and date for a meeting between you and Penick Village's representative(s), which shall not be earlier than thirty (30) days nor later than forty-five (45) days after the notice of termination. At this meeting you may avoid termination upon your showing to Penick Village reasonable satisfaction that you have cured the conduct alleged to warrant the termination.

**6.3 Effect of Double Occupancy.** If your Residence is occupied by two (2) residents and one (1) resident dies, this Agreement will continue in full legal force and effect as to the surviving resident, except the Monthly Service Fee will be adjusted to reflect the then applicable single occupancy rate payable for the type of Residence occupied. No refund of the Entrance Fee will occur until the surviving resident leaves and all conditions of Section 6.4 are met.

**6.4 Refund of Entrance Fee.** After termination of the Residency Agreement or, in the event of the resident's death, or in the case of double occupancy, both occupants' death, Penick Village will refund what is contractually due to the resident(s). The refund, if applicable, will be paid as follows:

- All refunds will be accorded first-in, first-out treatment meaning each refund will be paid in sequential order based on each refund's original due date (i.e., when all events of refund have been satisfactorily achieved).
- Should two refunds be due on the same date, the refund for the Resident(s) with the longer on-campus tenure will receive priority.

- The refund will be paid within thirty (30) days after Penick Village’s receipt of proceeds from the next entrance fee(s) of a newly occupied residence similar to the one vacated by you that is sufficient to pay 100% of the refund due.

**24-Month Declining Refundable Entrance Fee:** After termination of this Residency Agreement with Penick Village in accordance with Section 6.2, or, in the event of your death, or in case of double occupancy, both occupants’ deaths, we will refund your 24-Month Declining Refundable Entrance Fee (without interest) that you paid for residency at Penick Village. The Entrance Fee shall be reduced and become non-refundable at the rate of 8% the first day of the first month occupied, then 4% per month for any portion of each month the Resident(s) occupied the residence for the next 23 months. After the beginning of the 24th month of occupancy, the Entrance Fee paid by the Resident(s) is fully amortized and nonrefundable.

**Fifty Percent (50%) Refundable Entrance Fee:** After termination of this Agreement in accordance with Section 6.2, or, in the event of your death, or in the case of double occupancy, both occupants’ death, we will refund your Fifty Percent (50%) Refundable Entrance Fee (without interest) that you paid for residency at Penick Village. The amount of the 50% Refundable Entrance Fee will reduce 5% the first day of the first month occupied, 4% monthly for any portion of each month the Residence is occupied for the next 11 months, and 1% percent on the first day of the 13th month the Residence is occupied. At this time, 50% of the entrance fee is fully exhausted. Except as provided in the last paragraph of this section, the refund, if applicable, will be 50% of the original Entrance Fee. "Occupancy", as defined in Section 4.1, is defined as the time the unit is occupied by the resident or any of the resident's belongings. Also see “Entrance Fee Refunds” above. The 50% Refundable Entrance Fee option is not available to potential residents 85 years of age and older as of the date of residency agreement signing. All couple entrance fees age qualifications will apply to the older of the two applicants.

**Ninety Percent (90%) Refundable Entrance Fee:** After termination of this Agreement in accordance with Section 6.2, or, in the event of your death, or in the case of double occupancy, both occupants’ death, we will refund your Ninety Percent (90%) Refundable Entrance Fee (without interest) that you paid for residency at Penick Village. The amount of the 90% Refundable Entrance Fee will reduce 5% the first day of the first month occupied and then 1% monthly for any portion of each month the Residence is occupied for the next five months. At that time, 10% of the entrance fee is fully exhausted. Except as provided in the last paragraph of this section, the refund, if applicable, will be 90% of the original Entrance Fee. Also see “Entrance Fee Refunds” above. "Occupancy", as defined in Section 4.1, is defined as the time the unit is occupied by the resident or any of the resident's belongings. The 90% Refundable Entrance Fee option is not available to potential residents 85 years of age and older as of the date of residency agreement signing. All couple entrance fees age qualifications will apply to the older of the two applicants.

In the event Penick Village terminates this Agreement for medical reasons in accordance with Section 6.2(c) of this Agreement, Penick Village shall pay to you any refund due, less a reasonable amount to cover the anticipated cost of utilities, telephone or other obligations if applicable and documented by Penick Village. The refund, if applicable, will be paid within 30 days upon receipt of proceeds from the next re-sale of your Residence listed on page one (1) of this Agreement.

**6.5 Use of Entrance Fee.** The purpose of the Entrance Fee is to contribute to the operating income of Penick Village and to help fund operating and capital costs. At the sole discretion of Penick Village, Entrance Fees may also be used to pay for project development costs, start-up deficits, debt service, retirement of debt, costs of future expansions, capital expenditures, resident refunds, and other purposes deemed appropriate by Penick Village. No reserve funding will be established

pertaining to the refund of the Entrance Fee.

**6.6 Right of Off-Set; Other Rights.** We reserve the right to off-set against the refund of the Entrance Fee any fees or amounts payable to us under this Agreement including any charges deferred or unpaid. Termination of this Agreement for any reason will not affect or impair the exercise of any right or remedy granted to us or you under this Agreement for any claim or cause of action occurring prior to the date of such termination.

**6.7 Relocation.** Due to different variables, every internal move (from one independent location to another) is situational and will be up to Penick Village based on availability of the new, desired location. If any resident(s) would like to move internally, s/he/they must make a formal request. The process for making a request is as follows:

Before Approval:

- The resident(s) must submit a financial statement and a written application to the Sales and Marketing department outlining the reasoning for the move.
- All applications will be reviewed by Administration, which will study the availability of the new desired location and evaluate the financial impact of the requested move on the organization. Each situation will be discussed on an individual basis.

After Approval:

- If the application is approved, a Penick Village representative will coordinate the internal move with the Independent Living resident(s).
- Also, if approved, the resident(s) must pay the cost (i.e., a non-refundable transfer fee) of the move.
  - Other considerations affecting transfer fees include, but are not limited to:
    - Renovation costs
    - Resident move in date
    - Condition of existing residence
    - Condition of the new residence (if the new residence has been recently updated Administration may request an addition to the transfer fee)
- If there are additional renovations to the new residence, payment will be required in advance of purchase of materials.
- Finally, if approved, there may be differences between residences in terms of entrance fees and service fees.
  - Note that if moving to a residence with a larger entrance fee, the resident(s) will pay the difference between entrance fees. If moving to a residence with a smaller entrance fee, the resident will not have to pay the difference between fees. However, there will be no refund to the resident regarding this difference.
  - If a current resident wishes to move to a new construction residence, the resident will be required to pay the full entrance fee associated with the new construction, and their former entrance fee will not be applied.
  - Once the resident(s) has or have assumed occupancy on the established date outlined in a contractual addendum, s/he/they will be charged the monthly service fee associated with the new residence.

## **SECTION 7: MISCELLANEOUS**

- 7.1 Resident's Interest.** Penick Village retains proprietary interest in its Life Plan Community, assets, property, operational and management decisions. However, Penick Village will provide a forum for resident comment and input through resident council meetings and Town Hall Meetings.
- 7.2 Responsibility for Protection of Resident's Property.** We shall not be responsible for damage or loss to any personal property belonging to you caused by fire, flooding or other casualty, or by leaking of water, bursting of pipes, theft or any other cause. You shall be solely responsible, at your own expense, for insuring against property damage or loss and personal liability to others. In the event of your death or transfer from Penick Village, we will exercise ordinary care in temporarily safekeeping your personal property. If such property is not removed from Penick Village premises within sixty (60) days after termination of this Agreement, we reserve the right to have such property placed in a commercial bonded warehouse at the expense and risk of you or your estate.
- 7.3 Surrender of Living Accommodation.** In recognition of operational requirements and the differing space constraints within Penick Village's care settings, the following timelines apply when a Resident vacates a Living Accommodation:
- Independent Living Residences
    - Upon Permanent Transfer to a Higher Level of Care or Termination of the Residency Agreement after Occupancy:

When a Resident permanently transfers to Assisted Living, the Garden Cottage, Skilled Nursing, or leaves the Penick Village continuum, all personal belongings shall be removed and the Independent Living Residence vacated within thirty (30) days, provided the Monthly Service Fee continues to be paid during this period.
    - Upon Death:

The Resident's estate shall remove all personal belongings and vacate the Independent Living Residence within sixty (60) days of the Resident's death, provided the Monthly Service Fee continues to be paid during this period.
  - Assisted Living / Garden Cottage

In the event of death, or if a determination is made by the Corporation that any transfer described in this Section is permanent in nature, you agree to surrender the Living Accommodation and any storage areas, which were occupied by you prior to such transfer or vacancy, within fourteen (14) days of the determination.
  - Skilled Nursing

In the event of death, or if a determination is made by the Corporation that any transfer described in this Section is permanent in nature, you agree to surrender the Living Accommodation and any storage areas, which were occupied by you prior to such transfer or vacancy, within five (5) days of the determination.
- 7.4 Injury or Accident While Away from Penick Village.** If you are injured in an accident or become ill while away from Penick Village, you shall make every reasonable effort to notify Penick Village as soon as possible. Penick Village shall not be responsible for or assume the cost of medical care for illness or injury incurred by you while away from Penick Village.
- 7.5 Injury Caused by Third Party.** In the event of an accident or injury to you caused by a third party, for which such third party may be liable for the cost of any medical, surgical, nursing or additional care for you resulting therefrom, you or your designated representative shall notify Penick Village

promptly and you or your designated representative shall pursue diligently any claim for damages that may be due from such third party for the injury. Penick Village is not required to bear the cost of care to you for which a third party is liable. You agree to indemnify Penick Village for any expenses incurred by Penick Village in providing care to you for which a third party is liable.

Penick Village may limit its actions as provided above to claims for recovery of the costs and expenses incurred by it, and in such event, Penick Village shall not be obliged to assert any claim on behalf of you arising out of such accident or injury beyond the costs and expenses incurred by Penick Village. Should Penick Village submit a claim for recovery, you agree to cooperate in all material respects with Penick Village's representatives in such claim management.

- 7.6 Indemnification for Negligence.** You hereby agree to indemnify, protect and hold us harmless from any loss, damage, injury or expense incurred by Penick Village as a result of your negligent or willful acts or omissions or the acts or omissions of your invitees or guests.
- 7.7 Right of Entry.** You hereby authorize our employees and agents to enter your Residence to provide services, repairs, maintenance, alterations, pest control and inspection, and to respond to perceived medical or other emergency. Penick Village will try to schedule all other services in advance with the Resident. If you are away from your residence seven (7) consecutive calendar days or longer, Penick Village reserves the right to, but is not obligated to, have a representative enter your Residence during your absence to confirm the safety and maintenance of your Residence remains intact.
- 7.8 Guests.** Occupancy of the Residence and use of Penick Village community spaces and grounds is limited to you and your guests. You must be present while hosting guests at Penick Village and those guests may not occupy your Residence for more than 14 days consecutively without the prior approval of Penick Village. You will be responsible for the conduct of your guests and for payment of any charges incurred by your guests. Refer to the Resident Handbook for details.
- 7.9 Damage to Property.** In the event you have a service provided to you (for example: movers, dry cleaners, parcel delivery, etc.) or you have a car or mobility assistance device and that person, company or device causes any damage or injury to Penick Village, another resident and/or their property or an employee, including but not limited to gates, signage, walls, doors, floors and elevators you will be personally liable for any and all resulting costs and expenses; including all workers compensation-related benefits if the injury is to a Penick Village employee.
- 7.10 Absence from Penick Village.** You agree to notify Penick Village in advance of any contemplated absence. No fee adjustments will be made in the event of a voluntary absence from Penick Village.
- 7.11 Damage to Residence.** If your Residence is damaged by fire, flood, storm or other casualty or cause not resultant from your negligence or willful act or omission and we elect not to terminate this Agreement, we will, at our expense, proceed diligently to repair and restore your Residence. If your Residence is uninhabitable during the repair, we will relocate you to a comparable type Residence at Penick Village, if available, or, if not, we will try to relocate you temporarily to any other available Residence at Penick Village and the Monthly Service Fee will be adjusted for the type of Residence you temporarily occupy, but in no event shall be more than your Residence.
- 7.12 Weapons.** No weapons of any type shall be brought on to the PV property by you or your guests.
- 7.13 Entire Agreement.** This Agreement constitutes the entire Agreement between us with regard to your residence and care. We will not be liable for, or bound by, any statements, representations or promises made to you by any person representing or purporting to represent us, unless such statements, representations or promises are expressly set forth and endorsed by both parties in

writing and attached to this Agreement.

- 7.14 Binding Effect.** This Agreement is binding upon our successors and assigns to your heirs and personal representatives. The provisions of this Agreement are not assignable or transferable in whole or in part by you, and you will have no right to sublet the Residence.
- 7.15 Severability.** Each provision of this Agreement will be deemed separate from each other provision and the invalidity or unenforceability of any provision will not affect the validity or enforceability of the balance of the Agreement.
- 7.16 Subordination.** Your rights under this Agreement will be subordinate to any mortgage, security interest, pledge, or other lien that now encumbers all or any part of Penick Village's assets and shall be further subordinate to any mortgage, security interest, pledge, or other lien hereafter placed on all or any part of Penick Village's assets, and you agree to execute, acknowledge and deliver such subordination agreements as any lender or future lender shall reasonably require in order to establish the priority of any such lien.
- 7.17 Nondiscrimination.** Penick Village will be operated on a non-discriminatory basis (except for age criteria) and will provide the accommodations and services described in this Agreement to individuals regardless of race, color, sex, marital status, religion, creed, handicap, national origin, veteran status, sexual orientation, or other prohibited categories.
- 7.18 Notices.** Any notice to Penick Village by you will be given in writing and mailed or delivered to Penick Village at the administrative office or at such other address as we may designate in writing. Any notice to you by us will be given in writing or mailed at such address as you may designate to Penick Village in writing.

Address for notice(s) to Penick Village:

Penick Village Business Office  
500 East Rhode Island Avenue, Southern Pines, North Carolina 28387

- 7.19 Choice of Law.** This Agreement will be interpreted according to the laws of the State of North Carolina.
- 7.20 Change of Condition.** You agree to notify us of any material change in any of your physical, financial or mental conditions prior to residency and post-residency.
- 7.21 Authorized Agent Signature.** This Agreement has been executed on behalf of Penick Village by its duly authorized agent, and no officer, director, agent or employee of Penick Village shall have any personal liability hereunder to you under any circumstances.
- 7.22 Third Party Rights.** No other persons or entities other than Penick Village and the Resident have any rights or obligations under this Agreement.
- 7.23 Failure to Act.** Failure or delay of any party to exercise any right, power, or privilege under this Agreement will not operate as a waiver of such right, power, or privilege.
- 7.24 Right of Subrogation.** Should you be injured by a third-party and such injury requires Penick Village to provide health care services under this Agreement, Penick Village shall be subrogated, to the extent allowed by North Carolina law, to your rights against such other third-party to the extent necessary to reimburse Penick Village for the costs incurred in providing services under this Agreement.

To the extent allowed under North Carolina law, this right of subrogation authorizes Penick Village to institute legal action in your name; provided, however, that such action shall not cause or result in a compromise, waiver or release of any causes of action that you may have against such third party for such injuries.

**7.25 Religious Affiliation.** Penick Village is rooted in the Episcopal faith. The Episcopal Diocese of North Carolina is NOT responsible for the financial and contractual obligations of Penick Village.

**NOTICE**

**Because the authority to enter into continuing care contracts granted by the North Carolina Department of Insurance is neither a guarantee of performance by the provider nor an endorsement of any continuing care contract provision, prospective residents must carefully consider the risks, benefits, and costs before signing a continuing care contract and are strongly encouraged to seek financial and legal advice before doing so.**

IN WITNESS WHEREOF, PENICK VILLAGE, INC, doing business as PENICK VILLAGE and the Resident have received the Disclosure Statement and signed this Agreement on this \_\_\_\_\_ day of \_\_\_\_\_,

\_\_\_\_\_  
Resident Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Resident Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Penick Village Authorized Representative

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title/Position

## **Addendum A**

### **NOTICE OF RIGHT TO RESCIND**

To rescind and terminate your Residency Agreement, you must mail by certified mail or hand deliver, a signed and dated copy of this cancellation notice or any other written notice clearly indicating your intent to cancel the contract to Penick Village, Inc. at 500 East Rhode Island Avenue, Southern Pines, North Carolina 28387. Your rescission and termination is effective upon receipt by Penick Village of the notice either by certified mail or hand delivery. Refer to Section 6.1 and 6.2 of the Residency Agreement regarding termination and refund provisions.

Pursuant to this notice, I hereby rescind and terminate my Residency Agreement.

Cancellation Date: \_\_\_\_\_

Resident Signature: \_\_\_\_\_

Resident Signature: \_\_\_\_\_



# PENICK VILLAGE

**Penick Village, Inc.**

## **Healthcare (Assisted Living) Residence and Services Agreement**

**Resident:** \_\_\_\_\_

**Living Accommodation:** \_\_\_\_\_

**HEALTHCARE  
RESIDENCE AND SERVICES AGREEMENT  
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**ACKNOWLEDGEMENT OF RECEIPT  
OF  
DISCLOSURE STATEMENT**

**Penick Village, Inc.  
500 E. Rhode Island Ave.  
Southern Pines, NC 28387**

As of the day and year written in this Residence and Services Agreement, the undersigned Resident(s) acknowledges receipt of the Disclosure Statement of Penick Village, Inc.

Date: \_\_\_\_\_

The Disclosure Statement was received prior to the execution of this Agreement or prior to or at the time of the transfer of any money or other property to the facility, whichever occurred first.

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

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

I understand this matter involves a financial commitment and associated risk as well as a legally binding contract. In evaluating the Disclosure Statement and the Financial Statements prior to any commitment, I was encouraged to consult with an attorney and/or financial advisor who could 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.

**PENICK VILLAGE, INC.**

**RESIDENT(S)  
(or Resident(s)’s Attorney in Fact) (\*)**

\_\_\_\_\_  
By (signature)

\_\_\_\_\_  
(signature) (date)

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
(signature) (date)

\_\_\_\_\_  
Title

(\*) If Attorney-in-Fact signs on behalf of the Resident(s), a Filed Power of Attorney document must be attached to this Agreement.

**HEALTHCARE RESIDENCE AND SERVICES AGREEMENT**

This Agreement (the “Agreement”) is made this *(date of occupancy)* \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ by and between Penick Village, Inc., a North Carolina nonprofit corporation (hereinafter the “Corporation”, “PV”, “we”, “us” or “our”) and \_\_\_\_\_ (hereinafter “Resident”, “you”, “your”).

WHEREAS, the Corporation is a Life Plan Community (formerly known as a “Continuing Care Retirement Community”) located at 500 E. Rhode Island Ave., Southern Pines, NC 28387 known as “Penick Village”; and

WHEREAS, You desire to become a resident of PV’s Healthcare and to use and enjoy the facilities, programs and services provided by the Corporation subject to the terms and conditions of this Agreement;

NOW, THEREFORE, You and the Corporation agree as follows:

**I. ACCOMMODATIONS AND SERVICES**

Subject to the terms and conditions set forth in this Agreement, we agree to provide you the Living Accommodation, services and programs at PV described as follows:

- A. **Living Accommodation.** Physical Address of \_\_\_\_\_, Residence number \_\_\_\_\_, an accommodation (as described in materials presented to you and as shown to you during a physical tour), located in PV’s Healthcare building (hereinafter referred to as the “Living Accommodation”). You have the exclusive right to occupy and use the Living Accommodation subject to the terms and conditions set forth in this Agreement. You, with the prior written consent of the Corporation and subject to the terms and conditions of this Agreement, may from time-to-time transfer from one PV Living Accommodation to another. Transfer charges may apply. In the event of such a transfer, the reference to the “Living Accommodation” designated above shall be automatically amended to reflect such a transfer.
- B. **Security.** We will use reasonable care in providing security on the premises of PV. We will furnish an emergency call system that is monitored twenty-four (24) hours a day. Smoke detectors are provided in all Living Accommodations. We are not responsible for loss or damage to your personal property to include personal assistance devices such as hearing aids. You are responsible for securing your Living Accommodation.

Initials \_\_\_\_\_  
Corporation      Resident(s)

- C. **Utilities.** We will furnish ordinary electricity, heating, air conditioning, water, sewer, gas, basic cable television service, free wifi, a telephone., a television, and trash removal. You are responsible for any premium media/internet services.
- D. **Furnishings and Appliances.** The Corporation will provide appliances in the Living Accommodation as described in the PV-published literature. All other furniture and furnishings for the Living Accommodation shall be provided by the Resident and shall be maintained by you at your risk.

- E. **Meals.** The Corporation will make available, to you, three (3) nutritionally well-balanced meals each day, the cost of which is included in your Monthly/Daily Fee.
- F. **Housekeeping Services.** We agree to maintain the Living Accommodation by providing scheduled housekeeping for Healthcare residents. Housekeeping includes periodic vacuuming, dusting, and daily cleaning. Additional housekeeping services may be made available at your expense.
- G. **Laundry.** Bed and bath linens as well personal laundry service (washing, drying and folding) will be provided for Healthcare residents. The costs of these services are included in the Monthly/Daily fee. You are responsible for arranging and paying for dry cleaning services. PV is not responsible for loss or damage to personal items laundered by PV.
- H. **Maintenance and Repairs.** We will maintain and keep in repair the improvements, furnishings, appliances, and equipment owned by the Corporation. Maintenance and repair of your personal property is your responsibility. You will be responsible for the cost of repairing any damage to property of the Corporation caused by your negligence and/or that of any guest of yours.
- I. **Alterations to Living Accommodation.** Any structural or physical change or redecoration of any kind within the Living Accommodation will require the prior approval of the Corporation. The cost of any change, repairs or maintenance for that change and the subsequent cost to return the living unit to its original condition in the event of such change, or redecoration, will be paid by you. Any such improvement or change will be owned by the Corporation and will not be considered in determining the amount of any refund to you upon termination of this Agreement.
- J. **Use of and Changes to Living Accommodation.** The Corporation has the right to change the Living Accommodation to meet requirements of any applicable statutes, laws, or regulations. The Living Accommodation may not be used in any manner in violation of any zoning ordinances or other governmental laws or regulations.
- K. **Groundskeeping.** We will provide basic groundskeeping service for the grounds of PV, including lawn, tree and shrubbery care. Subject to approval by the Corporation, you may plant and maintain certain areas designated for such purpose by the Corporation. The cost of these plantings and maintenance of such plantings will be at your expense.
- L. **Mail.** Mail will be delivered by the postal service to PV. PV staff delivers mail to central mail areas for Assisted Living Accommodations. PV staff deliver mail directly to each Skilled Nursing Living Accommodation.
- Package deliveries vary by carrier. If a carrier does not deliver packages directly to the resident's Living Accommodation, PV staff will deliver packages directly to Assisted Living and Skilled Nursing Resident.
- M. **Common Facilities.** We will provide common facilities for the use and/or benefit of all Residents. Such common facilities currently include an exercise facility, central dining rooms, multi-purpose rooms, library, game/television area, lounges, and sitting areas.
- N. **Transportation.** We will provide local medical transportation for scheduled medical appointments Monday through Friday between 8:00 a.m. and 4:00 p.m. except holidays. Forty-eight (48) hours' notice is required. Additional charges will be incurred for appointments outside of normal service hours noted above. Additional charges will be incurred for Residents who require staff accompaniment. Out-of-County transportation is not provided. See Healthcare Resident Handbook for more details.

We will provide local transportation for Residents as part of the Activity program for the following: scheduled meal outings, day trips, and other special events. An additional charge may be incurred for transportation for special, personal or group trips.

- O. Activities.** Wellness, social, recreational, spiritual, educational and cultural activities will be available to Residents. Additional charges may be incurred for some programs.
- P. Other Services Available.** Residents engaging third parties for services within PV may do so only with prior notification and PV authorization (i.e., licensed home care or home health agencies, maintenance workers, etc.). This is not an all-inclusive listing of services you may request or utilize. With respect to services not listed, consult the Healthcare Resident Handbook's Schedule of Charges.
- Q. Services.** The services and facilities that are provided through the Entrance and Monthly/Daily Fees (may also be described further herein) are summarized below:

These services are provided to all Residents, regardless of level of accommodation, and are included in the monthly/daily fees.

- Dining plan
- Deposit services with First Bank when associated with a Resident Trust Account
- Limited parking
- Limited storage (based on Living Accommodation)
- Limited Wi-Fi/internet access
- All utilities
- Basic Cable television service
- Housekeeping service
- Maintenance service
- Local medical transportation within 25 miles of campus
- Social, spiritual, and recreational programs
- Pastoral counseling
- On-site delivery of pharmaceuticals
- Routine nursing services
- Nutritional counseling
- Emergency nursing services
- 24-hour medical emergency call system, security and fire protection
- Limited Check Cashing (may be limited in terms of frequency and amount)
- Notary Public services

Additional storage space may be provided for the Assisted Living Center.

The following additional services are provided with the monthly/daily fee to Assisted Living and Garden Cottage residents.

**Residential Assisted Living & Garden Cottage**

- Three meals daily
- Meal service to room, if required
- Dining Room assistance
- Assistance with bathing, dressing & grooming
- As-scheduled housekeeping service
- Personal laundry service
- Medication delivery by a nurse or medication technician
- Monitoring of vital signs according to physician's order
- Nursing assessment
- Multi-disciplinary care planning
- Care by Med Tech/CNA, on-duty 24 hours per day
- Access to Fitness Center

**R. Professional Management of PV and its Facilities.** The Corporation will employ associates and/or agents to manage the operations of PV and its facilities.

**S. Nursing and Health Care.** We will provide nursing and health care for each Resident as follows:

1. **Skilled Nursing:** The Skilled Nursing Center will be provided for the benefit of the Residents. The Corporation is licensed by the North Carolina Department of Health and Human Services, Division of Health Service Regulation to operate 32 beds offering intermediate and skilled nursing care for Residents who are temporarily ill or who require long-term nursing care. Private accommodations will be provided for Residents in the Skilled Nursing Center. Some of the beds in the Healthcare Center are dual-licensed for Medicare and Medicaid reimbursement.

- Twenty-four (24) hour nursing staff maintained throughout Healthcare.
- The overall coordination of health care services by the Corporation provided through the joint efforts of a Medical Director (a licensed physician selected by the Corporation), the Corporation's licensed Nursing Home Administrator, the Corporation's Director of Nursing, and other nursing/clinical staff of the Corporation.
- Charges for Healthcare accommodations and services are described in the Schedule of Fees and other literature published by the Corporation.

- Residents may choose their own personal physician and are responsible for charges for services by such physicians and any consultants. Residents may choose to use the Corporation's Medical Director as their personal physician. Residents are responsible for applicable charges.
  - Other health care services may be made available to the Resident at the Resident's expense, including, but not limited to: pharmacy services, radiology services, dental and podiatry services, laboratory tests, physical therapy, speech therapy, occupational therapy, including therapeutic activities, rehabilitative treatments, wheelchairs, other medical equipment and supplies. The cost of such services shall not be covered by the Monthly/Daily Fees described herein.
  - Temporary care (up to 30 days) is also available in the Skilled Nursing and for treatment of short-term illnesses or injuries.
2. **On-Site Call Response.** Each Living Accommodation is equipped with a call system. PV nursing staff will respond to emergency calls.
  3. **Emergency Medical Care.** We will notify your responsible party when emergency medical care is necessary. If acute medical care is necessary or upon physician's or your request, you will be transferred to a local hospital Emergency Room.
  4. **Assisted Living.** Our Residential Assisted Living and Garden Cottage are licensed by the North Carolina Department of Health and Human Services, Division of Health Service Regulation to operate 41 residences, 42 beds to provide support services for Residents who require assistance with activities of daily living. Private accommodations will be provided for Residents in the Assisted Living Center. The Assisted Living Center is licensed to provide services to individuals who require some assistance with activities of daily living, including but not limited to: bathing, dressing, medication administration, dining room assistance, monitoring of vital signs, and nursing assessments. The Garden Cottage serves the needs of individuals diagnosed with memory care-related issues.

## II. **FINANCIAL ARRANGEMENTS**

- A. **Entrance Fee.** Entrance Fees are as presented in the fees and services documentation provided to you. An Entrance Fee of \$\_\_\_\_\_ is due upon Occupancy and is non-refundable.
- B. **Optional Services.** The following Optional Services and other services and ancillary items may be available to Residents on a fee-for-service basis:
  - **Guest food to include Holiday and Special Occasion meals**
  - **Catering for special occasions**
  - **Barber and beauty services**
  - **Food delivery**
  - **Additional transportation**
  - **Additional housekeeping services**
  - **Computer/IT services**

- Usage of guest suites, if available
- Personal business services
- Additional maintenance services
- Electric car and golf cart charging stations
- Medications (Prescription and over-the-counter)
- Incontinence products

C. **Monthly/Daily Fee.** You agree to pay a Monthly/Daily Fee during the term of this agreement which will be by automatic draft payments from the resident’s designated account by the 15th day of each month. As of the date of this Agreement, the Monthly/Daily Fee associated with your Living Accommodation will be \$ \_\_\_\_\_ per day.

The Monthly/Daily Fee will begin on the date of occupancy. Occupancy is defined as the first day that a Resident either resides in the Living Accommodation or the first day that the Resident’s furnishings or belongings are placed in the Living Accommodation or in a PV storage area.

No credit will be provided to you should you refuse services which are included in the Monthly/Daily Fee, such as laundry, housekeeping and meals.

Initials \_\_\_\_\_  
Corporation      Resident(s)

D. **Vacations and/or Time Away from Living Accommodation.** Monthly/Daily Fees are not subject to change or credit if a Resident is away from the Living Accommodation for any period of time. (For example, vacations, hospital stays, etc.)

E. **Adjustments in the Monthly/Daily Fee.** The Corporation usually sets fees annually but shall have the authority to adjust the Monthly/Daily Fee from time to time during the term of this Agreement as it, in its discretion, deems necessary. Any such increase in the Monthly/Daily Fee or other charges may be made by the Corporation upon thirty (30) days of written notice to the Resident.

If it should be determined that the Corporation is required to pay ad valorem taxes upon its property, the Monthly/Daily Fee may be adjusted to reflect the amount of such taxes. You will pay all taxes assessed on your personal property.

In the event PV is assessed sales or use tax on Monthly/Daily Fee and/or fees for other services, you agree to pay PV the amount of such taxes.

F. **Schedule of Fees.** You have been given a current copy of the Schedule of Fees as authorized by the Chief Executive Officer of the Corporation. You understand that these fees may periodically change.

G. **Payment Due Date.** Penick Village will automatically draft payments from the resident’s designated account the fifteenth (15<sup>th</sup>) day of each month, or on the business day prior if the 15<sup>th</sup> of the month falls on a weekend and holidays, for accumulated service fees and miscellaneous expenses.

- H. **Late Fee.** Penick has a late payment policy for all payments not received by the 15th of the month; a late charge of eighteen percent (18%) annually will be applied to any unpaid balance.
- I. **Monthly Statements.** We will furnish the Resident with monthly statements showing the total amount of fees and other charges owed by the Resident, which shall be payable by the 15th of the month. Late payments are subject to an interest charge of one and one-half percent (1.5%) per month from the first of the month. PV requires an automatic bank draft for the Monthly/Daily Fees. PV may terminate this agreement if You have a past due amount in excess of thirty (30) days. Termination of this Agreement does not end the obligation of You or Your estate to pay all amounts due, no matter when incurred.

You, and your current and future responsible parties (i.e. power(s) of attorney, executor(s)) on your behalf, from your assets and income agree to pay all costs, expenses, and reasonable attorneys' fees, in the event same must be expended in the collection of any sums due and owed by you to the Corporation.

The Corporation reserves the right, with 30 days' notice, to change the billing date and the payment due date. For a partial first month, the Monthly/Daily Fee is pro-rated on a per diem basis. Thereafter, Monthly/Daily Fees are paid in advance and are pro-rated at termination for the Assisted Living Center.

- J. **Skilled Nursing and Assisted Living Priority Admission.** Residents are provided priority admission over non-Residents for entry to the Skilled Nursing or Assisted Living Center. PV will make every effort to accommodate Residents in the Skilled Nursing and/or Assisted Living Centers but cannot guarantee availability of accommodations. In the event the Skilled Nursing and the Assisted Living Centers are fully occupied when a resident is in need of care, the resident agrees to relocate to an alternate health care facility ("a Comparable Facility"). In the event of relocation, PV will make every effort to transfer the resident back to PV when accommodation becomes available.

Upon your relocation to a Comparable Facility, the resident will continue to be responsible for the Monthly/Daily Fee (unless their Living Accommodation is surrendered). PV will not be responsible for the charges associated with the alternate health care accommodation.

- K. **Application for Benefits.** If requested by PV, you will apply for any or all federal, state, and local benefits for which you may be eligible or entitled; and if requested by PV, you will apply for any or all such benefits toward the cost of your care at PV. These benefits may include: Medicare, Medicaid, and prescriptions.

Residents who receive Medicaid funding and who reside in a Medicaid certified accommodation may be required to have their Social Security, pension or other monthly income paid directly to PV. PV will administer and manage these funds, on behalf of the Resident in accordance with applicable laws and regulations, to pay for the residence and services provided to the resident.

- L. **Assignment of Benefits.** You will periodically authorize any provider of medical and health services to receive reimbursement as provided under Medicare/Medicaid, any or all Federal, State and local benefits for which You may be eligible or entitled, and any supplementary insurance programs. If requested by PV, you will periodically make assignments to the provider of medical and other health services of all benefits otherwise accrued to you under Medicare/Medicaid, or other programs and supplementary extended coverage plans to compensate for services rendered.

**M. Managed Care.** If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, or other programs, and supplemental insurance coverage, the terms of this Agreement governing nursing care will include the following provisions:

1. **Participating Provider.** If PV is a participating provider with your managed care program, the Corporation agrees to be reimbursed at the rate negotiated with your managed care program.
2. **Not a Participating Provider.** If PV is not an approved participating provider with your managed care program and you choose to receive health care services at a managed care participating provider, then you agree that you must relocate for as long as necessary for those services to be provided, and be responsible for all costs. In addition, while receiving health care services at the managed care participating provider, you agree that unless this Agreement is terminated, you will continue to pay the Monthly/Daily Fee for your Living Accommodation, unless your Living Accommodation has been surrendered to us.
3. **No Negotiated Managed Care Rate.** If PV is not a participating provider in your managed care program and a negotiated rate is not agreed upon by PV and you would still like to receive health care and services at PV, then you will be responsible for the full amount of applicable charges not paid by your insurance carrier.
4. **Medicaid.** In the event you receive financial assistance through the Medicaid program while occupying a Medicaid certified bed in the Skilled Nursing Center, you will be charged in advance for your liability portion established by the local county department of social services. You will be responsible for all charges for additional items and services requested by you and furnished to you which are not covered under the Medicaid program. Charges shall be made only as permitted under the Social Security Act and applicable regulations.

### **III. ENTRY REQUIREMENTS**

You will become qualified for entry to PV upon satisfaction of the following provisions:

- A. **Age.** The entry requirements for PV residency are nondiscriminatory except as to age, and PV is open to both married and single men and women of all races and religions. Generally, entry in the Assisted Living and the Skilled Nursing Centers is restricted to persons sixty-two (62) years of age or older.
- B. **Personal Interview.** You may have an interview with a PV representative (including nursing assessment) prior to taking PV residency. Upon review of all information required to be furnished herein, additional personal interviews may be requested by the Corporation.
- C. **Application, Health History and Financial Statement.** You shall submit for review, by the Corporation, an Application for Admission, an FL-2, and a Confidential Financial Statement, all on forms furnished by the Corporation.
- D. **Notification.** The clinical team will review the application materials as well as forwarded hospital and physician's documentation / information and will notify you whether you meet the entry requirements. We will also notify you as early as possible of the date on which the Living Accommodation is expected to be available for occupancy.

- E. Health Requirements.** Prior to PV residency, you shall submit a report of a physical examination (FL-2) made by a physician selected by you within 30 days of admission. Such report shall include a statement by a physician that you require health care accommodation. We may require you to have another physical examination by our Medical Director or by another physician approved by the Corporation. You shall be responsible for the costs of such physical examinations. If your health as disclosed by such physical examination differs materially from that disclosed in your Application for Entry and FL-2, the Corporation shall have the right to decline entry and to terminate this Agreement, or in the discretion of the Corporation, to permit you to take occupancy of accommodations at PV suitable to your needs.
- F. Psychiatric Illness, Dangerous Communicable Disease, Drug or Alcohol Abuse.** PV is not designed to care for persons who have an active psychiatric illness, a dangerous communicable disease or who require treatment for drug or alcohol abuse. Should PV, in consultation with the Medical Director, determine that your physical or psychiatric illness, or that your condition as a result of drug or alcohol abuse, is such that your continued presence is either dangerous or detrimental to your life, health, safety or peace, or the life, health, safety, or peace of others in the community, then PV may transfer you to another facility of your choosing and/or require you to terminate your PV residency.
- G. Financial Requirements.** You must have assets and income which will be sufficient under foreseeable circumstances to pay the financial obligations under this Agreement and to meet your ordinary living expenses. We may require you to furnish current financial information at any time prior to and subsequent to occupancy.
- H. Financial Resources.** You, your current and future responsible parties (i.e., power(s) of attorney, executor(s)) will abide by any and all financial arrangements made with the Corporation for the purpose of securing your ability to pay any and all charges for residing at PV. You agree not to make any gift or other transfer of assets for the purpose of evading your obligations under this Agreement, or if such gift or transfer would render you unable to meet such obligations under this Agreement. Gifts or transfers of assets in this manner, which result in your inability to meet your financial obligations in accordance with this Agreement, will entitle PV to terminate this Agreement, and you or your responsible parties, as applicable, will be liable for any unpaid amounts.
- I. Power of Attorney.** You agree to execute and maintain in effect a durable power of attorney that is valid under North Carolina law and will survive your incapacity or disability. This durable power of attorney will designate an attorney-in-fact and an alternate attorney-in fact who will act for you in managing your financial affairs and in filing for insurance or other benefits under private and public assistance programs as full and complete a manner as you could do if acting personally for yourself. **You will deliver a copy of a fully executed power of attorney to PV prior to occupancy.** You will not revoke or amend this durable power of attorney except upon execution of a replacement durable power of attorney, a fully executed copy of which will be delivered to PV. This document also may address other matters, such as decisions concerning medical care.
- J. Will.** You agree to execute a Will, and to provide to PV a copy of such sections of the Will and any revisions, as applicable during the term of this Agreement to document the name(s) of the person(s) to be contacted in the event of your death (i.e., executor(s)).

In the event of your death, while you are a resident of PV this Agreement, only the executor(s) named in your Will, will be allowed to remove or dispose of your furnishings and belongings in your Living Accommodation and any related PV storage areas. **Members of your family or those to whom you have granted Power of Attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.**

- K. Funeral and Burial.** PV will not be responsible for making funeral or burial arrangements and is not responsible for related expenses.
- L. Advance Directives.** You are encouraged to execute a Living Will and a Health Care Power of Attorney and deliver a fully executed copy thereof to PV as well as any revisions as applicable, during the term of this Agreement.
- M. Representations.** You affirm that the representations made during the entry process are true and correct and may be relied upon by the Corporation as a basis for entering into this Agreement.
- N. Appointment of Guardian.** If you become unable to care for your business and financial affairs, the Corporation reserves the right to institute action for the determination of your incompetence and the appointment of a guardian to fulfill the terms of this Agreement; unless such needed arrangements have already been made.
- O. Emergency Notifications.** You agree to provide PV with the following information prior to the date of occupancy as well as updates of this information during the term of this Agreement:
- Names, addresses and phone numbers of persons to notify in an emergency (minimum of two are required)
  - Names of person(s) having the right of entry into your residence
  - Name, address and phone number of funeral home (prior arrangements are encouraged)
  - Names, addresses and phone numbers of lawyer and executor
  - Names, addresses and phone numbers for Powers of Attorney

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

- A. Rights of Resident.** You have the right to occupy and enjoy the Living Accommodation described herein during your lifetime unless this Agreement shall be terminated as provided herein. It is understood that this Agreement does not transfer or grant any interest in the real or personal property owned by the Corporation other than the right to use or occupancy of the Living Accommodation in accordance with the terms hereof. The Living Accommodation may not be used for commercial purposes. The Living Accommodation may not be occupied or used in any manner in violation of any ordinance, law or regulation.
- B. All Healthcare residents are notified of their Resident Rights in writing at Admission.**
- C. Subordination.** You agree that all of your rights under this Agreement shall at all times be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Corporation, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender or lenders such further written evidence of such subordination as such lenders may reasonably require. You shall not be liable for any such indebtedness.

- D. Policies, Rules and Regulations.** You understand and agree that: (i) in order for PV to operate in the best interests of the entire community, it is essential that we have cooperation of and compliance with applicable policies, rules and regulations by you, your family, guests, responsible party and others who may intervene, speak or act or purport to intervene, speak or act, for or on behalf of you or who may come on the premises of PV in any capacity or for any purpose in connection with or as a result of your residency at PV; (ii) a continuing or repeated failure or refusal by any such persons to so cooperate and comply may result in a determination by PV that it is impracticable or impossible for PV to continue to accommodate you as a resident; and (iii) upon such determination by PV, we shall have the right to terminate this Agreement.
- E. Weapons.** No weapons of any type shall be brought on to the PV property by you or your guests.
- F. Resident Representation.** Residents have the right of self-organization through a Residents' council which may convene to review the interests of the resident population. You shall have resident representation on the PV Board of Directors as outlined in the Bylaws of PV.
- G. Guests and Visitors.** Guests and visitors are welcome at PV. Guests may use PV guest accommodations, subject to availability and additional charges. At all times, you shall be responsible for any injury to others or damage to the property of others or PV, caused by you or your guest(s). PV reserves the right and authority to limit or terminate the stay of any guest at any time and for any reason.
- H. Relationships Between Residents and Employees ("Associates").** PV is built on mutual respect and instructs its Associates to be cordial and helpful to Residents. The relationship is to remain professional. Associates must not be delayed or deterred by Residents in the performance of their duties. Management is solely responsible for the supervision of staff. Complaints or requests for special assistance must be made to the appropriate supervisor. Giving gratuities or bequests to Associates or Associates' families is not permitted. Residents will not employ PV Associates nor hire former PV Associates without the prior written consent of PV Management.
- I. Loss of Property.** The Corporation maintains insurance on all of its property and its operations to include general public liability insurance, property insurance including coverage for acts of God, vandalism and theft, professional liability insurance and worker's compensation.

The Corporation has established a process to safeguard residents' personal possessions without effectively prohibiting a resident's use of personal possessions. Corporation will work with residents and their representatives in an effort to ensure that resident's personal possessions are maintained in a reasonably safe manner and will investigate concerns in accordance with the federal regulations.

- J. Right of Entry.** PV recognizes your right to privacy and shall limit entry to your Living Accommodation to legitimate emergencies and to scheduled work, including housekeeping, repairs, maintenance, and inspections. You hereby authorize Associates or agents of PV to enter your Living Accommodation, upon reasonable notice for all such purposes.
- K. Appliances.** PV is not obligated to determine your ability to safely utilize the appliances, if any, in your Living Accommodation. However, should we determine that you have demonstrated an inability to safely utilize appliances in your Living Accommodation; we will have the right to turn off the power servicing such appliance(s) and/or to remove any and all such appliances. In any such instance, you shall remain obligated to pay for the Full Month/Daily fee for your Living Accommodation, any extra meals and any fire alarm charges issued by the fire department.

**L. Changes in Living Accommodations.** The Corporation has the right to change the Living Accommodation to meet requirements of any applicable statutes, laws or regulations.

**M. Health Insurance.** You will maintain eligible Medicare coverage or equivalent insurance coverage, which adequately covers hospital, medical, prescription, and skilled nursing deductibles and co-payments required of your primary insurance plan. Both your primary and supplemental health insurance policies must recognize PV as a health care provider, or you will assume the financial responsibility for services provided that otherwise could be covered.

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

**N. Filing for and Rights to Insurance Benefits.** PV is a participating provider with Medicare and Medicaid only.

- PV will file claims with Medicare for all covered services. By law, the patient is responsible for payment of the deductible, co-insurance, and any non-covered service. Non-covered services include but are not limited to beauty shop charges.
- As a courtesy, PV will file claims to your secondary insurance carrier for your Medicare Parts A & B co-insurance, unless we are prohibited from filing due to participation requirements of the carrier.
- The Medicare Part A co-insurance will be billed on your monthly PV statement as services are rendered prior to any insurance filings. You are responsible for payment of all Medicare Part A co-insurance billed by PV upon receipt of the bill. Payments received from your insurance carrier for Medicare Part A co-insurance will be applied to your monthly PV statement when received.
- Medicare Part B co-insurance (i.e., therapy co-insurance) not paid by a Resident's insurance carrier within 90 days of the date of service will become due and payable by the Resident unless the claim is subject to Medicare, Medicaid, or an insurance plan in which PV participates.
- In the event a Resident's health insurance determines a service is "not covered", the Resident will be responsible for payment. PV tries to inform Residents when services may not be covered; however, it is the resident's responsibility to understand his/her policy limitations.
- Charges not paid by a Resident's insurance company within 90 days of the date of service will become due and payable by the Resident unless the claim is subject to Medicare, Medicaid, or an insurance plan in which PV participates.
- If, for any reason, PV cannot apply directly for benefits payable under insurance required by this Agreement, you agree to make such application and to pay PV the proceeds received.
- **PV reserves the right, in its discretion, to eliminate or change its participation with any and all insurance plans.**

- O. Combination of Living Accommodations.** Various circumstances may make it desirable that a Living Accommodation occupied by a Resident be combined with an adjoining Living Accommodation to form one combined Living Accommodation. You agree that if a determination is made by the Corporation that it is desirable to combine your Living Accommodation with a Living Accommodation which adjoins your Living Accommodation, you will surrender occupancy of your Living Accommodation, within a reasonable time after receiving notice of such determination. In the event that the Corporation makes such determination and notifies you of such, you have the option to (a) transfer into the combined Living Accommodation when such combined Living Accommodation is ready for occupancy, or (b) transfer to another Living Accommodation, when available, of the same type as the Living Accommodation previously occupied by you. You will pay the Monthly/Daily charge associated with the combined Living Accommodation as established by the Corporation.
- P. Transfer to Another Living Accommodation.** You may move to a different PV Health Care Center Living Accommodation, when it becomes available, upon payment of such fees, consent by the Corporation and compliance with such guidelines regarding transfers as may be adopted by the Corporation. Fees and guidelines may be changed from time to time by the Corporation.
- Q. Transfer to an Assisted Living Accommodation.** Should your needs change, you may request entry to an Assisted Living Accommodation, when it becomes available, upon payment of such fees, consent by the Corporation and compliance with such guidelines regarding transfers as may be adopted by the Corporation. Fees and guidelines may be changed from time to time by the Corporation.
- R. Transfer to an Independent Living Accommodation.** Should your needs change, you may request entry to an Independent Living Accommodation. You would be required to complete the applicable entry process, provide requested information and execute a separate residence and services agreement. You would be required to pay an Entrance Fee at the time of transfer to an Independent Living Accommodation. Fees and guidelines may be changed from time to time by the Corporation. PV reserves the right to amend such policies, guidelines and fees in its discretion.
- S. Room Assignment in Skilled Nursing and Assisted Living Centers.** You understand that you acquire no ownership in any property at PV under this Agreement; also, that no particular room or unit in the Assisted Living or the Skilled Nursing Centers is subject to reservation or permanent assignment, and that we may change your room assignment in the Assisted Living or the Skilled Nursing Centers. Though we retain the right to change your room assignment, we agree that we will make changes only as we find such changes to be necessary or advisable.
- T. Moving Costs.** You are responsible for arranging and paying for all packing and moving costs for moves into, within and out of PV.
- U. Pets.** Pets are not allowed in the Assisted Living and Skilled Nursing Centers Living Accommodations.
- V. Smoking / Tobacco Products.** PV is a “Smoke and Tobacco Free” Community. Smoking and use of tobacco products is only permitted anywhere on PV property including, campus buildings, building entrances or common areas. The only exception is that the Health Care Center Administrator may permit smoking for a Resident, if so, a designated smoking area would be created outside.

**W. Absences.** You agree to inform PV (Director of Nursing or Designee) when you are going to be away for any length of time. In order to provide adequate time for medications to be available, if applicable, you must provide at least 24 hours advance notice of an absence. No credits (i.e., missed meals) will be given during absences for Assisted Living and Skilled Nursing Residents. For additional information related to absences from Skilled Nursing, please refer to the Bed Hold Policy, which is described within the Healthcare Resident Handbook.

**V. TRANSFERS OR CHANGES IN LEVELS OF CARE.**

A change in Living Accommodations within the Skilled Nursing or to the Assisted Living Centers will require no additional residence and services agreement. This Agreement will remain in effect.

**A. Transfer within the Skilled Nursing Center or to Assisted Living Center.** You agree that the Corporation shall have authority to determine that you should be transferred from your Living Accommodation to the Assisted Living Center or a separate area within either center. Such determinations shall be based on the professional opinion of PV's Medical Director, Healthcare Administrator and Director of Nursing and shall be made only after consultation to the extent practical with the Resident, the Resident's physician, a representative of the Resident's family or the Resident's responsible party.

**B. Transfer to Hospital or Other Facility.** If it is determined that you need care beyond that which can be provided by PV, you may be transferred to a hospital, center or institution equipped to give such care, which care will be at your expense. Such transfer will be made only after consultation to the extent practical with the Resident, the Resident's physician, a representative of the Resident's family or the Resident's responsible party.

In the event it becomes necessary for you to be transferred to a hospital, PV will provide any information available to meet the provisions of any hospital admissions agreement and you agree that PV has the right to provide such information, which may include part or all of your records.

**C. Surrender of Living Accommodation.** If a determination is made by the Corporation that any transfer described in this Section is permanent in nature, you agree to surrender the Living Accommodation and any storage areas, which were occupied by you prior to such transfer, within 5 days of the determination.

You are responsible for the costs of transfer and moving as well as the Monthly/Daily Fee through the last day of occupancy of the Living Accommodation being vacated. For the purposes of this Section V.C., occupancy is defined as the last day that a Resident either resides in the Living Accommodation or the last day that the Resident's furnishings or belongings occupy the Living Accommodation or Accommodation keys are turned in to a Penick Village representative.

If the Corporation subsequently determines based upon the opinion of our Healthcare staff, Medical Director and whomever else we wish to engage, that you can resume occupancy in accommodations comparable to those occupied by you prior to such transfer you shall have priority to such accommodations as soon as they become available and you will be responsible for applicable fees as determined by the Corporation.

\_\_\_\_\_  
Initial

\_\_\_\_\_  
Initial

\_\_\_\_\_  
Initial

## VI. TERMINATION PROVISIONS

- A. **Termination Prior to Occupancy.** This Agreement may be rescinded by you at any time prior to taking occupancy at PV for any reason by giving written notice to the Corporation.

This Agreement may be terminated by the Corporation at any time prior to the date that you take occupancy if the Corporation determines that you no longer meet the physical, mental or financial requirements for admission.

In the event of such termination (including death or physical or mental conditions making you ineligible for admission to PV), you shall not receive a refund of any amounts paid for non-standard features added to the Living Accommodation. Notwithstanding anything to the contrary in this Agreement, if the Resident has paid the applicable Monthly/Daily Fee prior to occupying the Living Accommodation, any refund of such amounts (expressly excluding any amounts paid for non-standard features added to the Living Accommodation) shall be paid by PV within thirty (30) days following such termination pursuant to this paragraph.

- B. **Voluntary Termination.** Except as provided herein in subsection A of this Section VI., you may terminate this Agreement by giving the Corporation thirty (30) days prior written notice (nonrefundable) of such termination. If required notice is given, or if no written notice is given, you will be responsible for paying the Monthly/Daily Fee for the applicable Living Accommodation for the full notice period (nonrefundable fee) and for each day of occupancy except when a delay in discharge or transfer would jeopardize your health or safety or that of others at PV.
- C. **Abandoned Living Accommodation.** You may be deemed to have abandoned the Living Accommodation and terminated this Agreement if you do not occupy a residence at PV for a period of one continuous year.
- D. **Temporary Absence.** Temporary absence because of illness, trips or otherwise will not affect your rights to retain occupancy of Living Accommodation, as long as applicable Monthly/Daily Fees are paid.
- E. **Termination Upon Death.** In the event of your death, this Agreement shall terminate as of the date that your Living Accommodation is vacated provided, however, that the Resident's estate shall continue to be obligated to pay the applicable Monthly/Daily Fee for such Resident's Living Accommodation until such Resident's Living Accommodation is vacated and left in good condition except for normal wear and tear.

In the event of such termination, you shall not receive a refund of any amounts paid for non-standard features added to the Living Accommodation. Any refund due following the Resident's death, will be made in accordance with Section VI.I.

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

- F. **Termination by the Corporation.** We may terminate this Agreement at any time if there has been a material misrepresentation or omission made by you during the application process; if you fail to make payment to the Corporation of any fees or charges due the Corporation within thirty (30) days after receiving written notice of your failure to pay such fees or charges; if you do not abide by the rules and regulations adopted by the Corporation or breach any of the terms and conditions of this

Agreement; if the health or safety of other individuals in the Corporation is endangered if you remain in PV as determined by a physician, physician assistant or nurse practitioner; or the discharge is necessary for your welfare and your needs cannot be met by the Corporation as documented by your physician, physician assistant or nurse practitioner.

You will be responsible for paying the Monthly/Daily Fee for the applicable Living Accommodation for the full notice period and for each day of occupancy. Except in cases of emergency, you will receive a notice of the termination by the Corporation at least thirty (30) days prior to the effective date of termination. You may be entitled to appeal the Corporation's decision to terminate this Agreement and, except in cases of emergency, the Corporation will not discharge you before the final decision resulting from the appeal has been rendered. Further, Healthcare has a policy that follows the Federal Regulations regarding involuntary discharge: (1) The discharge or transfer is necessary for the resident's welfare and the facility cannot meet the resident's needs. (2) The resident's health has improved sufficiently so that the resident no longer needs the care and/or services of the facility. (3) The resident's clinical or behavioral status (or condition) endangers the safety of individuals in the facility. (4) The resident's clinical or behavioral status (or condition) otherwise endangers the health of individuals in the facility. (5) The resident has failed, after reasonable and appropriate notice, to pay or have paid under Medicare or Medicaid, for his or her stay at the facility. (6) The facility ceases to operate. Corporation will not initiate a discharge should a Medicaid application be pending.

**G. Condition of Living Accommodation.** At the effective date of termination of this Agreement, you will vacate the Living Accommodation and will leave it in good condition except for normal wear and tear. You, or your estate, will be liable to the Corporation for any costs incurred in restoring the Living Accommodation and storage areas to good condition except for normal wear and tear.

**H. Removal of Personal Property.** In the event of termination of this Agreement, you agree to surrender the Living Accommodation and any storage areas, which were occupied by you, within five (5) days of the determination.

The Corporation reserves the right that should personal property remain in the vacated Living Accommodation longer than five (5) days, PV will remove the belongings from the Living Accommodation and any storage areas. You will pay a Monthly/Daily storage fee equal to 50% of the Monthly/Daily Fee for the previously occupied Living Accommodation or the actual cost of external storage, whichever is applicable. Your property will not be stored for longer than 30 days. Unclaimed property will become the property of PV after 30 days and will be disposed of at the sole discretion of the Corporation.

In the event of your death, while you are a resident of PV under this Agreement, only the executor(s) named in your Will are allowed to remove or dispose of your furnishings and belongings in your Living Accommodation and any related storage areas at PV. Members of your family or those to whom you have granted Power of Attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

**I. Refund.** You or your estate, or a revocable trust designated by you may be entitled to a refund of any amounts related to the cost of health care services provided by PV or any third-party health care provider less any amounts payable to PV or any third-party health care provider through the date the refund is due hereunder. This refund shall not include the cost of non-standard features that were added to your Living Accommodation at your request. Any refund will be made no later than thirty (30) days from the date of your death.

If the Agreement is terminated by you or the Corporation in an emergency situation (i.e., because the Corporation is no longer able to meet your urgent health care needs, or termination is necessary to protect your health and safety or that of another person at PV), the refund will be made within thirty (30) days after you leave PV. If this Agreement is terminated for any other reason, the refund will be made no later than thirty (30) days after you leave PV.

- J. **Release from Obligations Upon Termination.** Upon termination of this Agreement, PV is released from any further obligations to you except for the payment of any refund which may be due under this Agreement.

## VII. **RIGHT OF RESCISSION**

Notwithstanding anything herein to the contrary, this Agreement may be rescinded by you giving written notice of such rescission to the Corporation within thirty (30) days following the latter of the execution of this Agreement or the receipt of a disclosure statement that meets the requirements of Section 58-64-1, et seq. of the North Carolina General Statutes. In the event of such rescission, you shall not receive a refund of any amounts paid for non-standard features added to the Living Accommodation. You will not be required to move into PV before the expiration of such thirty (30) day period. Notwithstanding anything to the contrary in this Agreement, any refund that may be due to you following rescission of this Agreement, shall be paid by the corporation within thirty (30) days following receipt of written notice of rescission pursuant to this paragraph.

## VIII. **GENERAL**

- A. **Compliance with Applicable Laws.** Resident and PV will operate in full compliance with all laws, rules, regulations and ordinances promulgated by lawful governmental authorities.
- B. **Confidentiality.** PV has the responsibility to keep all of the personal, medical and financial information you have supplied to it confidential. You agree that PV can disclose such information in accordance with all applicable laws to those who have a need, in its judgment, or right to know (e.g., to provide information for transfer to a hospital).
- C. **Assignment.** Your rights and privileges under this Agreement to the facilities, services and programs of the Corporation are personal to you and may not be transferred or assigned by you or otherwise.
- D. **Management of the Corporation.** The absolute rights of management are reserved by the Corporation, its Board of Directors and its administrators as delegated by said Board of Directors. The Corporation reserves the right to accept or deny any person for residency. Residents do not have the right to determine admission or terms of admission of any other Resident. PV reserves the right to amend, implement or terminate policies and/or guidelines related to the operation of the community in its sole discretion.
- E. **Episcopalian Affiliation.** PV is affiliated with the Episcopalian Church. The Episcopalian Church is not responsible for the financial and contractual obligations of PV.
- F. **Indemnity.** You agree to indemnify, defend and hold us harmless from claims, damages or expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your negligent or intentional act or omission or those of your guests, including licensed home health companions, or other.

- G. Severability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.
- H. Resident Contracted Services.** If you wish to privately employ outside assistance, including PV-employed Associates, for whatever reason, all PV policies must be upheld, and prior written approval by PV management must be obtained. If you choose to receive home health, home care or companion services, you are obligated to utilize a licensed or an accredited agency and you agree to report the agency's periods of visitation to Penick Village in accordance with the policies set forth in the Healthcare Resident Handbook. You agree to hold PV harmless in all situations related to the provisions of such outside services. The Corporation has the right to require termination of such a service at any time.
- I. Healthcare Resident Handbook.** You will be given a current copy of the Resident's Handbook as adopted by the Corporation. You understand that these documents will change from time to time but that they are the procedural documents for those occupying Living Accommodations at PV. You will be provided with a copy of any revisions to the Resident Handbook in a timely manner, and will have an opportunity to inquire with Corporation's Administrator or designee should you request clarification.
- J. Entire Agreement.** This Agreement constitutes the entire contract between the Corporation and Resident. The Corporation shall not be liable or bound in any manner by any statements, representations or promises made by any person representing or assuming to represent the Corporation, unless such statements, representations or promises are set forth in this Agreement or in an amendment to this Agreement signed by PV's CEO and by you. Electronic (e.g., pdf) versions of this Agreement shall have the same legal effect as originals, and all of which, when fully executed, shall constitute one and the same instrument.
- K. Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of the Corporation and the heirs, executors, responsible parties, powers of attorney, administrators and assigns of you.
- L. Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, trustee, agent or employee of ours shall have any personal liability hereunder to you under any circumstances.
- M. Tax Considerations.** You should consult with your tax advisor regarding the tax considerations associated with this Agreement.
- N. Governing Law.** This Agreement shall be governed by the laws of the State of North Carolina without regard to conflict of laws principles.
- O. Amendments and Partial Invalidation.** Generally, this Agreement can be changed only by mutual written consent. However, we can make changes without your consent to keep the Agreement in compliance with applicable laws and regulations provided, that the changes we make do not substantially reduce your benefits under the Agreement. If any provision in this Agreement is invalidated, all other provisions will remain in force.
- P. Waivers.** Neither the failure nor any delay on the part of any party to exercise any right, remedy, power, or privilege ("Right") under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any Right preclude any other or further exercise of the same or of any Right, nor shall any waiver of any Right with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

- Q. Survival.** Those rights and obligations that have accrued as a result of the operation of this Agreement shall survive its termination, as shall those rights and obligations that by their terms survive termination and any provisions that must survive to give effect to their terms, as shall any obligation of Resident to pay costs or expenses of his or her stay at PV that remain unpaid as of such termination.
- R. Gender.** Throughout this Agreement, the use of the masculine gender shall include the feminine, and the use of singular shall include the plural.
- S. Interpretation.** Headings are for convenience and reference purposes only and shall not affect the interpretation of any provision of this Agreement.
- T. Notice Provisions.** Any notices, consents, or other communications to the Corporation hereunder (collectively “notices”) will be in writing and addressed as follows:

**Penick Village, Inc.:**

Attn: Business Office  
500 E. Rhode Island Ave.  
Southern Pines, North Carolina 28387

**Resident:**

Your address for the purpose of giving notice prior to your move to PV is the address appearing after your signature below.

Your address for the purpose of giving notice after your move to PV will be the current Living Accommodation address at the applicable time of notice.

You are responsible for notifying us of any changes in address and/or telephone number.

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

I (we) understand this matter involves a financial commitment and associated risk as well as a legally binding contract. I (we) was (were) encouraged to consult with an attorney and/or financial advisor who could advise me (us) concerning this Agreement.

**NOTICE:**

Because the authority to enter into continuing care contracts granted by the North Carolina Department of Insurance is neither a guarantee of performance by the provider nor an endorsement of any continuing care contract provision, prospective residents must carefully consider the risks, benefits, and costs before signing a continuing care contract and are strongly encouraged to seek financial and legal advice before doing so.

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

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

**PENICK VILLAGE, INC.**

**RESIDENT(S)  
(or Resident(s)'s Attorney in Fact) (\*)**

\_\_\_\_\_  
By (signature)

\_\_\_\_\_  
(signature) (Date)

\_\_\_\_\_  
Printed Officer Name

\_\_\_\_\_  
(signature) (Date)

\_\_\_\_\_  
Title

\_\_\_\_\_  
Current Address: Street

\_\_\_\_\_  
City, State, Zip Code

\_\_\_\_\_  
Telephone

(\*) If Attorney-in-Fact signs on behalf of the Resident(s), a Filed Power of Attorney document must be attached to this Agreement.



# PENICK VILLAGE

**Penick Village, Inc.**

## **Healthcare (Joan L. Grant Nursing Center) Residence and Services Agreement**

**Resident:** \_\_\_\_\_

**Living Accommodation:** \_\_\_\_\_

**HEALTHCARE  
RESIDENCE AND SERVICES AGREEMENT  
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**ACKNOWLEDGEMENT OF RECEIPT  
OF  
DISCLOSURE STATEMENT**

**Penick Village, Inc.  
500 E. Rhode Island Ave.  
Southern Pines, NC 28387**

As of the day and year written in this Residence and Services Agreement, the undersigned Resident(s) acknowledges receipt of the Disclosure Statement of Penick Village, Inc.

Date: \_\_\_\_\_

The Disclosure Statement was received prior to the execution of this Agreement or prior to or at the time of the transfer of any money or other property to the facility, whichever occurred first.

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

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

I understand this matter involves a financial commitment and associated risk as well as a legally binding contract. In evaluating the Disclosure Statement and the Financial Statements prior to any commitment, I was encouraged to consult with an attorney and/or financial advisor who could 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.

**PENICK VILLAGE, INC.**

**RESIDENT(S)  
(or Resident(s)’s Attorney in Fact) (\*)**

\_\_\_\_\_  
By (signature)

\_\_\_\_\_  
(signature) (date)

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
(signature) (date)

\_\_\_\_\_  
Title

(\*) If Attorney-in-Fact signs on behalf of the Resident(s), a Filed Power of Attorney document must be attached to this Agreement.

## HEALTHCARE RESIDENCE AND SERVICES AGREEMENT

This Agreement (the "Agreement") is made this *(date of occupancy)* \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ by and between Penick Village, Inc., a North Carolina nonprofit corporation (hereinafter the "Corporation", "PV", "we", "us" or "our") and \_\_\_\_\_ (hereinafter "Resident", "you", "your").

WHEREAS, the Corporation is a Life Plan Community (formerly known as a "Continuing Care Retirement Community") located at 500 E. Rhode Island Ave., Southern Pines, NC 28387 known as "Penick Village"; and

WHEREAS, You desire to become a resident of PV's Healthcare and to use and enjoy the facilities, programs and services provided by the Corporation subject to the terms and conditions of this Agreement;

NOW, THEREFORE, You and the Corporation agree as follows:

### I. ACCOMMODATIONS AND SERVICES

Subject to the terms and conditions set forth in this Agreement, we agree to provide you the Living Accommodation, services and programs at PV described as follows:

- A. **Living Accommodation.** Physical Address of: \_\_\_\_\_  
Residence number \_\_\_\_\_, an accommodation (as described in materials presented to you and as may have been shown to you during a physical tour), located in PV's Healthcare building (hereinafter referred to as the "Living Accommodation"). You have the exclusive right to occupy and use the Living Accommodation subject to the terms and conditions set forth in this Agreement. You, with the prior written consent of the Corporation and subject to the terms and conditions of this Agreement, may from time-to-time transfer from one PV Living Accommodation to another. Transfer charges may apply. In the event of such a transfer, the reference to the "Living Accommodation" designated above shall be automatically amended to reflect such a transfer.
- B. **Security.** We will use reasonable care in providing security on the premises of PV. We will furnish an emergency call system that is monitored twenty-four (24) hours a day. Smoke detectors are provided in all Living Accommodations. We are not responsible for loss or damage to your personal property to include personal assistance devices such as hearing aids. You are responsible for securing your Living Accommodation.

Initials \_\_\_\_\_  
Corporation      Resident(s)

- C. **Utilities.** We will furnish ordinary electricity, heating, air conditioning, water, sewer, gas, basic cable television service, free wifi, a telephone, a clock, a television, and trash removal. You are responsible for any premium media/internet services.
- D. **Furnishings and Appliances.** The Corporation will provide furnishings and appliances in the Living Accommodation as described in the PV-published literature. All other furniture and furnishings for the Living Accommodation shall be provided by the Resident and shall be maintained by you at your risk.

- E. **Meals.** The Corporation will make available, to you, three (3) nutritionally well-balanced meals each day, the cost of which is included in your Monthly/Daily Fee.
- F. **Housekeeping Services.** We agree to maintain the Living Accommodation by providing scheduled housekeeping for Healthcare residents. Housekeeping includes periodic vacuuming, dusting, and daily cleaning. Additional housekeeping services may be made available at your expense.
- G. **Laundry.** Bed and bath linens as well personal laundry service (washing, drying and folding) will be provided for Healthcare residents. The costs of these services are included in the Monthly/Daily fee. You are responsible for arranging and paying for dry cleaning services. PV is not responsible for loss or damage to personal items laundered by PV.
- H. **Maintenance and Repairs.** We will maintain and keep in repair the improvements, furnishings, appliances, and equipment owned by the Corporation. Maintenance and repair of your personal property is your responsibility. You will be responsible for the cost of repairing any damage to property of the Corporation caused by your negligence and/or that of any guest of yours.
- I. **Alterations to Living Accommodation.** Any structural or physical change or redecoration of any kind within the Living Accommodation will require the prior approval of the Corporation. The cost of any change, repairs or maintenance for that change and the subsequent cost to return the living unit to its original condition in the event of such change, or redecoration, will be paid by you. Any such improvement or change will be owned by the Corporation and will not be considered in determining the amount of any refund to you upon termination of this Agreement.
- J. **Use of and Changes to Living Accommodation.** The Corporation has the right to change the Living Accommodation to meet requirements of any applicable statutes, laws, or regulations. The Living Accommodation may not be used in any manner in violation of any zoning ordinances or other governmental laws or regulations.
- K. **Groundskeeping.** We will provide basic groundskeeping service for the grounds of PV, including lawn, tree and shrubbery care. Subject to approval by the Corporation, you may plant and maintain certain areas designated for such purpose by the Corporation. The cost of these plantings and maintenance of such plantings will be at your expense.
- L. **Mail.** Mail will be delivered by the postal service to PV. PV staff delivers mail to central mail areas for Assisted Living Accommodations. PV staff deliver mail directly to each Joan L. Grant Nursing Center Living Accommodation.
- Package deliveries vary by carrier. If a carrier does not deliver packages directly to the resident's Living Accommodation, PV staff will deliver packages directly to Assisted Living and Joan L. Grant Nursing Center Resident.
- M. **Common Facilities.** We will provide common facilities for the use and/or benefit of all Residents. Such common facilities currently include an exercise facility, central dining rooms, multi-purpose rooms, library, game/television area, lounges, and sitting areas.
- N. **Transportation.** We will provide local medical transportation for scheduled medical appointments Monday through Friday between 8:00 a.m. and 4:00 p.m. except holidays. Forty-eight (48) hours' notice is required. Additional charges will be incurred for appointments outside of normal service hours noted above. Additional charges will be incurred for Residents who require staff accompaniment. Out-of-County transportation is not provided. See Healthcare Resident Handbook for more details.

We will provide local transportation for Residents as part of the Activity program for the following: scheduled meal outings, day trips, and other special events. An additional charge may be incurred for transportation for special, personal or group trips.

- O. Activities.** Wellness, social, recreational, spiritual, educational and cultural activities will be available to Residents. Additional charges may be incurred for some programs.
- P. Other Services Available.** Residents engaging third parties for services within PV may do so only with prior notification and PV authorization (i.e., licensed home care or home health agencies, maintenance workers, etc.). This is not an all-inclusive listing of services you may request or utilize. With respect to services not listed, consult the Healthcare Resident Handbook's Schedule of Charges.
- Q. Services.** The services and facilities that are provided through the Entrance and Monthly/Daily Fees (may also be described further herein) are summarized below:

These services are provided to all Residents, regardless of level of accommodation, and are included in the monthly/daily fees.

- Dining plan
- Deposit services with First Bank when associated with a Resident Trust Account
- Limited parking
- Limited storage (based on Living Accommodation)
- Limited Wi-Fi/internet access
- All utilities
- Basic Cable television service
- Housekeeping service
- Maintenance service
- Local medical transportation within 25 miles of campus
- Social, spiritual, and recreational programs
- Pastoral counseling
- On-site delivery of pharmaceuticals
- Routine nursing services
- Nutritional counseling
- Emergency nursing services
- 24-hour medical emergency call system, security and fire protection
- Limited Check Cashing (may be limited in terms of frequency and amount)
- Notary Public services

Additional storage space may be provided for the Assisted Living Center.

The following additional services are provided with the monthly/daily fee to Joan L. Grant Nursing Center residents.

**Joan L. Grant Nursing Center**

- Three meals daily
- Meal service to room, if required
- Dining Room assistance
- Assistance with activities of daily living
- Wheelchair assistance
- As scheduled housekeeping assistance
- Personal laundry service
- Medication delivery by a nurse or Med Aide
- Monitoring of vital signs according to physician's orders
- Nursing Assessment
- Multi-disciplinary care planning
- Skilled care by RNs, and/or LPNs, and CNAs
- Access to Fitness Center

**R. Professional Management of PV and its Facilities.** The Corporation will employ associates and/or agents to manage the operations of PV and its facilities.

**S. Nursing and Health Care.** We will provide nursing and health care for each Resident as follows:

1. **Nursing Center:** The Joan L. Grant Nursing Center will be provided for the benefit of the Residents. The Corporation is licensed by the North Carolina Department of Health and Human Services, Division of Health Service Regulation to operate 32 beds offering intermediate and Joan L. Grant Nursing Center care for Residents who are temporarily ill or who require long-term nursing care. Private accommodations will be provided for Residents in the Joan L. Grant Nursing Center Center. Some of the beds in the Healthcare Center are dual-licensed for Medicare and Medicaid reimbursement.

- Twenty-four (24) hour nursing staff maintained throughout Healthcare.
- The overall coordination of health care services by the Corporation provided through the joint efforts of a Medical Director (a licensed physician selected by the Corporation), the Corporation's licensed Nursing Home Administrator, the Corporation's Director of Nursing, and other nursing/clinical staff of the Corporation.
- Charges for Healthcare accommodations and services are described in the Schedule of Fees and other literature published by the Corporation.
- Residents may choose their own personal physician and are responsible for charges for services by such physicians and any consultants. Residents may choose to use the Corporation's Medical Director as their personal physician. Residents are responsible for applicable charges.

- Other health care services may be made available to the Resident at the Resident's expense, including, but not limited to: pharmacy services, radiology services, dental and podiatry services, laboratory tests, physical therapy, speech therapy, occupational therapy, including therapeutic activities, rehabilitative treatments, wheelchairs, other medical equipment and supplies. The cost of such services shall not be covered by the Monthly/Daily Fees described herein.
2. **On-Site Call Response.** Each Living Accommodation is equipped with a call system. PV nursing staff will respond to emergency calls.
  3. **Emergency Medical Care.** We will notify your responsible party when emergency medical care is necessary. If acute medical care is necessary or upon physician's or your request, you will be transferred to a local hospital Emergency Room.
  4. **Assisted Living.** Our Residential Assisted Living and Garden Cottage are licensed by the North Carolina Department of Health and Human Services, Division of Health Service Regulation to operate 40 residences, 42 beds to provide support services for Residents who require assistance with activities of daily living. Private accommodations will be provided for Residents in the Assisted Living Center. The Assisted Living Center is licensed to provide services to individuals who require some assistance with activities of daily living, including but not limited to: bathing, dressing, medication administration, dining room assistance, monitoring of vital signs, and nursing assessments. The Garden Cottage serves the needs of individuals diagnosed with memory care-related issues.

## II. **FINANCIAL ARRANGEMENTS**

- A. **Entrance Fee.** Entrance Fees are as presented in the fees and services documentation provided to you. An Entrance Fee of \$\_\_\_\_\_ is due upon Occupancy and is non-refundable.
- B. **Optional Services.** The following Optional Services and other services and ancillary items may be available to Residents on a fee-for-service basis:
  - **Guest food to include Holiday and Special Occasion meals**
  - **Catering for special occasions**
  - **Barber and beauty services**
  - **Food delivery**
  - **Additional transportation**
  - **Additional housekeeping services**
  - **Computer/IT services**
  - **Usage of guest suites, if available**
  - **Personal business services**
  - **Additional maintenance services**

- **Electric car and golf cart charging stations**
- **Medications (Prescription and over-the-counter)**
- **Incontinence products**

C. **Monthly/Daily Fee.** You agree to pay a Monthly/Daily Fee during the term of this agreement which will be by automatic draft payments from the resident’s designated account by the 15th day of each month. As of the date of this Agreement, the Monthly/Daily Fee associated with your Living Accommodation will be \$ \_\_\_\_\_ per day.

The Monthly/Daily Fee will begin on the date of occupancy. Occupancy is defined as the first day that a Resident either resides in the Living Accommodation or the first day that the Resident’s furnishings or belongings are placed in the Living Accommodation or in a PV storage area.

No credit will be provided to you should you refuse services which are included in the Monthly/Daily Fee, such as laundry, housekeeping and meals.

Initials \_\_\_\_\_  
Corporation      Resident(s)

D. **Vacations and/or Time Away from Living Accommodation.** Monthly/Daily Fees are not subject to change or credit if a Resident is away from the Living Accommodation for any period of time. (For example, vacations, hospital stays, etc.)

E. **Adjustments in the Monthly/Daily Fee.** The Corporation usually sets fees annually but shall have the authority to adjust the Monthly/Daily Fee from time to time during the term of this Agreement as it, in its discretion, deems necessary. Any such increase in the Monthly/Daily Fee or other charges may be made by the Corporation upon thirty (30) days written notice to the Resident.

In the event that it should be determined that the Corporation is required to pay ad valorem taxes upon its property, the Monthly/Daily Fee may be adjusted to reflect the amount of such taxes. You will pay all taxes assessed on your personal property.

In the event PV is assessed sales or use tax on Monthly/Daily Fee and/or fees for other services, you agree to pay PV the amount of such taxes.

F. **Schedule of Fees.** You have been given a current copy of the Schedule of Fees as authorized by the Chief Executive Officer of the Corporation. You understand that these fees may periodically change.

G. **Payment Due Date.** Penick Village will automatically draft payments from the resident’s designated account the fifteenth (10<sup>th</sup>) day of each month, or on the business day prior if the 15<sup>th</sup> of the month falls on a weekend and holidays, for accumulated service fees and miscellaneous expenses.

H. **Late Fee.** Penick has a late payment policy for all payments not received by the 15th of the month; a late charge of eighteen percent (18%) annually will be applied to any unpaid balance.

- I. **Monthly Statements.** We will furnish the Resident with monthly statements showing the total amount of fees and other charges owed by the Resident, which shall be payable by the 15th of the month. Late payments are subject to an interest charge of one and one-half percent (1.5%) per month from the first of the month. PV requires an automatic bank draft for the Monthly/Daily Fees. PV may terminate this agreement if You have a past due amount in excess of thirty (30) days. Termination of this Agreement does not end the obligation of You or Your estate to pay all amounts due, no matter when incurred.

You, and your current and future responsible parties (i.e. power(s) of attorney, executor(s)) on your behalf, from your assets and income agree to pay all costs, expenses, and reasonable attorneys' fees, in the event same must be expended in the collection of any sums due and owed by you to the Corporation.

The Corporation reserves the right, with 30 days' notice, to change the billing date and the payment due date. For a partial first month, the Monthly/Daily Fee is pro-rated on a per diem basis. Thereafter, Monthly/Daily Fees are paid in advance and are pro-rated at termination for Joan L. Grant Nursing Center.

- J. **Nursing Center and Assisted Living Priority Admission.** Residents are provided priority admission over non-Residents for entry to the Joan L. Grant Nursing Center or Assisted Living Center. PV will make every effort to accommodate Residents in the Joan L. Grant Nursing Center and/or Assisted Living Centers but cannot guarantee availability of accommodations. In the event the Joan L. Grant Nursing Center and the Assisted Living Centers are fully occupied when a resident is in need of care, the resident agrees to relocate to an alternate health care facility ("a Comparable Facility"). In the event of relocation, PV will make every effort to transfer the resident back to PV when accommodation becomes available.

Upon your relocation to a Comparable Facility, the resident will continue to be responsible for the Monthly/Daily Fee (unless their Living Accommodation is surrendered). PV will not be responsible for the charges associated with the alternate health care accommodation.

- K. **Application for Benefits.** If requested by PV, you will apply for any or all federal, state, and local benefits for which you may be eligible or entitled; and if requested by PV, you will apply for any or all such benefits toward the cost of your care at PV. These benefits may include: Medicare, Medicaid, and prescriptions.

Residents who receive Medicaid funding and who reside in a Medicaid certified accommodation may be required to have their Social Security, pension or other monthly income paid directly to PV. PV will administer and manage these funds, on behalf of the Resident in accordance with applicable laws and regulations, to pay for the residence and services provided to the resident.

- L. **Assignment of Benefits.** You will periodically authorize any provider of medical and health services to receive reimbursement as provided under Medicare/Medicaid, any or all Federal, State and local benefits for which You may be eligible or entitled, and any supplementary insurance programs. If requested by PV, you will periodically make assignments to the provider of medical and other health services of all benefits otherwise accrued to you under Medicare/Medicaid, or other programs and supplementary extended coverage plans to compensate for services rendered.

- M. **Managed Care.** If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, or other programs, and supplemental insurance coverage, the terms of this Agreement governing nursing care will include the following provisions:

1. **Participating Provider.** If PV is a participating provider with your managed care program, the Corporation agrees to be reimbursed at the rate negotiated with your managed care program.
2. **Not a Participating Provider.** If PV is not an approved participating provider with your managed care program and you choose to receive health care services at a managed care participating provider, then you agree that you must relocate for as long as necessary for those services to be provided and be responsible for all costs. In addition, while receiving health care services at the managed care participating provider, you agree that unless this Agreement is terminated, you will continue to pay the Monthly/Daily Fee for your Living Accommodation, unless your Living Accommodation has been surrendered to us.
3. **No Negotiated Managed Care Rate.** If PV is not a participating provider in your managed care program and a negotiated rate is not agreed upon by PV and you would still like to receive health care and services at PV, then you will be responsible for the full amount of applicable charges not paid by your insurance carrier.
4. **Medicaid.** In the event you receive financial assistance through the Medicaid program while occupying a Medicaid certified bed in the Joan L. Grant Nursing Center, you will be charged in advance for your liability portion established by the local county department of social services. You will be responsible for all charges for additional items and services requested by you and furnished to you which are not covered under the Medicaid program. Charges shall be made only as permitted under the Social Security Act and applicable regulations.

### III. **ENTRY REQUIREMENTS**

You will become qualified for entry to PV upon satisfaction of the following provisions:

- A. **Age.** The entry requirements for PV residency are nondiscriminatory except as to age, and PV is open to both married and single men and women of all races and religions. Generally, entry in the Assisted Living and the Joan L. Grant Nursing Center Centers is restricted to persons sixty-two (62) years of age or older.
- B. **Personal Interview.** You may have an interview with a PV representative (including nursing assessment) prior to taking PV residency. Upon review of all information required to be furnished herein, additional personal interviews may be requested by the Corporation.
- C. **Application, Health History and Financial Statement.** You shall submit for review, by the Corporation, an Application for Admission, a FL-2, a PASARR (when applicable) and a Confidential Financial Statement, on forms furnished by the Corporation.
- D. **Notification.** The clinical team will review the application materials as well as forwarded hospital and physician's documentation / information and will notify you whether you meet the entry requirements. We will also notify you as early as possible of the date on which the Living Accommodation is expected to be available for occupancy.
- E. **Health Requirements.** Prior to PV residency, you shall submit a report of a physical examination (FL-2) made by a physician selected by you within 30 days of admission. Such report shall include a statement by such your physician that you require health care accommodation. We may require you to have another physical examination by our Medical Director or by another physician approved by the Corporation. You shall be responsible for the costs of such physical examinations. If your health as disclosed by such physical examination differs materially from that disclosed in your Application for Entry and FL-2, the Corporation shall have the right to decline entry and to terminate this

Agreement, or in the discretion of the Corporation, to permit you to take occupancy of accommodations at PV suitable to your needs.

- F. Psychiatric Illness, Dangerous Communicable Disease, Drug or Alcohol Abuse.** PV is not designed to care for persons who have an active psychiatric illness, a dangerous communicable disease or who require treatment for drug or alcohol abuse. Should PV, in consultation with the Medical Director, determine that your physical or psychiatric illness, or that your condition as a result of drug or alcohol abuse, is such that your continued presence is either dangerous or detrimental to your life, health, safety or peace, or the life, health, safety, or peace of others in the community, then PV may transfer you to another facility of your choosing and/or require you to terminate your PV residency.
- G. Financial Requirements.** You must have assets and income which will be sufficient under foreseeable circumstances to pay the financial obligations under this Agreement and to meet your ordinary living expenses. We may require you to furnish current financial information at any time prior to and subsequent to occupancy.
- H. Financial Resources.** You, your current and future responsible parties (i.e., power(s) of attorney, executor(s)) will abide by any and all financial arrangements made with the Corporation for the purpose of securing your ability to pay any and all charges for residing at PV. You agree not to make any gift or other transfer of assets for the purpose of evading your obligations under this Agreement, or if such gift or transfer would render you unable to meet such obligations under this Agreement. Gifts or transfers of assets in this manner, which result in your inability to meet your financial obligations in accordance with this Agreement, will entitle PV to terminate this Agreement, and you or your responsible parties, as applicable, will be liable for any unpaid amounts.
- I. Power of Attorney.** You agree to execute and maintain in effect a durable power of attorney that is valid under North Carolina law and will survive your incapacity or disability. This durable power of attorney will designate an attorney-in-fact and an alternate attorney-in fact who will act for you in managing your financial affairs and in filing for insurance or other benefits under private and public assistance programs as full and complete a manner as you could do if acting personally for yourself. **You will deliver a copy of a fully executed power of attorney to PV prior to occupancy.** You will not revoke or amend this durable power of attorney except upon execution of a replacement durable power of attorney, a fully executed copy of which will be delivered to PV. This document also may address other matters, such as decisions concerning medical care.
- J. Will.** You agree to execute a Will, and to provide to PV a copy of such sections of the Will and any revisions, as applicable during the term of this Agreement to document the name(s) of the person(s) to be contacted in the event of your death (i.e., executor(s)).
- In the event of your death, while you are a resident of PV this Agreement, only the executor(s) named in your Will, will be allowed to remove or dispose of your furnishings and belongings in your Living Accommodation and any related PV storage areas. **Members of your family or those to whom you have granted Power of Attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.**
- K. Funeral and Burial.** PV will not be responsible for making funeral or burial arrangements and is not responsible for related expenses.
- L. Advance Directives.** You are encouraged to execute a Living Will and a Health Care Power of Attorney and deliver a fully executed copy thereof to PV as well as any revisions as applicable, during the term of this Agreement.

- M. Representations.** You affirm that the representations made during the entry process are true and correct and may be relied upon by the Corporation as a basis for entering into this Agreement.
- N. Appointment of Guardian.** If you become unable to care for your business and financial affairs, the Corporation reserves the right to institute action for the determination of your incompetence and the appointment of a guardian to fulfill the terms of this Agreement; unless such needed arrangements have already been made.
- O. Emergency Notifications.** You agree to provide PV with the following information prior to the date of occupancy as well as updates of this information during the term of this Agreement:
- Names, addresses and phone numbers of persons to notify in an emergency (minimum of two are required)
  - Names of person(s) having the right of entry into your residence
  - Name, address and phone number of funeral home (prior arrangements are encouraged)
  - Names, addresses and phone numbers of lawyer and executor
  - Names, addresses and phone numbers for Powers of Attorney

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

- A. Rights of Resident.** You have the right to occupy and enjoy the Living Accommodation described herein during your lifetime unless this Agreement shall be terminated as provided herein. It is understood that this Agreement does not transfer or grant any interest in the real or personal property owned by the Corporation other than the right to use or occupancy of the Living Accommodation in accordance with the terms hereof. The Living Accommodation may not be used for commercial purposes. The Living Accommodation may not be occupied or used in any manner in violation of any ordinance, law or regulation.
- B. All Healthcare residents are notified of their resident rights in writing at Admission.**
- C. Subordination.** You agree that all of your rights under this Agreement shall at all times be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Corporation, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender or lenders such further written evidence of such subordination as such lenders may reasonably require. You shall not be liable for any such indebtedness.
- D. Policies, Rules and Regulations.** You understand and agree that: (i) in order for PV to operate in the best interests of the entire community, it is essential that we have cooperation of and compliance with applicable policies, rules and regulations by you, your family, guests, responsible party and others who may intervene, speak or act or purport to intervene, speak or act, for or on behalf of you or who may come on the premises of PV in any capacity or for any purpose in connection with or as a result of your residency at PV; (ii) a continuing or repeated failure or refusal by any such persons to so cooperate and comply may result in a determination by PV that it is impracticable or impossible for PV to continue to accommodate you as a resident; and (iii) upon such determination by PV, we shall have the right to terminate this Agreement.

- E. **Weapons.** No weapons of any type shall be brought on to the PV property by you or your guests.
- F. **Resident Representation.** Residents have the right of self-organization through a Residents' council which may convene to review the interests of the resident population. You shall have resident representation on the PV Board of Directors as outlined in the Bylaws of PV.
- G. **Guests and Visitors.** Guests and visitors are welcome at PV. Guests may use PV guest accommodations, subject to availability and additional charges. At all times, you shall be responsible for any injury to others or damage to the property of others or PV, caused by you or your guest(s). PV reserves the right and authority to limit or terminate the stay of any guest at any time and for any reason.
- H. **Relationships Between Residents and Employees (“Associates”).** PV is built on mutual respect and instructs its Associates to be cordial and helpful to Residents. The relationship is to remain professional. Associates must not be delayed or deterred by Residents in the performance of their duties. Management is solely responsible for the supervision of staff. Complaints or requests for special assistance must be made to the appropriate supervisor. Giving gratuities or bequests to Associates or Associates' families is not permitted. Residents will not employ PV Associates nor hire former PV Associates without the prior written consent of PV Management.
- I. **Loss of Property.** The Corporation maintains insurance on all of its property and its operations to include general public liability insurance, property insurance including coverage for acts of God, vandalism and theft, professional liability insurance and worker's compensation.

The Corporation has established a process to safeguard residents' personal possessions without effectively prohibiting a resident's use of personal possessions. Corporation will work with residents and their representatives in an effort to assure that resident's personal possessions are maintained in a reasonably safe manner and will investigate concerns in accordance with the federal regulations.

- J. **Right of Entry.** PV recognizes your right to privacy and shall limit entry to your Living Accommodation to legitimate emergencies and to scheduled work, including housekeeping, repairs, maintenance, and inspections. You hereby authorize Associates or agents of PV to enter your Living Accommodation, upon reasonable notice for all such purposes.
- K. **Appliances.** PV is not obligated to determine your ability to safely utilize the appliances, if any, in your Living Accommodation. However, should we determine that you have demonstrated an inability to safely utilize appliances in your Living Accommodation; we will have the right to turn off the power servicing such appliance(s) and/or to remove any and all such appliances. In any such instance, you shall remain obligated to pay for the Full Month/Daily fee for your Living Accommodation, any extra meals and any fire alarm charges issued by the fire department.
- L. **Changes in Living Accommodations.** The Corporation has the right to change the Living Accommodation to meet requirements of any applicable statutes, laws or regulations.
- M. **Health Insurance.** You will maintain eligible Medicare coverage or equivalent insurance coverage, which adequately covers hospital, medical, prescription, and Joan L. Grant Nursing Center deductibles and co-payments required of your primary insurance plan. Both your primary and supplemental health insurance policies must recognize PV as a health care provider, or you will assume the financial responsibility for services provided that otherwise could be covered.

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

**N. Filing for and Rights to Insurance Benefits.** PV is a participating provider with Medicare and Medicaid only.

- PV will file claims with Medicare for all covered services. By law, the patient is responsible for payment of the deductible, co-insurance, and any non-covered service. Non-covered services include, but are not limited to beauty shop charges.
- As a courtesy, PV will file claims to your secondary insurance carrier for your Medicare Parts A & B co-insurance, unless we are prohibited from filing due to participation requirements of the carrier.
- The Medicare Part A co-insurance will be billed on your monthly PV statement as services are rendered prior to any insurance filings. You are responsible for payment of all Medicare Part A co-insurance billed by PV upon receipt of the bill. Payments received from your insurance carrier for Medicare Part A co-insurance will be applied to your monthly PV statement when received.
- Medicare Part B co-insurance (i.e., therapy co-insurance) not paid by a Resident's insurance carrier within 90 days of the date of service will become due and payable by the Resident unless the claim is subject to Medicare, Medicaid, or an insurance plan in which PV participates.
- In the event a Resident's health insurance determines a service is "not covered", the Resident will be responsible for payment. PV tries to inform Residents when services may not be covered; however, it is the resident's responsibility to understand his/her policy limitations.
- Charges not paid by a Resident's insurance company within 90 days of the date of service will become due and payable by the Resident unless the claim is subject to Medicare, Medicaid, or an insurance plan in which PV participates.
- If, for any reason, PV cannot apply directly for benefits payable under insurance required by this Agreement, you agree to make such application and to pay PV the proceeds received.
- **PV reserves the right, in its discretion, to eliminate or change its participation with any and all insurance plans.**

**O. Combination of Living Accommodations.** Various circumstances may make it desirable that a Living Accommodation occupied by a Resident be combined with an adjoining Living Accommodation to form one combined Living Accommodation. You agree that if a determination is made by the Corporation that it is desirable to combine your Living Accommodation with a Living Accommodation which adjoins your Living Accommodation, you will surrender occupancy of your Living Accommodation, within a reasonable time after receiving notice of such determination. In the event that the Corporation makes such determination and notifies you of such, you have the option to (a) transfer into the combined Living Accommodation when such combined

Living Accommodation is ready for occupancy, or (b) transfer to another Living Accommodation, when available, of the same type as the Living Accommodation previously occupied by you.

You will pay the Monthly/Daily charge associated with the combined Living Accommodation as established by the Corporation.

- P. Transfer to Another Living Accommodation.** You may move to a different PV Health Care Center Living Accommodation, when it becomes available, upon payment of such fees, consent by the Corporation and compliance with such guidelines regarding transfers as may be adopted by the Corporation. Fees and guidelines may be changed from time to time by the Corporation.
- Q. Transfer to an Assisted Living Accommodation.** Should your needs change, you may request entry to an Assisted Living Accommodation, when it becomes available, upon payment of such fees, consent by the Corporation and compliance with such guidelines regarding transfers as may be adopted by the Corporation. Fees and guidelines may be changed from time to time by the Corporation.
- R. Transfer to an Independent Living Accommodation.** Should your needs change, you may request entry to an Independent Living Accommodation. You would be required to complete the applicable entry process, provide requested information and execute a separate residence and services agreement. You would be required to pay an Entrance Fee at the time of transfer to an Independent Living Accommodation. Fees and guidelines may be changed from time to time by the Corporation. PV reserves the right to amend such policies, guidelines and fees in its discretion.
- S. Room Assignment in Joan L. Grant Nursing Center and Assisted Living Centers.** You understand that you acquire no ownership in any property at PV under this Agreement; also, that no particular room or unit in the Assisted Living or the Joan L. Grant Nursing Center Centers is subject to reservation or permanent assignment, and that we may change your room assignment in the Assisted Living or the Joan L. Grant Nursing Center Centers. Though we retain the right to change your room assignment, we agree that we will make changes only as we find such changes to be necessary or advisable.
- T. Moving Costs.** You are responsible for arranging and paying for all packing and moving costs for moves into, within and out of PV.
- U. Pets/Smoking.** Pets are not allowed in the Assisted Living and Joan L. Grant Nursing Center Centers Living Accommodations.

Smoking / Tobacco Products. PV is a “Smoke and Tobacco Free” Community. Smoking and use of tobacco products is only permitted anywhere on PV property including, campus buildings, building entrances or common areas. The only exception is:

The Health Care Center Administrator may permit smoking for a Resident, if so, a designated smoking area would be created outside.

- V. Absences.** You agree to inform PV (Director of Nursing or Designee) when you are going to be away for any length of time. In order to provide adequate time for medications to be available, if applicable, you must provide at least 24 hours advance notice of an absence. No credits (i.e., missed meals) will be given during absences for Assisted Living and Joan L. Grant Nursing Center Residents. For additional information related to absences from Joan L. Grant Nursing Center, please refer to the Bed Hold Policy, which is described within the Healthcare Resident Handbook.

**V. TRANSFERS OR CHANGES IN LEVELS OF CARE.**

A change in Living Accommodations within the Joan L. Grant Nursing Center or to the Assisted Living Centers will require no additional residence and services agreement. This Agreement will remain in effect.

**A. Transfer within the Joan L. Grant Nursing Center or to Assisted Living Center.** You agree that the Corporation shall have authority to determine that you should be transferred from your Living Accommodation to the Assisted Living Center or a separate area within either center. Such determinations shall be based on the professional opinion of PV's Medical Director, Healthcare Administrator and Director of Nursing and shall be made only after consultation to the extent practical with the Resident, the Resident's physician, a representative of the Resident's family or the Resident's responsible party.

**B. Transfer to Hospital or Other Facility.** If it is determined that you need care beyond that which can be provided by PV, you may be transferred to a hospital, center or institution equipped to give such care, which care will be at your expense. Such transfer will be made only after consultation to the extent practical with the Resident, the Resident's physician, a representative of the Resident's family or the Resident's responsible party.

In the event it becomes necessary for you to be transferred to a hospital, PV will provide any information available to meet the provisions of any hospital admissions agreement and you agree that PV has the right to provide such information, which may include part or all of your records.

**C. Surrender of Living Accommodation.** If a determination is made by the Corporation that any transfer described in this Section is permanent in nature, you agree to surrender the Living Accommodation and any storage areas, which were occupied by you prior to such transfer, within 5 days of the determination.

You are responsible for the costs of transfer and moving as well as the Monthly/Daily Fee through the last day of occupancy of the Living Accommodation being vacated. For the purposes of this Section V.C., occupancy is defined as the last day that a Resident either resides in the Living Accommodation or the last day that the Resident's furnishings or belongings occupy the Living Accommodation or Accommodation keys are turned into a Penick Village representative.

If the Corporation subsequently determines based upon the opinion of our Healthcare staff, Medical Director and whomever else we wish to engage, that you can resume occupancy in accommodations comparable to those occupied by you prior to such transfer you shall have priority to such accommodations as soon as they become available and you will be responsible for applicable fees as determined by the Corporation.

\_\_\_\_\_  
Initial                      Initial                      Initial

**VI. TERMINATION PROVISIONS**

**A. Termination Prior to Occupancy.** This Agreement may be rescinded by you at any time prior to taking occupancy at PV for any reason by giving written notice to the Corporation.

This Agreement may be terminated by the Corporation at any time prior to the date that you take occupancy if the Corporation determines that you no longer meet the physical, mental or financial requirements for admission.

In the event of such termination (including death or physical or mental conditions making you ineligible for admission to PV), you shall not receive a refund of any amounts paid for non-standard features added to the Living Accommodation. Notwithstanding anything to the contrary in this Agreement, if the Resident has paid the applicable Monthly/Daily Fee prior to occupying the Living Accommodation, any refund of such amounts (expressly excluding any amounts paid for non-standard features added to the Living Accommodation) shall be paid by PV within thirty (30) days following such termination pursuant to this paragraph.

- B. Voluntary Termination.** Except as provided herein in subsection A of this Section VI., you may terminate this Agreement by giving the Corporation thirty (30) days prior written notice (nonrefundable) of such termination. If required notice is given, or if no written notice is given, you will be responsible for paying the Monthly/Daily Fee for the applicable Living Accommodation for the full notice period (nonrefundable fee) and for each day of occupancy except when a delay in discharge or transfer would jeopardize your health or safety or that of others at PV.
- C. Abandoned Living Accommodation.** You may be deemed to have abandoned the Living Accommodation and terminated this Agreement if you do not occupy a residence at PV for a period of one continuous year.
- D. Temporary Absence.** Temporary absence because of illness, trips or otherwise will not affect your rights to retain occupancy of Living Accommodation, as long as applicable Monthly/Daily Fees are paid.
- E. Termination Upon Death.** In the event of your death, this Agreement shall terminate as of the date that your Living Accommodation is vacated provided, however, that the Resident's estate shall continue to be obligated to pay the applicable Monthly/Daily Fee for such Resident's Living Accommodation until such Resident's Living Accommodation is vacated and left in good condition except for normal wear and tear.

In the event of such termination, you shall not receive a refund of any amounts paid for non-standard features added to the Living Accommodation. Any refund due following the Resident's death, will be made in accordance with Section VI.I.

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

- F. Termination by the Corporation.** We may terminate this Agreement at any time if there has been a material misrepresentation or omission made by you during the application process; if you fail to make payment to the Corporation of any fees or charges due the Corporation within thirty (30) days after receiving written notice of your failure to pay such fees or charges; if you do not abide by the rules and regulations adopted by the Corporation or breach any of the terms and conditions of this Agreement; if the health or safety of other individuals in the Corporation is endangered if you remain in PV as determined by a physician, physician assistant or nurse practitioner; or the discharge is necessary for your welfare and your needs cannot be met by the Corporation as documented by your physician, physician assistant or nurse practitioner.

You will be responsible for paying the Monthly/Daily Fee for the applicable Living Accommodation for the full notice period and for each day of occupancy. Except in cases of emergency, you will receive a notice of the termination by the Corporation at least thirty (30) days prior to the effective date of termination. You may be entitled to appeal the Corporation's decision to terminate this Agreement and, except in cases of emergency, the Corporation will not discharge you before the final decision resulting from the appeal has been rendered. Further, Healthcare has a policy that follows the Federal Regulations regarding involuntary discharge: (1) The discharge or transfer is necessary for the resident's welfare and the facility cannot meet the resident's needs. (2) The resident's health has improved sufficiently so that the resident no longer needs the care and/or services of the facility. (3) The resident's clinical or behavioral status (or condition) endangers the safety of individuals in the facility. (4) The resident's clinical or behavioral status (or condition) otherwise endangers the health of individuals in the facility. (5) The resident has failed, after reasonable and appropriate notice to pay, or have paid under Medicare or Medicaid, for his or her stay at the facility. (6) The facility ceases to operate. Corporation will not initiate a discharge should a Medicaid application be pending.

**G. Condition of Living Accommodation.** At the effective date of termination of this Agreement, you will vacate the Living Accommodation and will leave it in good condition except for normal wear and tear. You, or your estate, will be liable to the Corporation for any costs incurred in restoring the Living Accommodation and storage areas to good condition except for normal wear and tear.

**H. Removal of Personal Property.** In the event of termination of this Agreement, you agree to surrender the Living Accommodation and any storage areas, which were occupied by you, within five (5) days of the determination.

The Corporation reserves the right that should personal property remain in the vacated room longer than five (5) days, PV will remove the belongings from the Living Accommodation and any storage areas. You will pay a Monthly/Daily storage fee equal to 50% of the Monthly/Daily Fee for the previously occupied Living Accommodation or the actual cost of external storage, whichever is applicable. Your property will not be stored for longer than 30 days. Unclaimed property will become the property of PV after 30 days and will be disposed of at the sole discretion of the Corporation.

In the event of your death, while you are a resident of PV under this Agreement, only the executor(s) named in your Will are allowed to remove or dispose of your furnishings and belongings in your Living Accommodation and any related storage areas at PV. Members of your family or those to whom you have granted Power of Attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

**I. Refund.** You or your estate, or a revocable trust designated by you may be entitled to a refund of any amounts related to the cost of health care services provided by PV or any third-party health care provider less any amounts payable to PV or any third-party health care provider through the date the refund is due hereunder. This refund shall not include the cost of non-standard features that were added to your Living Accommodation at your request. Any refund will be made no later than thirty (30) days from the date of your death.

If the Agreement is terminated by you or the Corporation in an emergency situation (i.e., because the Corporation is no longer able to meet your urgent health care needs, or termination is necessary to protect your health and safety or that of another person at PV), the refund will be made within thirty (30) days after you leave PV. If this Agreement is terminated for any other reason, the refund will be made no later than thirty (30) days after you leave PV.

- J. **Release from Obligations Upon Termination.** Upon termination of this Agreement, PV is released from any further obligations to you except for the payment of any refund which may be due under this Agreement.

## VII. **RIGHT OF RESCISSION**

Notwithstanding anything herein to the contrary, this Agreement may be rescinded by you giving written notice of such rescission to the Corporation within thirty (30) days following the later of the execution of this Agreement or the receipt of a disclosure statement that meets the requirements of Section 58-64-1, et seq. of the North Carolina General Statutes. In the event of such rescission, you shall not receive a refund of any amounts paid for non-standard features added to the Living Accommodation. You will not be required to move into PV before the expiration of such thirty (30) day period. Notwithstanding anything to the contrary in this Agreement, any refund that may be due to you following rescission of this Agreement, shall be paid by the corporation within thirty (30) days following receipt of written notice of rescission pursuant to this paragraph.

- A. **Recovery of Subsidies Provided by PV.** When a Resident dies or moves out of the community, if said Resident's fees have been subsidized wholly or partly by PV, the Resident or Resident's estate, if any, will be liable to PV for the full amount of the subsidy the Resident received for the entire time of residency. This paragraph will apply whether or not the Resident is in residence at PV at the time of death. This Agreement will operate as a lifetime assignment, transfer and conveyance to PV of so much of Resident's property as is necessary to cover such liability. Any amount due PV under this paragraph may be deducted from any refund payable to Resident or to the Resident's estate.
- B. **Financial Assistance Funds.** The Corporation has an established program which may be used to assist Residents who would otherwise not be able to live at PV. Such funds may be used for the purposes of providing financial assistance but no Resident shall have any claim to or expectation of receiving or continuing to receive any such assistance.

## VIII. **GENERAL**

- A. **Compliance with Applicable Laws.** Resident and PV will operate in full compliance with all laws, rules, regulations and ordinances promulgated by lawful governmental authorities.
- B. **Confidentiality.** PV has the responsibility to keep all of the personal, medical and financial information you have supplied to it confidential. You agree that PV can disclose such information in accordance with all applicable laws to those who have a need, in its judgment, or right to know (e.g., to provide information for transfer to a hospital).
- C. **Assignment.** Your rights and privileges under this Agreement to the facilities, services and programs of the Corporation are personal to you and may not be transferred or assigned by you or otherwise.
- D. **Management of the Corporation.** The absolute rights of management are reserved by the Corporation, its Board of Directors and its administrators as delegated by said Board of Directors. The Corporation reserves the right to accept or deny any person for residency. Residents do not have the right to determine admission or terms of admission of any other Resident. PV reserves the right to amend, implement or terminate policies and/or guidelines related to the operation of the community in its sole discretion.

- E. Episcopalian Affiliation.** PV is rooted in the Episcopalian faith. The Episcopalian Church is not responsible for the financial and contractual obligations of PV.
- F. Indemnity.** You agree to indemnify, defend and hold us harmless from claims, damages or expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your negligent or intentional act or omission or those of your guests, including licensed home health companions, or other.
- G. Severability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.
- H. Resident Contracted Services.** If you wish to privately employ outside assistance, including PV-employed Associates, for whatever reason, all PV policies must be upheld, and prior written approval by PV management must be obtained. You agree to hold PV harmless in all situations related to the provisions of such outside services. The Corporation has the right to require termination of such a service at any time.
- I. Healthcare Resident Handbook.** You will be given a current copy of the Resident's Handbook as adopted by the Corporation. You understand that these documents will change from time to time but that they are the procedural documents for those occupying Living Accommodations at PV. You will be provided with a copy of any revisions to the Resident Handbook in a timely manner, and will have an opportunity to inquire with Corporation's Administrator or designee should you request clarification.
- J. Entire Agreement.** This Agreement constitutes the entire contract between the Corporation and Resident. The Corporation shall not be liable or bound in any manner by any statements, representations or promises made by any person representing or assuming to represent the Corporation, unless such statements, representations or promises are set forth in this Agreement or in an amendment to this Agreement signed by PV's CEO and by you. Electronic (e.g., pdf) versions of this Agreement shall have the same legal effect as originals, and all of which, when fully executed, shall constitute one and the same instrument.
- K. Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of the Corporation and the heirs, executors, responsible parties, powers of attorney, administrators and assigns of you.
- L. Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, trustee, agent or employee of ours shall have any personal liability hereunder to you under any circumstances.
- M. Tax Considerations.** You should consult with your tax advisor regarding the tax considerations associated with this Agreement.
- N. Governing Law.** This Agreement shall be governed by the laws of the State of North Carolina without regard to conflict of laws principles.
- O. Amendments and Partial Invalidation.** Generally, this Agreement can be changed only by mutual written consent. However, we can make changes without your consent to keep the Agreement in compliance with applicable laws and regulations provided, that the changes we make do not substantially reduce your benefits under the Agreement. If any provision in this Agreement is invalidated, all other provisions will remain in force.

- P. Waivers.** Neither the failure nor any delay on the part of any party to exercise any right, remedy, power, or privilege ("Right") under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any Right preclude any other or further exercise of the same or of any Right, nor shall any waiver of any Right with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.
- Q. Survival.** Those rights and obligations that have accrued as a result of the operation of this Agreement shall survive its termination, as shall those rights and obligations that by their terms survive termination and any provisions that must survive to give effect to their terms, as shall any obligation of Resident to pay costs or expenses of his or her stay at PV that remain unpaid as of such termination.
- R. Gender.** Throughout this Agreement, the use of the masculine gender shall include the feminine, and the use of singular shall include the plural.
- S. Interpretation.** Headings are for convenience and reference purposes only and shall not affect the interpretation of any provision of this Agreement.
- T. Notice Provisions.** Any notices, consents, or other communications to the Corporation hereunder (collectively "notices") will be in writing and addressed as follows:

**Penick Village, Inc.:**

Attn: Business Office  
500 E. Rhode Island Ave.  
Southern Pines, North Carolina 28387

**Resident:**

Your address for the purpose of giving notice prior to your move to PV is the address appearing after your signature below.

Your address for the purpose of giving notice after your move to PV will be the current Living Accommodation address at the applicable time of notice.

You are responsible for notifying us of any changes in address and/or telephone number.

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

**I (we) understand this matter involves a financial commitment and associated risk as well as a legally binding contract. I (we) was (were) encouraged to consult with an attorney and/or financial advisor who could advise me (us) concerning this Agreement.**

**NOTICE:**

**Because the authority to enter into continuing care contracts granted by the North Carolina Department of Insurance is neither a guarantee of performance by the provider nor an endorsement of any continuing care contract provision, prospective residents must carefully consider the risks, benefits, and costs before signing a continuing care contract and are strongly encouraged to seek financial and legal advice before doing so.**

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

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

**PENICK VILLAGE, INC.**

**RESIDENT(S)  
(or Resident(s)'s Attorney in Fact) (\*)**

\_\_\_\_\_  
By (signature)

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
(date)

\_\_\_\_\_  
Printed Officer Name

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
(date)

\_\_\_\_\_  
Title

\_\_\_\_\_  
Current Address: Street

\_\_\_\_\_  
City, State, Zip Code

\_\_\_\_\_  
Telephone

(\*) If Attorney-in-Fact signs on behalf of the Resident(s), a Filed Power of Attorney document must be attached to this Agreement.



# PENICK VILLAGE

## Short-Term Residence and Services Agreement

**Resident:** \_\_\_\_\_

**Living Accommodation:** \_\_\_\_\_



# SHORT TERM RESIDENCE AND SERVICES AGREEMENT

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## Short-Term Residence and Services Agreement

This Agreement (the "Agreement") is made this *(date of occupancy)* \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ by and between Penick Village, Inc., a North Carolina not-for-profit corporation (hereinafter the "Corporation," "Penick," "PV," "we," "us," or "our") and \_\_\_\_\_ (hereinafter "Resident," "you," "your" or when two persons "Resident," "you" or "your" shall apply to both persons, except where the context otherwise requires).

WHEREAS, the Corporation is a Life Plan Community located at 500 E. Rhode Island Ave., Southern Pines, NC 28387 and

WHEREAS, you desire to become a resident of Penick's Healthcare Joan L. Grant Nursing Center or Assisted Living on a short-term basis for the period not to exceed one hundred days unless otherwise agreed upon in writing beginning on \_\_\_\_\_ *(date of occupancy)*, and to use and enjoy the facilities, programs and services provided by the Corporation subject to the terms and conditions of this Agreement;

NOW, THEREFORE, You and the Corporation agree as follows:

### I. ACCOMMODATIONS AND SERVICES

Subject to the terms and conditions set forth in this Agreement, we agree to provide you the PV Living Accommodation, services and programs described as follows:

- A. **Living Accommodation.** Unit *(number)* \_\_\_\_\_ at 401 E. Rhode Island Ave., Southern Pines, NC 28387, an accommodation (as described in materials presented to you and as shown to you during a physical tour, when applicable), located in PV's Healthcare Building (hereinafter referred to as the "Living Accommodation"). You have the exclusive right to occupy and use the Living Accommodation subject to the terms and conditions set forth in this Agreement.
- B. **Long-Term Permanent Entry.** Should you desire permanent entry to PV's Healthcare Joan L. Grant Nursing Center or Residential Assisted Living, you need to complete PV's entry process of making separate application, approval of the application and execution of a separate Residence and Services Agreement.
- C. **Security.** We will use reasonable care in providing security on PV's premises. We will furnish an emergency call system that is monitored twenty-four (24) hours a day. Smoke detectors are provided in all Living Accommodations. We are not responsible for loss or damage to your personal property. You are responsible for securing your Living Accommodation.

Initials \_\_\_\_\_  
Corporation      Resident(s)

- D. **Utilities.** We will furnish ordinary electricity, heating, air conditioning, water, sewer, basic cable television service, limited wifi, a telephone, clock and television and trash removal.
- E. **Furnishings and Appliances.** The Corporation will provide furnishings and appliances in the Living Accommodation as described in the literature published by the Corporation. All other furniture and furnishings for the Living Accommodation shall be provided by the Resident and shall be maintained by you at your risk.
- F. **Meals.** The Corporation will make available to you three (3) nutritionally well-balanced meals daily, the cost of which is included in your Monthly/Daily Fee.
- G. **Housekeeping Services.** We agree to maintain the Living Accommodation by providing periodic housekeeping services. Housekeeping includes vacuuming, dusting, cleaning of bath, changing of bed and bath linens and trash removal. Additional housekeeping services may be made available at your expense.
- H. **Laundry.** Bed and bath linens as well as linen laundry service and personal laundry service (washing, drying and folding) will be provided for Residents in the Healthcare Building. The costs of these are included in the Monthly/Daily fee. You are responsible for arranging and paying for dry cleaning services. PV is not responsible for loss or damage to personal items laundered by PV.
- I. **Maintenance and Repairs.** We will maintain and keep in good repair the improvements, furnishings, appliances and equipment owned by the Corporation. Maintenance and repair of your personal property is your responsibility. You will be responsible for the cost of repairing any damage to PV property caused by your negligence and/or that of any guest of yours, ordinary wear and tear excepted.
- J. **Alterations to Living Accommodation.** Any structural or physical change or redecoration of any kind within the Living Accommodation requires PV's prior written approval. The cost of any change, repairs or maintenance for that change and the subsequent cost to return the living unit to its original condition in the event of such change or redecoration, will be paid by you. Any such improvement or change will be owned by PV and will not be considered in determining the amount of any refund to you upon termination of this Agreement.
- K. **Use of and Changes to Living Accommodation.** The Corporation has the right to change the Living Accommodation to meet requirements of any applicable statutes, laws, or regulations. The Living Accommodation may not be used in any manner in violation of any zoning ordinances or other governmental laws or regulations.
- L. **Parking.** The Corporation will provide one (1) unassigned parking area for your personal vehicle and limited parking for guests.
- M. **Mail.** Mail will be delivered by the postal service to PV. In turn, PV staff deliver mail to central mail areas in the Healthcare Building. As appropriate, PV staff may deliver mail directly to Healthcare Building residents.

Package deliveries vary by carrier. If a carrier does not deliver packages directly to the resident's Living Accommodation, PV staff will deliver packages directly to Residents.

- N. **Common Facilities.** We will provide common facilities for the use and/or benefit of all Residents. Such common facilities currently include an exercise facility, dining rooms, mailroom, multi-purpose rooms, library, game/television area, lounges, and sitting areas.
- O. **Transportation.** We will provide local medical transportation for scheduled medical appointments Monday through Friday between 8:00 a.m. and 4:30 p.m. except holidays. Forty-eight (48) hours' notice is required. Additional charges will be incurred for appointments outside of normal service hours noted above. Additional charges will be incurred for Residents who require staff accompaniment. Out-of-County transportation is provided under special circumstances.

We will provide local transportation for Residents as part of the Activity program for the following: weekly shopping, scheduled meal outings, day trips, and other special events. An additional charge may be made for transportation for special, personal or group trips.

- P. **Activities.** Wellness, social, recreational, spiritual, educational and cultural activities will be available to Residents. Additional charges may be incurred for some programs.
- Q. **Other Services Available.** Residents engaging third parties for services within Penick may do so only with prior notification and written authorization by PV (e.g., licensed home care agency maintenance workers, etc.). This is not an all-inclusive listing of services you may request or utilize. With respect to services not listed, consult the Healthcare Resident Handbook, schedule of charges (both provided to residents) or the Healthcare Administrator.
- R. **Services.** The services and facilities that are provided through the Entrance and Monthly/Daily Fees (may also be described further herein) are summarized below:

These services are provided to all Residents, regardless of level of accommodation and are included in the monthly/daily fees. (Fees will not be reduced or unbundled for services that Residents decline such as dining.)

- Limited parking
- Limited storage (based on Living Accommodation)
- Limited Wi-Fi
- All utilities
- Basic cable television service
- Housekeeping service
- Maintenance service
- Limited local medical transportation (within 25 miles of campus)
- Social, spiritual, and recreational programs
- Pastoral counseling
- On-site delivery of pharmaceuticals and pharmaceutical consultations
- Routine nursing services
- Nutritional counseling

- Emergency nursing services
- 24-hour medical emergency call system, security and fire protection
- Check cashing (up to \$100 and based on availability)
- Notary Public services

The following additional services are provided with the monthly/daily fee to Healthcare Building residents. (Fees will not be reduced or unbundled for services that Residents decline such as meals or laundry.)

- Three meals daily
- Meal service to room, if required
- Dining room assistance
- Assistance with activities of daily living
- Weekly housekeeping service
- Personal laundry service
- Medication delivery by a nurse or medication technician
- Monitoring of vital signs according to physician's order
- Multi-disciplinary care planning
- Skilled care by LPN and CNAs on duty 24 hours per day
- Access to Fitness Center
- Nursing assessment

S. **Nursing and Health Care.** We will provide nursing and health care for each Resident as follows:

1. **Healthcare Building.** The Healthcare Building will be provided for the benefit of the Residents. The Corporation is licensed by the North Carolina Department of Health and Human Services, Division of Health Service Regulation to operate 50 Joan L. Grant Nursing Center and 42 Assisted Living beds offering intermediate and Joan L. Grant Nursing Center care for Residents who are temporarily ill or who require long-term nursing care. Private accommodations will be provided for all Healthcare residents. Some of the beds in the Healthcare Building are certified for Medicare and/or Medicaid reimbursement.
  - The overall coordination of health care services by the Corporation is provided through the combined overview and efforts of the Chief Executive Officer, the Corporation's licensed Healthcare Administrator, Director of Nursing, Medical Director (a licensed physician selected by the Corporation) and other nursing/clinical staff of the Corporation.

- Charges for Healthcare Building accommodation and services are described in the Schedule of Fees and other literature published by the Corporation and distributed to Residents at least annually.
  - Residents may choose their own personal physician and are responsible for charges for services by such physicians and any consultants. Residents may choose to use the Corporation’s Medical Director as their personal physician. Residents are responsible for applicable charges.
  - Other health care services may be made available to the Resident at the Resident’s expense, including, but are not limited to: pharmacy services, radiology services, dental and podiatry services; laboratory tests; physical therapy; occupational therapy, speech therapy including therapeutic activities; rehabilitative treatments; and wheelchairs and other medical equipment and supplies. The cost of such services shall not be covered by the Monthly/Daily Fees described herein.
2. **On-Site Call Response.** Each Living Accommodation is equipped with an emergency call system. Penick nursing staff will respond to emergency calls.
  3. **Emergency Medical Care.** We notify your physician when emergency medical care is necessary. If acute medical care is necessary or upon physician’s or your request, you will be transferred to a local hospital Emergency Room.

**II. FINANCIAL ARRANGEMENTS**

(There is no Entrance Fee for short-term direct entries into the Healthcare Building.)

- A. **Monthly/Daily Fee.** You agree to pay a Monthly/Daily Fee during the term of this agreement. This fee shall be due and payable upon entry (except for a Medicare qualified stay). Should additional/ancillary charges be incurred during the term of this agreement that have not been paid in advance, such charges will be due and payable by the 15<sup>th</sup> day of the subsequent month. As of the date of this Agreement the Monthly/Daily Fee associated with the Living Accommodation will be \$ \_\_\_\_\_.

The Monthly/Daily Fee will begin on the date of occupancy. Occupancy is defined as the first day that a Resident either resides in the Living Accommodation or the first day that the Resident’s furnishings or belongings are placed in the Living Accommodation.

No credit will be provided to you should you refuse services, which are included in the Monthly/Daily Fee, such as laundry, housekeeping and meals.

Initials \_\_\_\_\_  
Corporation      Resident(s)

Monthly/Daily Fee does not cover ancillary items such as prescriptions, Hair & Nail Salon, and incontinence products.

- B. Vacations and/or Time Away from Living Accommodation.** Monthly/Daily fees are not subject to change or credit if a Resident is away from the Living Accommodation for any period of time. (For example, vacations, hospital stays, etc.)
- C. Adjustments in the Monthly/Daily Fee.** The Corporation usually sets fees annually but shall have the authority to adjust the Monthly/Daily Fee from time to time during the term of this Agreement as it, in its discretion, deems necessary. Any such increase in the Monthly/Daily Fee or other charges may be made by the Corporation upon thirty (30) days written notice to the Resident.

In the event that it should be determined that the Corporation is required to pay ad valorem taxes upon its property, the Monthly/Daily Fee may be adjusted to reflect the amount of such taxes. You will pay all taxes assessed on your personal property.

In the event PV is assessed sales or use tax on Monthly/Daily Fee and/or fees for other services, you agree to pay PV the amount of such taxes.

- D. Schedule of Fees.** You have been given a current copy of the Schedule of Fees as adopted by the Board of Directors of the Corporation. You understand that these fees may change from time to time.
- E. Payment Due Date.** Penick will automatically draft payments from the resident's designated account the fifteenth (15<sup>th</sup>) day of each month, or on the business day after if the 15<sup>th</sup> of the month falls on a weekend and holidays, for accumulated service fees and miscellaneous expenses.
- F. Statements.** We will furnish the Resident with monthly statements showing the total amount of fees and other charges owed by the Resident, which shall be payable by the 15<sup>th</sup> of the month. Late payments are subject to an interest charge of one and one-half percent (1.5%) per month from the first of the month. Penick requires an automatic bank draft for the Monthly/Daily Fees. PV may terminate this agreement if You have a past due amount in excess of thirty (30) days. Termination of this Agreement does not end the obligation of You or Your estate to pay all amounts due, no matter when incurred.

You, and your current and future responsible parties (i.e. power(s) of attorney, executor(s)) on your behalf, from your assets and income agree to pay all costs, expenses, and reasonable attorneys' fees, in the event same must be expended in the collection of any sums due and owed by you to the Corporation.

The Corporation reserves the right, with 30 days' notice, to change the billing date and the payment due date. For a partial first month, the Monthly/Daily Fee is pro-rated on a per diem basis. Thereafter, Monthly/Daily Fees are paid in advance and are pro-rated at termination for the Assisted Living Center.

Monthly/Daily Fees are paid in advance and are pro-rated at termination for the Health Care Center.

- G. **Healthcare Building Priority Entry.** Under-contract Life Plan Community Residents are provided priority entry over non-Residents for entry to the Healthcare Building. While Penick will make every effort to accommodate non-Residents in the Healthcare Building, Penick cannot guarantee availability of accommodations. In the event the Healthcare Building is fully occupied when a non-Resident is in need of care, the non-Resident agrees to relocate to an alternate health care facility (“a Comparable Facility”). In the event of relocation, PV will make every effort to transfer the non-Resident back to PV when accommodations become available.

Upon relocation to a Comparable Facility, the non-Resident will continue to be responsible for the Monthly/Daily Fee (unless their Living Accommodation is surrendered). PV will not be responsible for the charges associated with the alternate health care accommodations.

- H. **Assignment of Benefits.** You will from time to time authorize any provider of medical and health services to receive reimbursement as provided under Medicare/Medicaid, any or all Federal, State and local benefits for which you may be eligible or entitled and any supplementary insurance programs. If requested by Penick, you will from time to time make assignments to the provider of medical and other health services of all benefits otherwise accruing to you under Medicare/Medicaid, or other program, and supplementary extended coverage plans to compensate for services rendered.

- I. **Managed Care.** If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, and supplemental insurance coverage, the terms of this Agreement governing nursing care will include the following provisions:

1. **Participating Provider.** If PV is a participating provider with your managed care program, the Corporation agrees to be reimbursed at the rate negotiated with your managed care program.
2. **Not a Participating Provider.** If PV is not an approved participating provider with your managed care program and you choose to receive health care services at a managed care participating provider, then you agree that you must relocate for as long as necessary for those services to be provided, and be responsible for all costs for health care services. In addition, while receiving health care services at the managed care participating provider, you agree that unless this Agreement is terminated, you will continue to pay the Monthly/Daily Fee for your Living Accommodation, unless your Living Accommodation has been surrendered to us.
3. **No Negotiated Managed Care Rate.** If Penick is not a participating provider in your managed care program and a negotiated rate is not agreed upon by Penick and you would still like to receive health care and services at Penick, then you will be responsible for the full amount of applicable charges not paid by your insurance carrier.
4. **Medicaid.** In the event you receive financial assistance through the Medicaid program while occupying a Medicaid certified bed in the Healthcare Building, you will be charged in advance for your liability portion established by the local county department of social services. You will be responsible for all charges for additional items and services requested by you and furnished to you which are not covered under the Medicaid program. Charges shall be made only as permitted under the Social Security Act and applicable regulations.

### III. ENTRY REQUIREMENTS

You will become qualified for entry to Penick upon satisfaction of the following provisions:

- A. **Age.** The entry requirements for PV residence are nondiscriminatory except as to age and Penick is open to both married and single men and women of all races and religions. Entry in the Healthcare Building is restricted to persons 62 years of age or older.
- B. **Personal Interview.** You may have an interview with a PV representative (including nursing assessment) prior to taking PV residency. Upon review of all information required to be furnished herein, additional personal interviews may be requested by the Corporation.
- C. **Application, Health History and Financial Statement.** You may be required submit for review, by the Corporation, an Application for Entry, FL-2 and a Confidential Financial Statement, all on forms furnished by the Corporation.
- D. **Notification.** Our clinical team reviews the application materials as well as the forwarded hospital and/or physician documentation and will notify you whether you meet the entry requirements. We will also notify you as early as possible of the date on which the Living Accommodation is expected to be available for occupancy.
- E. **Health Requirements.** Prior to PV residency, you shall submit a report of a physical examination (FL-2) from a physician selected by you. Such report shall include a statement by such physician that you require Joan L. Grant Nursing Center or assisted living care accommodations. We may require you to have another physical examination by our Medical Director or by another physician approved by the Corporation. You shall be responsible for the costs of such physical examinations. If your health as disclosed by such physical examination differs materially from that disclosed in your Application for Entry and FL-2, the Corporation shall have the right to decline entry and to terminate this Agreement, or in the discretion of the Corporation, to permit you to take occupancy of PV accommodations suitable to your needs.
- F. **Psychiatric Illness, Dangerous Communicable Disease, Drug or Alcohol Abuse.** Penick is not designed to care for persons who have an active psychiatric illness, a dangerous communicable disease or who require treatment for drug or alcohol abuse. Should Penick in consultation with the Medical Director, determine that your physical or psychiatric illness, or that your condition as a result of drug or alcohol abuse, is such that your continued presence is either dangerous or detrimental to your life, health, safety or peace, or the life, health, safety, or peace of others in the community, then PV may transfer you to another facility of your choosing and/or require you to terminate your PV residency.
- G. **Financial Requirements.** You must have assets and income which will be sufficient under foreseeable circumstances to pay the financial obligations under this Agreement and to meet your ordinary living expenses. We may require you to furnish current financial information at any time prior to and subsequent to occupancy.
- H. **Financial Resources.** You, your current and future responsible parties (i.e., power(s) of attorney, executor(s)) will abide by any and all financial arrangements made with the Corporation for the purpose of securing your ability to pay any and all charges for residing at Penick. You agree not to make any gift or other transfer of assets for the purpose of evading your obligations under this

Agreement, or if such gift or transfer would render you unable to meet such obligations under this Agreement. Gifts or transfers of assets in this manner, which result in your inability to meet your financial obligations in accordance with this Agreement, will entitle PV to terminate this Agreement, and you or your responsible parties, as applicable, will be liable for any unpaid amounts.

- I. **Power of Attorney.** You may be required to execute and maintain in effect a durable power of attorney that is valid under North Carolina law and will survive your incapacity or disability. This durable power of attorney will designate an attorney-in-fact and an alternate attorney-in fact who will act for you in managing your financial affairs and in filing for insurance or other benefits under private and public assistance programs as full and complete a manner as you could do if acting personally for yourself. **You will deliver a copy of a fully executed power of attorney to Penick prior to occupancy.** You will not revoke or amend this durable power of attorney except upon execution of a replacement durable power of attorney, a fully executed copy of which will be delivered to Penick. This document also may address at your option, other affairs, such as decisions concerning medical care.
- J. **Will.** You may be required to execute a Will, and to provide Penick a copy of such sections of the Will and any revisions, as applicable during the term of this Agreement to document the name(s) of the person(s) to be contacted in the event of your death (i.e., executor(s)).
- A. In the event of your death while you are a PV resident under this Agreement, only the executor(s) named in your Will, will be allowed to remove or dispose of your furnishings and belongings in your Living Accommodation. **Members of your family or those to whom you have granted Power of Attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.**
- K. **Funeral and Burial.** Penick will not be responsible for making funeral or burial arrangements and is not responsible for related expenses.
- L. **Advance Directives.** You are encouraged to execute a Living Will and a Health Care Power of Attorney and deliver a fully executed copy thereof to Penick as well as any revisions as applicable, during the term of this Agreement.
- M. **Representations.** You affirm that the representations made during the entry process are true and correct and may be relied upon by the Corporation as a basis for entering into this Agreement.
- N. **Appointment of Guardian.** If you become unable to care for your business and financial affairs, the Corporation reserves the right to institute action for the determination of your incompetence and the appointment of a guardian to fulfill the terms of this Agreement; unless such needed arrangements have already been made.
- O. **Emergency Notifications.** You agree to provide Penick with the following information prior to the date of occupancy as well as updates of this information during the term of this Agreement:
- Names, addresses and phone numbers of persons to notify in an emergency (minimum of two are required)
  - Names of persons having the right of entry into your residence

- Name, address and phone number of funeral home (prior arrangements are encouraged)
- Names, addresses and phone numbers of lawyer and executor
- Names, addresses and phone numbers for Powers of Attorney

#### IV. TERMS OF RESIDENCY

- A. **Rights of Resident.** You have the right to occupy and enjoy the Living Accommodation during the term of this Agreement as described herein unless this Agreement shall be terminated as provided herein. It is understood that this Agreement does not transfer or grant any interest in the real or personal property owned by the Corporation other than the right to use or occupancy of the Living Accommodation in accordance with the terms hereof. The Living Accommodation may not be used for commercial purposes. The Living Accommodation may not be occupied or used in any manner in violation of any ordinance, law or regulation.
- B. **All residents of the Healthcare Center are notified of their Resident Rights in writing at Admission.**
- C. **Subordination.** You agree that all of your rights under this Agreement shall at all times be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Corporation, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender or lenders such further written evidence of such subordination as such lenders may reasonably require. You shall not be liable for any such indebtedness.
- D. **Policies, Rules and Regulations.** You understand and agree that: (i) in order for Penick to operate in the best interests of the entire community, it is essential that we have cooperation of and compliance with applicable policies, rules and regulations by you, your family, guests, responsible party and others who may intervene, speak or act or purport to intervene, speak or act, for or on behalf of you or who may come on the premises of PV in any capacity or for any purpose in connection with or as a result of your residency at PV; (ii) a continuing or repeated failure or refusal by any such persons to so cooperate and comply may result in a determination by PV that it is impracticable or impossible for PV to continue to accommodate you as a resident; and (iii) upon such determination by PV, we shall have the right to terminate this Agreement.
- E. **Weapons.** No weapons of any type shall be brought on to the PV property by you or your guests without the express prior written permission of the Corporation.
- F. **Resident Representation.** Residents have the right of self-organization through a Residents' Council, which may convene to review the interests of the resident population. You shall have resident representation on the Penick Board of Directors as outlined in the Penick's Bylaws.
- G. **Guests and Visitors.** Penick welcomes guests and visitors. Guests may use PV's guest accommodations, subject to availability and additional charges. At all times, you shall be responsible for any injury to others or damage to the property of others or PV caused by you or your guest(s). Penick reserves the right and authority to limit or terminate the stay of any guest at any time and for any reason.

**H. Relationships Between Residents and Employees (“Associates”).** Penick is built on mutual respect and instructs its Associates to be cordial and helpful to Residents. The relationship is to remain professional. Associates must not be delayed or deterred by Residents in the performance of their duties. Management is solely responsible for the supervision of staff. Complaints or requests for special assistance must be made to the appropriate supervisor. Giving gratuities or bequests to Associates or Associates’ families is not permitted. Residents will not employ PV Associates nor hire former PV Associates without the prior written consent of PV Management.

**I. Loss of Property.** The Corporation maintains insurance on all of its property and its operations to include general public liability insurance, property insurance including coverage for acts of God, vandalism and theft, professional liability insurance and worker’s compensation.

The Corporation has established a process to safeguard residents’ personal possessions without effectively prohibiting a resident’s use of personal possessions. Corporation will work with residents and their representatives in an effort to assure that resident’s personal possessions are maintained in a reasonably safe manner and will investigate concerns in accordance with the federal regulations.

**J. Right of Entry.** Penick recognizes your right to privacy, and shall limit entry to your Living Accommodation to legitimate emergencies and to scheduled work, including housekeeping, repairs, maintenance, and inspections. You hereby authorize PV Associates or agents to enter your Living Accommodation, upon reasonable notice for all such purposes.

**K. Appliances.** PV is not obligated to determine your ability to safely utilize the appliances, if any, in your Living Accommodation. However, should we determine that you have demonstrated an inability to safely utilize appliances in your Living Accommodation; we will have the right to turn off the power servicing such appliance(s) and/or to remove any and all such appliances. In any such instance, you shall remain obligated to pay for the Full Month/Daily fee for your Living Accommodation, any extra meals and any fire alarm charges issued by the fire department.

**L. Changes in Living Accommodations.** The Corporation has the right to change the Living Accommodation to meet requirements of any applicable statutes, laws or regulations. The Living Accommodation may not be used in any manner in violation of any zoning ordinances or other governmental laws or regulations.

**M. Health Insurance.** You will maintain eligible insurance coverage, which adequately covers hospital, medical, prescription and Joan L. Grant Nursing Center deductibles and co-payments required of your primary insurance plan. Both your primary and supplemental health insurance policies must recognize Penick as a health care provider, or you will assume the financial responsibility for services provided that otherwise could be covered.

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

V. **Filing for and Rights to Insurance Benefits.** PV is a participating provider with Medicare, Medicaid only.

- Penick will file claims with Medicare for all covered services. By law, the patient is responsible for payment of the deductible, co-insurance, and any **non-covered** service. Non-covered services include, but are not limited to beauty shop charges.
- As a courtesy, Penick will file claims to your secondary insurance carrier for your Medicare Parts A & B co-insurance, unless we are prohibited from filing due to participation requirements of the carrier.
- The Medicare Part A co-insurance will be billed on your monthly PV statement as services are rendered prior to any insurance filings. You are responsible for payment of all Medicare Part A co-insurance billed by PV upon receipt of the bill. Payments received from your insurance carrier for Medicare Part A co-insurance will be applied to your monthly PV statement when received.
- Medicare Part B co-insurance (i.e., therapy co-insurance) not paid by a Resident's insurance carrier within 90 days of the date of service will become due and payable by the Resident unless the claim is subject to Medicare, Medicaid, or an insurance plan in which PV participates.
- In the event a Resident's health insurance determines a service is "not covered", the Resident will be responsible for payment. PV tries to inform Residents when services may not be covered; however, it is the resident's responsibility to understand his/her policy limitations.
- Charges not paid by a Resident's insurance company within 90 days of the date of service will become due and payable by the Resident unless the claim is subject to Medicare, Medicaid, or an insurance plan in which PV participates.
- If, for any reason, PV cannot apply directly for benefits payable under insurance required by this Agreement, you agree to make such application and to pay PV the proceeds received.
- **Penick reserves the right, in its discretion, to eliminate or change its participation with any and all insurance plans.**

VI. **Room Assignment in Healthcare Building.** You understand that you acquire no ownership in any property at Penick under this Agreement; also, that no particular Joan L. Grant Nursing Center or Assisted Living room or unit is subject to reservation or permanent assignment, and that we may change your Healthcare Building room assignment. Though we retain the right to change your room assignment, we agree that we will make changes only as we find such changes to be necessary or advisable.

A. **Moving Costs.** You are responsible for arranging and paying for all packing and moving costs for moves into, within and out of Penick.

B. **Pets/Smoking.** Pets are allowed to visit in the Healthcare Building with written permission and all vaccinations must be up-to-date. Refer to the Healthcare Resident Handbook for additional information .

**Smoking / Tobacco Products.** Penick is a “Tobacco Free” Community. Smoking and use of tobacco products is not permitted anywhere on Penick property including, campus buildings, building entrances or common areas. The only exception is:

- The Healthcare Building may permit smoking for a Resident, if so, a designated smoking area would be provided outside.

C. **Absences.** You agree to inform Penick (Nursing Administration, Billing Office & Dining Services) when you are going to be away for three days or more, and to give us the names of people we can contact in an emergency. In order to provide adequate time for medications to be available, if applicable, you must provide at least 24 hours advance notice of an absence. No credits (i.e. missed meals) will be given during absences. For additional information related to absences from Joan L. Grant Nursing Center, please refer to the Bed Hold Policy, which is described within the Healthcare Resident Handbook.

## VII. TRANSFERS OR CHANGES IN LEVELS OF CARE

A. **Transfer to Hospital or Other Facility.** If it is determined by your physician that you need care beyond that which PV can provide, you may be transferred to a hospital, center or institution equipped to give such care, which care will be at your expense. Such transfer will be made only after consultation to the extent practical with the Resident, the Resident’s physician, a representative of the Resident’s family or the Resident’s responsible party.

In the event it becomes necessary for you to be transferred to a hospital, PV will provide any information available to meet the provisions of any hospital admissions agreement and you agree that Penick has the right to provide such information, which may include part or all of your records.

B. **Surrender of Living Accommodation.** If a determination is made by the Corporation that any transfer described in this Section is permanent in nature, you agree to surrender the Living Accommodation and any storage areas, which were occupied by you prior to such transfer, within 30 days of the determination.

You are responsible for the costs of transfer and moving as well as the Monthly/Daily Fee through the last day of occupancy of the Living Accommodation being vacated. For the purposes of this Section VII. B. occupancy is defined as the last day that a Resident either resides in the Living Accommodation or the last day that the Resident’s furnishings or belongings occupy the Living Accommodation.

\_\_\_\_\_  
Corporation    Resident(s)

## VIII. TERM AND TERMINATION

- A. **Term.** This Agreement shall commence on the date set forth in Section I. A. on Page 3. The parties may, by mutual written agreement, extend the term of this Agreement.
- B. **Termination Prior to Occupancy.** This Agreement may be rescinded by you at any time prior to taking occupancy at PV for any reason by giving written notice to the Corporation.

This Agreement may be terminated by the Corporation at any time prior to the date that you take occupancy if the Corporation determines that you no longer meet the physical, mental or financial requirements for entry.

In the event of such termination (including death or physical or mental conditions making you ineligible for entry to Penick), you shall not receive a refund of any amounts paid for non-standard features added to the Living Accommodation. Notwithstanding anything to the contrary in this Agreement, if the Resident has paid the applicable Monthly/Daily Fee prior to occupying the Living Accommodation, any refund of such amounts (expressly excluding any amounts paid for non-standard features added to the Living Accommodation) shall be paid by Penick within fourteen (14) days following such termination pursuant to this paragraph.

- C. **Voluntary Termination.** At any time, you may terminate this Agreement by giving the Corporation five (5) days prior written notice of such termination. If required notice is given, or if no written notice is given, you will be responsible for paying the Monthly/Daily Fee for the applicable Living Accommodation for the full notice period and for each day of occupancy except when a delay in discharge or transfer would jeopardize your health or safety or that of others at Penick. Any refund due the following voluntary termination pursuant to this Section will be made in accordance with Section VIII.I.
- D. **Temporary Absence.** Temporary absence because of illness, trips or otherwise will not affect your rights to retain occupancy of Living Accommodation, as long as applicable Monthly/Daily Fees are paid.
- E. **Termination Upon Death.** In the event of your death, this Agreement shall terminate as of the date that your Living Accommodation is vacated provided, however, that the Resident's estate shall continue to be obligated to pay the applicable Monthly/Daily Fee for such Resident's Living Accommodation until such Resident's Living Accommodation is vacated and left in good condition except for normal wear and tear.

In the event of such termination, you shall not receive a refund of any amounts paid for non-standard features added to the Living Accommodation. Any refund due following the Resident's death, will be made in accordance with Section VIII. I.

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

- F. **Termination by the Corporation.** We may terminate this Agreement at any time in the following circumstances: 1. The discharge or transfer is necessary for the resident’s welfare and the facility cannot meet the resident’s needs. 2. The resident’s health has improved sufficiently so that the resident no longer needs the care and/or services of the facility. 3. The resident’s clinical or behavioral status (or condition) endangers the safety of individuals in the facility. 4. The resident’s clinical or behavioral status (or condition) otherwise endangers the health of individuals in the facility. 5. The resident has failed, after reasonable and appropriate notice to pay, or have paid under Medicare or Medicaid, for his or her stay at the facility. 6. The facility ceases to operate.

If you fail to make payment, the Corporation will notify you of any fees or charges due the Corporation. The fees and charges must be satisfied in full within thirty (30) days after receiving written notice of your failure to pay such fees or charges. You will be responsible for paying the Monthly/Daily Fee for the applicable Living Accommodation for the full notice period and for each day of occupancy. Except in cases of emergency, you will receive a notice of the termination by the Corporation at least thirty (30) days prior to the effective date of termination.

You may be entitled to appeal the Corporation’s decision to terminate this Agreement and, except in cases of emergency, the Corporation will not discharge you before the final decision resulting from the appeal has been rendered.

- G. **Condition of Living Accommodation.** At the effective date of termination of this Agreement, you will vacate the Living Accommodation and will leave it in good condition except for normal wear and tear. You, or your estate, will be liable to the Corporation for any costs incurred in restoring the Living Accommodation and storage areas to good condition except for normal wear and tear.
- H. **Removal of Personal Property.** In the event of termination of this Agreement, you agree to surrender the Living Accommodation and any storage areas, which were occupied by you, within five (5) days of the determination.

Corporation      Resident(s)

The Corporation reserves the right to remove your belongings from the Living Accommodation and any storage areas. You will pay a Monthly/Daily storage fee equal to 50% of the Monthly/Daily Fee for the previously occupied Living Accommodation or the actual cost of external storage, whichever is applicable. Your property will not be stored for longer than 30 days. Unclaimed property will become the property of Penick after 30 days and will be disposed of at the sole discretion of the Corporation.

In the event of your death, while you are a Penick resident under this Agreement, only the executor(s) named in your Will will be allowed to remove or dispose of your furnishings and belongings in your Living Accommodation and any related storage areas at Penick.

- I. **Refund.** You or your estate, or a revocable trust designated by you, may be entitled to a refund of any amounts related to the cost of health care services provided by PV or any third-party health care provider less any amounts payable to PV or any third-party health care provider through the date the refund is due hereunder. This refund shall not include the cost of non-standard features that were added to your Living Accommodation at your request. Any refund will be made no later than thirty (30) days from the date of your death.

If the Agreement is terminated by you or the Corporation in an emergency situation (i.e., because the Corporation is no longer able to meet your urgent health care needs, or termination is necessary to protect your health and safety or that of another person at Penick, refund will be made within thirty (30) days after you leave Penick. If this Agreement is terminated for any other reason, the refund will be made no later than thirty (30) days after you leave Penick.

- J. Release from Obligations Upon Termination.** Upon termination of this Agreement, Penick is released from any further obligations to you except for the payment of any refund which may be due under this Agreement.

## **IX. GENERAL**

- A. Compliance with Applicable Laws.** Resident and Penick will operate in full compliance with all laws, rules, regulations and ordinances promulgated by lawful governmental authorities.
- B. Confidentiality.** Penick has the responsibility to keep all of the personal, medical and financial information you have supplied to it confidential. You agree that Penick can disclose such information to those who have a need, in its judgment, or right to know (e.g., to provide information for transfer to a hospital).
- C. Assignment.** Your rights and privileges under this Agreement to the facilities, services and programs of the Corporation are personal to you and may not be transferred or assigned by you or otherwise.
- D. Management of the Corporation.** The absolute rights of management are reserved by the Corporation, its Board of Directors and its administrators as delegated by said Board of Directors. The Corporation reserves the right to accept or deny any person for residency. Residents do not have the right to determine entry or terms of entry of any other Resident. Penick reserves the right to amend, implement or terminate policies and/or guidelines related to the operation of the community in its sole discretion.
- E. Religious Affiliation.** Penick is rooted in the Episcopalian Church. However, the Episcopalian Church is not responsible for PV's financial, legal and contractual obligations.
- F. Indemnity.** You agree to indemnify, defend and hold us harmless from claims, damages or expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your negligent or intentional act or omission or those of your guests, licensed private duty nurses, companions or others.
- G. Severability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.
- H. Resident Contracted Services.** If you wish to privately employ outside assistance, including PV-employed Associates, for whatever reason, all PV policies must be upheld, and prior written approval by PV management must be obtained. You agree to hold PV harmless in all situations related to the provisions of such outside services. The Corporation has the right to require termination of such a service at any time.
- I. Resident Handbook.** You will be given a current copy of the Resident's Handbook as adopted by the Corporation. You understand that these documents will change from time to time but that they are the procedural documents for those occupying PV's Living Accommodations. You will

be provided with a copy of any revisions to the Resident Handbook in a timely manner, and will have an opportunity to inquire with Corporation's Administrator or designee should you request clarification.

- J. **Entire Agreement.** This Agreement constitutes the entire contract between the Corporation and Resident with the exception of Resident Handbook; Schedule of Fees; and any other documents which are incorporated by reference herein. The Corporation shall not be liable or bound in any manner by any statements, representations or promises made by any person representing or assuming to represent the Corporation, unless such statements, representations or promises are set forth in this Agreement or in an amendment to this Agreement signed by PV's CEO and by you. Electronic (e.g., pdf) versions of this Agreement shall have the same legal effect as originals, and all of which, when fully executed, shall constitute one and the same instrument.
- K. **Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of the Corporation and the heirs, executors, responsible parties, powers of attorney, administrators and assigns of you.
- L. **Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, trustee, agent or employee of ours shall have any personal liability hereunder to you under any circumstances.
- M. **Tax Considerations.** You should consult with your tax advisor regarding the tax considerations associated with this Agreement.
- N. **Governing Law.** This Agreement shall be governed by the laws of the State of North Carolina without regard to conflict of laws principles.
- O. **Amendments and Partial Invalidation.** Generally, this Agreement can be changed only by mutual written consent. However, we can make changes without your consent to keep the Agreement in compliance with applicable laws and regulations provided, that the changes we make do not substantially reduce your benefits under the Agreement. If any provision in this Agreement is invalidated, all other provisions will remain in force.
- P. **Waivers.** Neither the failure nor any delay on the part of any party to exercise any right, remedy, power, or privilege ("Right") under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any Right preclude any other or further exercise of the same or of any Right, nor shall any waiver of any Right with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.
- Q. **Survival.** Those rights and obligations that have accrued as a result of the operation of this Agreement shall survive its termination, as shall those rights and obligations that by their terms survive termination and any provisions that must survive to give effect to their terms, as shall any obligation of Resident to pay costs or expenses of his or her stay at Penick that remain unpaid as of such termination.
- R. **Gender.** Throughout this Agreement, the use of the masculine gender shall include the feminine, and the use of singular shall include the plural.

S. **Interpretation.** Headings are for convenience and reference purposes only and shall not affect the interpretation of any provision of this Agreement.

T. **Notice Provisions.** Any notices, consents, or other communications to the Corporation hereunder (collectively “notices”) will be in writing and addressed as follows:

Business Office  
Penick Village, Inc.  
500 E. Rhode Island Ave.  
Southern Pines, North Carolina 28387

**Resident:**

Your address for the purpose of giving notice prior to your move to Penick is the address appearing after your signature below. Your address for the purpose of giving notice after your move to Penick will be the current Living Accommodation address at the applicable time of notice.

You are responsible for notifying us of any changes in address and/or telephone number.

(Intentionally left blank)

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

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

**NOTICE**

Because the authority to enter into continuing care contracts granted by the North Carolina Department of Insurance is neither a guarantee of performance by the provider nor an endorsement of any continuing care contract provision, prospective residents must carefully consider the risks, benefits, and costs before signing a continuing care contract and are strongly encouraged to seek financial and legal advice before doing so."

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

**PENICK VILLAGE, INC.**

**RESIDENT(S)  
(or Resident(s)'s Attorney in Fact) (\*)**

\_\_\_\_\_  
By (signature)

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Current Address: Street

\_\_\_\_\_  
City, State, Zip Code

\_\_\_\_\_  
Telephone

**ACKNOWLEDGEMENT OF RECEIPT OF  
DISCLOSURE STATEMENT**

**Penick Village, Inc.  
500 E. Rhode Island Ave.  
Southern Pines, NC 28387**

As of the day and year above written in this Residence and Services Agreement, the undersigned Resident(s) acknowledges receipt of the Disclosure Statement of Penick Village, Inc. dated \_\_\_\_\_. The Disclosure Statement was received prior to the execution of this Agreement or prior to or at the time of the transfer of any money or other property to the facility, whichever occurred first.

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

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

I understand this matter involves a financial commitment and associated risk as well as a legally binding contract. In evaluating the Disclosure Statement and the Financial Statements prior to any commitment, I was encouraged to consult with an attorney and/or financial advisor who could 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.

**PENICK VILLAGE, INC.**

**RESIDENT(S)  
(or Resident(s)’s Attorney in Fact) (\*)**

\_\_\_\_\_  
By (signature)

\_\_\_\_\_  
(signature) (date)

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
(signature) (date)

\_\_\_\_\_  
Title

(\*) If Attorney-in-Fact signs on behalf of the Resident(s), a Filed Power of Attorney document must be attached to this Agreement.

## Appendix E – Statutory Ratio and Supporting Definitions

This Appendix reproduces certain statutory definitions referenced in Section 35 — Key Financial Metrics. The definitions below are quoted verbatim from N.C. Gen. Stat. §§ 58-64A-5 and 58-64A-145 and are provided for reference only.

**Adjusted Net Operating Margin Ratio.** *“A profitability ratio that measures the margin generated from the core operations of a provider and net cash proceeds from entrance fees. The quotient shall be calculated by dividing the sum of resident operating income and net proceeds from entrance fees by the sum of resident revenue and net cash proceeds from entrance fees.”* (G.S. 58-64A-145(1))

**Annual Debt Service.** *“The current year’s capitalized interest cost plus interest expense and scheduled principal payments, excluding any balloon principal payment amounts and any portion of the annual debt service that has been or will be funded by debt for the payment of debt service.”* (G.S. 58-64A-5(7))

**Average Daily Cash Operating Expenses.** *“The total expenses of a provider incurred in the conduct of the provider’s business over a defined period of time, divided by the number of days in that period. For purposes of this definition, ‘total expenses’ includes interest expense, but excludes depreciation expense, amortization expense, realized or unrealized nonoperating losses or expenses, bad debt expense, and other noncash expenses.”* (G.S. 58-64A-145(2))

**Capital Expenditures as a Percentage of Depreciation Ratio.** *“A capital structure ratio that indicates the level of capital reinvestment by a provider. The quotient shall be computed by dividing total purchases of property, plant, and equipment by total depreciation expense.”* (G.S. 58-64A-145(3))

**Cushion Ratio.** *“A liquidity ratio that measures a provider’s ability to pay its annual debt service using its unrestricted cash and investments. The quotient shall be computed by dividing unrestricted cash and investments by annual debt service.”* (G.S. 58-64A-145(4))

**Days Cash on Hand Ratio.** *“A liquidity ratio that measures the number of days of cash operating expenses a provider could cover using its existing unrestricted cash and investments. The quotient shall be computed by dividing unrestricted cash and investments by average daily cash operating expenses.”* (G.S. 58-64A-145(5))

**Debt Service Coverage Ratio.** *“A capital structure ratio that measures a provider’s ability to pay annual debt service with cash flow from net cash revenues and net entrance fee receipts. The quotient shall be calculated by dividing the sum of total excess of revenues over or under expenses plus interest expense, depreciation expense, amortization expense, other noncash operating losses or expenses, and net cash proceeds from entrance fees, minus entrance fee amortization, entrance fee refunds contractually past due, and other noncash operating gains or revenues divided by annual debt service. Entrance fees received from the initial residents of independent living units at a continuing care retirement community that have been financed in whole or in part with the proceeds of indebtedness shall be excluded from the net proceeds from entrance fees up to an amount equal to the aggregate of the principal amount of the indebtedness.”* (G.S. 58-64A-5(17))

**Net Cash Proceeds from Entrance Fees.** *“Total entrance fees received less entrance fees refunded, and less initial entrance fees received for new independent living units.” (G.S. 58-64A-5(30))*

**Net Operating Margin Ratio.** *“A profitability ratio that measures the margin generated from the core operations of a provider. The quotient shall be calculated by dividing resident operating income by resident revenue.” (G.S. 58-64A-145(7))*

**Operating Ratio.** *“A profitability ratio that measures whether current year cash operating revenues are sufficient to cover current year cash operating expenses without the inclusion of cash from entrance fee receipts. The quotient shall be computed by dividing total operating expenses, excluding depreciation expense and amortization expense, by total operating revenues, excluding amortization of entrance fees and other deferred revenue.” (G.S. 58-64A-145(8))*

**Prospective Financial Statements.** *“Financial forecasts or financial projections, including the summaries of significant assumptions and accounting policies prepared by an independent certified public accountant.” (G.S. 58-64A-5(38))*

**Resident Expense.** *“Total operating expenses excluding interest expense, depreciation expense, amortization expense, and income taxes.” (G.S. 58-64A-145(10))*

**Resident Revenue.** *“Total operating revenue excluding interest and dividend income, entrance fee amortization, and contributions.” (G.S. 58-64A-145(11))*

**Unrestricted Cash and Investments.** *“The sum of the provider's unrestricted cash, cash equivalents and investments, and any provider restricted funds that are available to pay debt or to pay operating expenses. For purposes of this definition, the assets serving as the operating reserve required by G.S. 58-64A-245 shall be considered unrestricted.” (G.S. 58-64A-145(12))*

**Unrestricted Cash and Investments to Long-Term Debt Ratio.** *“A capital structure ratio that (i) measures a provider's position in available cash and marketable securities in relation to its long-term debt and (ii) measures a provider's ability to withstand annual fluctuations in cash. The quotient shall be calculated by dividing unrestricted cash and investments by total long-term debt, less the current portion of long-term debt.” (G.S. 58-64A-145(13))*

**Source:** *N.C. Gen. Stat. §§ 58-64A-5 and 58-64A-145 (Session Law 2025-58). If the statutory definitions are amended, the statute as amended controls.*