

The Chapel Hill Residential Retirement Center, Inc.
Carol Woods Retirement Community

750 Weaver Dairy Road
Chapel Hill, NC 27514



Disclosure Statement
May 30, 2018

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

- *This Disclosure Statement may be delivered until revised, but not after October 31, 2019;**
- *Delivery of the Disclosure Statement to a contracting party is required before execution of a contract for continuing care;**
- *This Disclosure Statement has not been reviewed nor approved by any government agency or representative to ensure accuracy or completeness of the information set out. (North Carolina statutes do not provide for such governmental approval.)**

TABLE OF CONTENTS

I. The Organization Introduction & Information

The Organization and Its Operation.....	1
Not-For-Profit Status.....	1
Affiliations	1
Accreditation	3
Licensure	3
Credit Rating	3

II. Facility Introduction & Information

Physical Location and Capacity	4
Board of Directors.....	5
Residents Association	16
Executive Staff.....	17
Consulting Professionals.....	17
Full Disclosure Practice	18

III. Ongoing or Proposed Expansions or Developments

IV. Admission and Residency Requirements

Admission Requirements.....	21
Health Criteria.....	23
Financial and Insurance Criteria.....	23
Age Requirements	23
Signing of Agreements and Timing of Entry Fee Payments	24
Contract Cancellations/Terminations and Applicable Refunds	26
Cancellations During the Admission Process.....	28
Contract Rescission.....	29
Trial Period for Residency at Carol Woods.....	29
Voluntary Termination After Rescission / Trial Periods.....	30
Termination Upon Death of a Single Resident.....	31
Termination By One of Two Residents Co-Signing	31
Termination By Carol Woods.....	31
Moves	33
Marriages/New Second Occupant.....	37
Inability to Pay	37

V. Services

Standard Services	
General Services	38
Residential Living Services	39
Health Care / Health Promotion Services	40
Services Available at Extra Charge	
Residential Living Services	41
Health Care Services.....	42
Personal Services	43

VI. Fees

Priority List Deposit / Administration Fee.....	44
Entry Fees	44
Monthly Service Fees.....	46
Health Center Fees	48
Fee Change Policies	49
Historical Changes in Major Fees.....	50

VII. Financial Information

Financial Overview	51
Amortization of Entry Fees.....	51
Reserves, Escrows and Trusts	
Reserves	52
Escrows and Trusts	53
Investment of Reserves, Escrows & Trust	53
Financial Projections.....	54
Projected Fees	54
Actual Performance Compared to Historic Projections.....	56

Appendices

Appendix A: 2017 Audited Financial Statements	A1
Appendix B: 5-Year Financial Projections, 2018-2022	B1
Appendix C: Contracts and Agreements	C1
Appendix D: Interim Financial Statements, March 31, 2018.....	D1
Appendix E: Accreditation & Licenses.....	E1
Appendix F: Philosophy, Mission & Value Statement	F1
Appendix G: Board Disclosure of Potential Conflicts Statement.....	G1

I. ORGANIZATION INTRODUCTION AND INFORMATION

A. The Organization and Its Operation

Organized by a group of local citizens who recognized the need for a quality retirement center in Chapel Hill, **The Chapel Hill Residential Retirement Center, Inc.** was incorporated in July 1972 as a nonprofit corporation. The community includes a single campus located at 750 Weaver Dairy Road in Chapel Hill, North Carolina. The corporation generally uses the name **Carol Woods** when doing business.

The mission of the corporation is to provide a broad array of services to persons 65 years of age or older including housing, health care, security, and to develop a satisfying lifestyle and environment. The community supports and enhances the highest degree of independence appropriate to each individual resident. A copy of Carol Woods' Philosophy Statement and Statement of Mission, Vision and Values are presented in Appendix F.

B. Not-for-Profit Status

Carol Woods is classified by the Internal Revenue Service as a 501(c)(3) corporation. This not-for-profit classification exempts the organization from corporate income taxes and allows Carol Woods to receive charitable contributions that may be tax deductible by the donor. Under IRS regulations no earnings of the Corporation may be used for the benefit of nor distributed to corporate directors, officers, or other individuals. All excess funds remain with Carol Woods for use in its programs and services; and for on-going financial stability.

C. Affiliations

In 2006 Carol Woods created an affiliated corporate entity, naming it The Carol Woods Charitable Fund, Inc. (the Charitable Fund). The Charitable Fund has been established as a separate 501(c)(3) charitable organization and has been organized as a "supporting" corporation to Carol Woods. Under IRS guidelines, a supporting organization is one that is treated as a charitable, tax-exempt entity because its primary purpose is to support another charitable, tax-exempt entity; i.e., Carol Woods. Under its Articles of Incorporation and Bylaws, the purpose of the Charitable Fund is to:

- a. Support the facilities, grounds and services of Carol Woods to maintain its high quality and affordability.
- b. Support Carol Woods as a leader in research and development of innovative housing programs, health care services, technology applications, and other needed support services in order to help elderly persons lead meaningful lives as they age.
- c. Support Carol Woods' leadership role in the community, identifying and addressing potential gaps in the service delivery system, financial issues and other barriers to seniors being able to access needed services.
- d. Support Carol Woods' assistance to elderly persons during periods in which the aging process may lead to personal loss, supporting seniors as long as possible in

desired living arrangements and achieving smooth transition to other settings as needed.

- e. Support Carol Woods in promoting the care and service to seniors as a fulfilling career choice for students at high school, college, graduate school and trade school levels, thereby increasing the supply of qualified and dedicated personnel available to serve seniors.
- f. Support Carol Woods in its cooperation and collaboration with other public agencies and non-profit corporations in the community, North Carolina and the United States in efforts to determine the most satisfying and fulfilling methods of providing living accommodations and supportive services for elderly persons.

The Charitable Fund can accept charitable donations for which the donor may receive a tax deduction. To maintain sufficient cohesion among the two organizations, all members of the Charitable Fund Board of Directors are appointed by the Carol Woods Board, and a majority of the Charitable Fund Board must be current members of the Carol Woods Board; including the Carol Woods President/CEO and Vice-President of Finance, who serve as ex-officio voting members of the Charitable Fund Board.

In November 2017 Carol Woods created a limited liability company (LLC) for which Carol Woods is the sole member. Named Canopy of Carol Woods, LLC (“Canopy”), it is established as a non-profit entity – organized and operated exclusively for charitable purposes including supporting the operations of Carol Woods. Its Articles of Organization specifically state that no part of the net earnings of the LLC shall inure to the benefit of its organizer, directors, officers or other private persons.

Canopy is a vehicle for Carol Woods to pursue its mission of serving seniors across the broader community. As part of that broader purpose, Carol Woods transferred its home care license to Canopy and contracted with another local non-profit organization that provides companionship services to seniors, to create a collaborative non-profit approach to home care across the local service area.

The books of the Charitable Fund and Canopy are presented as part of a set of consolidated financial statements, providing residents and the public the same level of financial disclosure to which they have come to expect with Carol Woods (refer to Appendix A). Since Canopy was only recently formed, it had no financial resources as of the end of 2017.

Pursuant to NCGS §58-64-20(a)(4), aside from its affiliation with the Carol Woods Charitable Fund and Canopy of Carol Woods, LLC, and other than annual membership in several state and national associations such as LeadingAge, Carol Woods has no formal affiliation with any other religious, charitable, other non-profit organization or any other organization. Carol Woods is solely responsible for all of the corporation’s financial and contractual obligations.

D. Accreditation

Carol Woods is accredited by the national Commission for Accreditation of Rehabilitation Facilities - Continuing Care Accreditation Commission (CARF-CCAC). The Commission is an independent entity and is the only accreditation body for communities like Carol Woods. Initial accreditation was granted in 1988. Carol Woods was reaccredited in 1993, 1998, 2003, 2008, and most recently in 2013. Each 5-year reaccreditation involves an intensive evaluation process and an on-site visit conducted by a team of trained continuing care professionals. In achieving accreditation, the Commission finds that Carol Woods conforms to specific standards of excellence accepted by the continuing care industry. (See Appendix E for Certificate of Accreditation through 2018).

E. Licensure

Carol Woods is licensed to provide continuing care in North Carolina in accordance with State law. The license is issued by the North Carolina Department of Insurance. Documentation of Carol Woods' licensure with the Department of Insurance is presented in Appendix E.

Carol Woods is also licensed by the North Carolina Division of Health Service Regulation to operate 30 skilled nursing facility beds and 89 Home for the Aged beds (the latter comprise Carol Woods' Assisted Nursing and Assisted Living facilities).

Carol Woods transferred its home care license from the North Carolina Division of Health Service Regulation to Canopy of Carol Woods, LLC. Through Canopy, Carol Woods meets its obligation to offer home care services to its Early Acceptance residents under the Continuing Care Services without Lodging requirements of NCGS §58-64-7.

Current copies of each license from the Division of Health Service Regulation are presented in Appendix E.

The 30-bed skilled nursing center is certified for Medicare participation, as are Carol Woods' primary care medical clinic and outpatient rehabilitation department.

F. Credit Rating

Since 2000 Carol Woods has maintained a credit rating of "A" from Standard & Poors (S&P). As of October 2015 a total of 40 communities across the country have a rating of any kind with S&P, and Carol Woods is among only 9 retirement communities that have a rating of "A" or better. S&P reviews Carol Woods' financial position every year or two, taking into consideration such factors as strength of Board and senior management, market conditions, and financial projections. Each time S&P has reaffirmed its "A Stable" Rating of Carol Woods. The most recent reaffirmation was in July, 2017.

II. FACILITY INTRODUCTION AND INFORMATION

A. Physical Location and Capacity

Carol Woods is located on 120 wooded acres in northern Chapel Hill, North Carolina. Its location is between two major universities, the University of North Carolina at Chapel Hill and Duke University.

There are 313 residential living units on campus, comprised of the following:

- 152 are single-story garden cottages,
- 149 units are in three central apartment buildings, and
- 12 are two-story townhomes located contiguous to the main campus.

There is a 60-accommodation health center on site and 3 assisted living facilities with licensed capacity for 59.

As of April, 2018 Carol Woods had 490 residents living on campus, and 120 other residents living off campus under the Early Acceptance program.

A variety of central buildings house common facilities (such as the dining hall, social hall, guest house, indoor heated pool, fitness center, library, assembly hall, computer room, and craft rooms/craft shop) and offices. The campus is accessed from a single entrance on Weaver Dairy Road.

In February of 2012, Carol Woods received approval from the NC Department of Insurance to offer an Early Acceptance program. The Early Acceptance option is offered only to persons who are on Carol Woods' priority list, and the admission process for Early Acceptance is identical to the admission process for persons who are moving to campus. The total numbers of persons who are accepted to the Early Acceptance program is determined by the Carol Woods Board, and is guided by the numbers of residents living on campus and the projected actuarial capacity of Carol Woods' assisted living and health center facilities. The Early Acceptance program is described in more detail in Sections III, IV and V of this Disclosure Statement. The assumptions about average census in the Early Acceptance program and the financial implications are presented in the 5-year financial projections in Appendix B.

B. Board of Directors

Carol Woods is a private community-based not-for-profit corporation, which is governed by a Board of Directors, all of whom serve on a volunteer basis.

There are 18 voting Board members and 3 non-voting ex-officio members -- of whom one is staff, and two are members of the Residents Council. Voting members are nominated and elected by the Board to 3-year terms. Currently 2 residents serve as voting members of the Board. No paid staff members of Carol Woods serve as voting Board members. Each Board member may serve a maximum of two consecutive terms, but then must rotate off the Board for at least one year. Members are typically individuals who have had proven success in professional, business, or community affairs. Most are from the Chapel Hill and Durham area. A number of past board members have later become residents of Carol Woods.

NCGS §58-64-20(a)(2) and §58-64-20(a)(3) require certain disclosures about any officer, director or trustee who has at least a 10% ownership or beneficial interest in Carol Woods. No officer, director or trustee has any ownership or beneficial interest in Carol Woods. In the spirit of full disclosure, the following profiles each member of the Carol Woods Board – indicating Board position, voting or non-voting, and whether any Board member might have business relations of any kind with Carol Woods or its residents.

Robert (Bob) E. Dunham (Chair)

PO Box 509

Chapel Hill, NC 27514

Education: B.A. in English from Davidson College; D. Min. from Union Theological Seminary; S.T.M. from Yale University. He retired in May 2017 after 26 years as pastor and head of staff at University Presbyterian Church in Chapel Hill. His previous pastorates were in Charleston, South Carolina; Covington, Georgia; and Auburn, Alabama. Bob serves on the editorial board of *Journal for Preachers*, and has been a guest preacher multiple times on the *Day 1* national radio broadcasts. He has also served as a Trustee of Davidson College and Union Presbyterian Seminary, and has been a board member of the Martin Luther King Jr. University-Community Foundation and the Inter-Faith Council in Chapel Hill. He and his wife, Marla, have lived in Chapel Hill since 1991.

John P. (Jack) Evans (Vice Chair)

McColl Building CB# 3490

Chapel Hill, NC 27599-3490

Education: Bachelor of Mechanical Engineering, M.S. in Industrial Engineering and Ph.D. in Operations Research, all from Cornell University (1960, 1962 and 1968, respectively). After approximately two years on the faculty of the Graduate School of Business at the University of Chicago, Jack joined the faculty of what is now Kenan-Flagler Business School (KFBS) at the University of North Carolina at Chapel Hill in 1970. While on the faculty, Jack served as Assistant to the Chancellor, Dean and three

times as either Acting or Interim Dean of KFBS, Interim Vice Chancellor for Finance and Administration, and Executive Director of Carolina North. He also served as the university's faculty athletics representative from 1995 to 2010 during which time he was twice president of the Atlantic Coast Conference. He has served on a number of NCAA committees including the Committee on Academic Performance from 2003 to the present. He retired from UNC-Chapel Hill at the beginning of 2011. He came out of retirement in July 2013 to return to KFBS as Interim Dean.

Robert Saunders (Secretary)

P.O. Box 26000

Greensboro, NC 27420

Education: B.A. from UNC Chapel Hill, J.D. from University of Virginia School of Law. Bob is a tax and business lawyer with experience in the nonprofit sector. He counsels primarily tax-exempt organizations on matters ranging from formation and operation to merger and dissolution, plus a wide range of federal and state tax controversy matters, estate planning and tax-exempt financing. Bob represents exempt organizations in federal and state tax audits and has significant experience as bond counsel, underwriter's counsel, company counsel and authority counsel in tax-exempt financings. He advises companies seeking to operate as social enterprises in the Fourth Sector on a variety of governance and tax-related issues and is co-author for the North Carolina Chapter of the ABA Property Tax Handbook and the ABA Sales and Use Tax Handbook. Bob is also the Chair of the Carrboro Partnership for Sustainable Community, the Carrboro Economic Sustainability Commission and the Chair of the North Carolina Bar Association Business Law Council Committee on Nonprofit Organizations. He lives in Carrboro.

Per NCGS §58-64(a)(3)(b) the firm in which Mr. Saunders is a partner, Brooks, Pierce, McLendon, Humphrey & Leonard, LLP, provided \$12,023.50 in legal services to Carol Woods related to creation of the subsidiary Canopy of Carol Woods, LLC noted in the Affiliations section of this Disclosure Statement.

Patricia Moore-Boyette (Treasurer)

211 Friday Center Drive, Suite 2091
Chapel Hill, NC 27517

Education: B.S. in Applied Mathematics from N.C. State University, M.B.A from Meredith College, Certified Public Accountant. Pattie has worked at UNC Healthcare System for the past 30 years, beginning as the Director of Internal Audit for N.C. Memorial Hospital, next as the Vice President of Audit and Reimbursement for UNC Hospitals, and currently as the Vice President of Reimbursement for UNC Health Care System. Previous to that, Pattie spent eight years at Blue Cross and Blue Shield of NC (NC fiscal intermediary for Medicare and Medicaid) as an auditor and then Audit Supervisor for Teaching and State facilities. She also helps with accounting/auditing in the family business – Joe Moore & Company, Inc., an industrial boiler contractor, located in Raleigh, NC. She has served on the vestry at Saint Michael's Episcopal Church in Raleigh, NC and has taught Sunday School to three-year-olds for over 35 years.

Napier (Nape) Baker (Resident, Voting Member)

750 Weaver Dairy Road, Apt 181
Chapel Hill, NC 27514

Education: BA from Wake Forest University, BD from CRDS and M.Th. in Pastoral Theology from Colgate Rochester Divinity School. Nape retired from UNC Hospitals in 2001 after 25 years as Director of Pastoral Care. Previously he was Protestant Chaplain and Clinical Pastoral Education Supervisor at Saint Vincent Health Center (Roman Catholic) in Erie, PA and Pastor of Ogden Baptist Church in Spencerport, NY. Nape chaired the Accreditation Commission of the Association for Clinical Pastoral Education, Inc. and was inaugural chair of the Joint Commission on Accreditation of Pastoral Services. Nape was Chair of the Eastern Region NC Continuing Care Community Residents Association and is a past president of the Carol Woods Residents Association. He is active in Olin T. Binkley Memorial Baptist Church, chaired the Building Committee during a recent renovation and expansion, and recently completed a term as Church Moderator. Nape has lived at Carol Woods since 2007 and is married to Charla Baer Baker.

Jack Benjamin

1086 Burning Tree Drive
Chapel Hill, NC 27517

Education: B.A from Harvard College, MD from Columbia College of Physicians and Surgeons M.D.. After pediatric residency at UNC, Dr. Benjamin served in the U.S. Army for three years as a general pediatrician, and then was in private practice in Charlottesville, VA. for 21 years. He was on the executive committee of Martha Jefferson Hospital and also served as president of their medical staff. In 1994, he moved to Augusta, GA as Professor of Pediatrics, Medical Director of the Children's Hospital and Clinic Director. In 2003 he returned to UNC as Vice-Chair for Clinical Activities of Department of Pediatrics and was also the Pediatrician-in- Chief of NC Children's Hospital. Dr. Benjamin founded The Teaching Center at UNC, and was named The Floyd W. Denny Distinguished Professor of Pediatrics before retiring in 2007. He has become a serious photographer, traveling abroad taking photos of life in and around Presbyterian mission hospitals, and also doing photography projects for groups in town, including Carol Woods. Jack is married to Nancy and has three children and seven grandchildren.

Richard Blankenship

1450 Raleigh Road, Suite 300
Chapel Hill, NC 27517

Education: B.A., University of North Carolina at Chapel Hill. Mr. Blankenship is a Chartered Financial Analyst - a partner and senior portfolio manager with Franklin Street Partners of Chapel Hill. He has over 35 years of experience in managing trusts, high net worth clients, foundations, endowments, retirement assets and public money pools. He is a member of the CFA Institute and the North Carolina Society of Financial Analysts. Mr. Blankenship has served on boards for the UNC Division for Student Affairs, Triangle Family Services, Ronald McDonald House of Durham, the Durham Public School Scholarship Foundation, the Cherry Hill Foundation, the Friendly City Kiwanis, Croasdaile Country Club and other organizations. He's currently Treasurer of his church, Trinity Avenue Presbyterian Church in Durham. Richard completed two consecutive terms on the Board that ended in 2014, including service on the Finance Committee and as Board Chair.

Per NCGS §58-64(a)(3)(b) the firm in which Mr. Blankenship is a partner, Franklin Street Partners of Chapel Hill at the above address, may provide services to residents of Carol Woods, the anticipated cost of which cannot be estimated.

Audrey Galloway

5511 Capitol Center Drive, Suite 400
Raleigh, NC 27606

Education: B.A., NC State University. Audrey currently serves as an Associate State Director for AARP-North Carolina, leading the Triangle Region's outreach and advocacy efforts, while orchestrating and delivering programs important to people age 50 and older. Born and raised in Raleigh where she attended Wake County Public Schools, Audrey began her career in the public sector as a high school English Teacher. She left teaching to pursue an advocacy career with the NC Association of Educators as a government relations specialist, then as an advocacy consultant for several area non-profit organizations. She's also served as a board member of a number of Triangle-based non-profit organizations assisting in fund- and profile-raising activities. She and her husband, Rev. Victor Galloway, have one son who is a graduate of NC State's Architecture program. She is a member of First Baptist Church New Hill, Alpha Kappa Alpha Sorority and the Triangle Chapter of the Ellevote Network.

Thomas R. Haber

707 Kensington Drive
Chapel Hill, NC 27514

Education: B.S in Economics from the Wharton School at University of Pennsylvania (1962). Tom is CEO of Hadley Investments. He retired from his position as Senior Vice President/Chief Financial Officer of GlaxoSmithKline U.S., and is currently on the Board of Directors of the GSK NC Foundation. Tom previously worked in financial management at Johnson and Johnson. He serves on the Board of Directors of SECU Family House, Board of Visitors UNC Children's Hospital, Board of Visitors UNC Kenan-Flagler Business School (Emeritus). His previous volunteer activities include UNC Chapel Hill Board of Visitors, Chapel Hill- Carrboro Public School Foundation Board, ArtCenter Board, and Chapel Hill Preservation Society Board. Tom and his wife Margie have lived in Chapel Hill since 1983.

Melvin (Mel) Hurston

10003 Hammock Bend
Chapel Hill, NC 27517

Education: B.A. in Finance and Business Administration from Wayne State University in Detroit, MI. Masters in Health Services Administration from the University of Michigan (Ann Arbor). As senior V.P. of Professional and Support Services for UNC Hospitals, Mel's work involves provision of services in support of clinical care, including the areas of plant engineering and maintenance, safety and security, design and construction, and space management. He helped design and construct over 2 million square feet of space in which to treat patients; including five hospitals, numerous clinics and multiple free-standing centers. He also helped develop a telemedicine program that brought pediatric cardiology expertise to rural parts of North Carolina. Mel serves as

President of the Board of Directors for the Charles House Association which is comprised of three elderly care facilities in Chapel Hill, and he serves on the Board of Directors for Chatham Hospital in Siler City.

Jim Kitchen

133 ½ East Franklin Street
PO Box 225
Chapel Hill, NC 27514

Education: Bachelor's degree from UNC-Chapel Hill, MBA from University of Tennessee and Masters in Political Management from George Washington University. Jim helped build one of the largest student tour companies in North America. As a Professor of Entrepreneurship and an Entrepreneur-in-Residence at UNC's Kenan-Flagler Business School, he teaches undergraduates how to create new for-profit and non-profit ventures. He has led the initiative to create an entrepreneurial hub in downtown Chapel Hill. Collaborating with officials from the Town of Chapel Hill, Orange County, Downtown partnership and UNC, they opened Launch Chapel Hill. This project has strengthened Town-County-University relations while giving entrepreneurs needed space to create ventures in Orange County. He opened 1789 (above Four Corners on Franklin Street) in early 2013 to serve early stage companies coming out of UNC. Jim is a member of the Chapel Hill-Carrboro Public School Foundation Board and an avid runner. Jim and his wife Susan have two children.

Larry McManus, CFP®, CRPC®

TEAM Wealth Investments
1525 E. Franklin Street
Chapel Hill, NC 27514

Education: B.S in Financial Management with a minor in Real Estate from Clemson University; M.B.A. from the University of South Carolina and Copenhagen School of Business and Economics. Mr. McManus is a Certified Financial Planner and Chartered Retirement Planning Counselor. He is an investment manager and principal in his own investment firm, TEAM Wealth Investments. Larry's work experience includes a wealth of international management experience in Asia, Japan and Europe including Merger and Acquisitions, Acquisition Integrations, Business Development and Sales at Cisco, Ericsson, BET, Ltd. and ISS, Inc. Larry has led building teams for Habitat for Humanity International in Guatemala, Ghana and Costa Rica, and volunteers locally at Habitat in Durham. He's currently participating in Leadership NC and serves as the co-chair of the Men of Binkley and past leadership roles with Boy Scouts of America in Orange County and on the Carol Woods Audit Committee.

Per NCGS §58-64(a)(3)(b) the firm that Mr. McManus owns, TEAM Wealth Investments at the above address, may provide services to residents of Carol Woods, the anticipated cost of which cannot be estimated.

Brenda Mitchell

321 S. Columbia Street
C.B. #7120, UNC-CH
Chapel Hill, NC 27599

Education: BA in Speech Language Pathology and Audiology from South Carolina State University; MS in Speech Language Pathology from Pennsylvania State University; PhD in Leadership Studies from NC Agricultural and Technical State University. Dr. Mitchell is Associate Professor and Associate Chair for Student Services and AHEC Operations in the Department of Allied Health Sciences at UNC Chapel Hill and enjoys presenting at state and national conferences on topics related to Speech Language Pathology, mentoring, diversity and student data. She has maintained a faculty appointment in the Division of Speech and Hearing Sciences since 1996, has taught at undergraduate and graduate levels in Speech Language Pathology, and has led two AHEC supported grants: the Health Affairs Pipeline Partnership Initiative (HAPPI) and the Interprofessional Initiative with Allied Health graduate students (PT, OT and SLP) at the Piedmont All-Inclusive Care for the Elderly (PACE) facility in Burlington and Randolph Hospital in Asheboro. In her student services role, she oversees the daily systems for student recruitment, retention and success. As AHEC Operations liaison for Allied Health Sciences, she oversees student clinical housing and arranges for faculty to share clinical expertise as requested by regional AHECs throughout the state. Dr. Mitchell worked in various clinical settings prior to her academic appointment at UNC-CH. She and her husband live in Durham. She is a member of the Union Baptist Church of Durham's Educational Teaching Board and serves on the Advisory Board of the Glen Lenox branch of the NC State Employees Credit Union.

Ruth Ouimette (Resident, Ex-Officio Non-Voting Member)

750 Weaver Dairy Rd., # 242
Chapel Hill, NC 27514

Education: Vassar Brothers Hospital School of Nursing, Poughkeepsie NY, Diploma in Nursing; University of Rochester, Rochester NY, Adult Nurse Practitioner Certificate; University of Bridgeport, Bridgeport CT, BSN; Yale University, New Haven CT, MSN; University of Maryland, Baltimore, Robert Wood Johnson Primary Care Fellowship with Gerontology Specialty. Ruth worked as a nurse at Strong Memorial Hospital, helping to set up one of the first coronary-intensive care units. After earning baccalaureate and graduate degrees, she held joint faculty/clinical practice positions at several universities, including: UNC School of Nursing and UNC Hospital Internal Medicine Clinic; University of Alabama at Birmingham (UAB) School of Medicine and UAB Adolescent Clinic; University of Pennsylvania School of Nursing and Ralston House (a Quaker life-care community near University of Pennsylvania). After returning to Chapel Hill in the mid-1980s, Ruth worked at Carol Woods as a Nurse Practitioner and later as Director of Nursing. In 1991, she went to Duke University School of Nursing to help develop the Gerontological Nurse Practitioner Program, teaching in the nurse practitioner program until retiring in 2003. While at Duke she also worked with faculty in the Divinity School

to develop the Health and Nursing Ministries Masters Program, a joint program between both the Nursing and Divinity Schools.

Marlene Rifkin

101 Manning Drive
Med Wing E, 3rd Floor, CB #7600
Chapel Hill, NC 27514

Education: B.S. from Ohio State University, MSM from Florida International University. Marlene has worked at a number of academic medical centers, including her current position at UNC Health Care System as Senior Vice President of Operations where she has oversight responsibility for UNC Hospitals and UNC Health Care System Heart and Vascular, GI Procedures, Urology, Neurosciences Service Lines, Imaging, UNC Hospitals and UNC Health Care System Labs, Emergency Preparedness and Disaster Management/Continuity Planning and Safety, and the UNC Surgical Tower Project. She grew up in East Liverpool, Ohio. After graduate school, she was selected as an Administrative Fellow by Jackson Memorial Hospital/University of Miami where she completed two Fellowships – a Management Fellowship in 1991 and a Robert Wagner School of Public Service Senior Policy Fellowship in Community Health in 1994. She has served on numerous boards, including UNC Ambulatory Care Board, Ronald McDonald House of Chapel Hill, Family Violence Prevention Center of Orange County, and The Public Health Trust of Dade County. She also served on the Chapel Hill 20-20 Planning Group in 2013. Marlene moved to Chapel Hill in 1993 with her husband Michael (an attorney who passed away in 2005). She has three children and three grandchildren in Chapel Hill and Indianapolis, IN.

Dina Rousset

3 The Glen
Chapel Hill, NC 27514

Education: M.B.A. from the University of Chicago. Ms. Mills is an Associate Director in the Center for Entrepreneurial Studies at UNC's Kenan-Flagler Business School where she manages Launch Chapel Hill and oversees the 1789 Venture Lab and the Adams Apprenticeship Program. She has over 25 years of experience developing and managing for-profit and not-for-profit entrepreneurial ventures in a wide range of industries across three continents. She served as a Peace Corps Volunteer in Rwanda and spent nine years in Poland launching business ventures including British Petroleum, Blockbuster and Insty Prints. Dina retired to Chapel Hill in 2001. The entrepreneurial bug bit again and she co-founded LunaPops, a gourmet frozen pop producer in 2008, stepping out of the business in 2012. She has four children (13-year-old triplets and a 12-year-old) and currently serves on the Board of the Friends of Downtown.

Mark Royster

P.O. Box 26000

Greensboro, NC 27420

Education: BS in Mathematics from Johnson C. Smith University in Charlotte, NC; Graduate Banking Degree from Stonier Graduate School of Banking at University of Delaware in Newark, DE; Master of Divinity in Theology from Shaw University Divinity School, Raleigh, NC; Doctor of Ministry in Pastoral Counseling from the Graduate Theological Foundation in South Bend, IN; Continuing Education Diploma in Pastoral Ministry from the Zimbabwe Baptist Theological Seminary in Gweru, Zimbabwe. Prior to entering the Christian ministry fulltime, The Reverend Dr. Royster was employed by Central Carolina and SunTrust Banks for over 30 years as First Vice President. Dr. Royster has been in the ministry over 20 years. He served as the Senior Pastor of the Cedar Rock Missionary Baptist Church of Wake County for more than 17 years. He is the Minister of Operations at the First Baptist Church in Chapel Hill, Chair and Catechist of the Ordaining Council of the New Hope Missionary Baptist Association, a member of the Board of Trustees of the Apex School of Theology and a faculty member of the Mission Education Program of the Lott Carey Baptist Foreign Mission Convention. The Rev. Dr. Royster serves the community as chair of the Professional Advisory Group on Pastoral Care and a member of the Ethics Committee at UNC Hospitals. He is also a member of the Non-Medical Review Board of the University of North Carolina at Chapel Hill; president of the Board of Directors of the First Baptist and Manley Estates Retirement Community; and past treasurer of the New Hope Missionary Baptist Association; a position he held for more than 15 years. He is a native of Granville County, NC, is the youngest of 12 children, and is married to Phyllis DeLois Webb. They have lived in Chapel Hill since 1977 and have three children.

Patricia E. Sprigg (Ex-Officio, Non-Voting Member as President/CEO)

Carol Woods

750 Weaver Dairy Road

Chapel Hill, NC 27514

Education: M.S., University of North Texas B.S., Pennsylvania State University; N.H.A. North Carolina State Licensure. Ms. Sprigg has been involved in long term care since 1975; She was formerly the Vice President for Project Development for the Kendal Corporation; has served on the National LeadingAge Board, House of Delegates, and as Secretary of National LeadingAge, Co-Chair of the Master Aging Plan for Orange County, Past Vice Chair and Member of Armed Forces Retirement Home National Board; Chair-Elect and Continuing Care Accreditation Commissioner, Past Chair of North Carolina Association of Non-Profit Homes for the Aging, National Transition of Care Coalition and the North Carolina Legislative Study Commission on Aging; She served as a coach for the National Leadership Academy and currently serves on the National Business Initiative Council of LeadingAge. Ms. Sprigg joined Carol Woods in 1992.

Marian Stephenson (Resident, Voting Member)

750 Weaver Dairy R., # 169
Chapel Hill, NC 27514

Education: AA and BS in Dental Hygiene, UNC Chapel Hill School of Dentistry; MPH in Health Behavior, UNC Chapel Hill School of Public Health. Ms. Stephenson worked in private dental practices before returning to school. She taught Dental Hygiene at UNC Chapel Hill's Dental School from 1970-1977 and was Associate Professor for the last three of those years. She also worked for three years as a dental health educator in the NC Division of Health and Human Services, Dental Health Division. Ms. Stephenson was active in the NC Dental Hygiene Association and the American Dental Hygiene Association, serving the latter on various national committees and chairing the newly formed Commission of Assurance of Competence at the time professional CEUs were being developed. In 1983, she began volunteering at Triangle Hospice, developing the Volunteer Program and subsequently becoming the Director of Development. After retiring, Ms. Stephenson served on the boards of the Sunrise Rotary Club, Friends of the Senior Center, the Piedmont Chapter of the North American Rock Garden Society and was a 13-year volunteer at the Ackland Art Museum. As a Carol Woods resident, she supports the Art and Newcomers' Committees, and chairs the Landscaping and Grounds Resident Advisory Committee and the Garden Go-fers. She has three children, three grandchildren and four step-children.

Deborah Stroman

1818 MLK Jr. Blvd. #199
Chapel Hill, NC 27514

Education: B.S. in History and Social Studies Education from University of Virginia, M.A. in Sport Administration from the UNC Chapel Hill, and Ph.D. in Business (Organizational Leadership) from Capella University. Deborah is an administrator and adjunct associate professor at Kenan-Flagler Business School focusing on Sport Business and Entrepreneurship. She has over 17 years of experience in the financial services industry. Her current responsibilities include teaching, research, advising entrepreneurial ventures, service on numerous university committees and connecting sport-related people and businesses in the Triangle region. As an entrepreneur, she provides consultation to numerous sports teams and organizations including the NCAA, Atlantic Coast Conference, College Football Playoff and the Women's Basketball Coaches Association. She is a national speaker for business and non-profit organizations and is the radio color analyst on WCHL 97.9 FM for the UNC women's basketball team. Deborah serves on the boards of Banks Foundation, Healthy Girls Save the World and UNC Correctional Education.

Hendrik (Henk) van Dorsten (Resident, Ex-Officio, Non-Voting Member)

750 Weaver Dairy Road, Apt. 133

Chapel Hill, NC 27514

Education: B.S. in Electrical Engineering from City College of New York, MBA at New York University and University of Rochester, NY. Henk spent most of his career in program and marketing management, primarily with General Electric and Xerox. Henk serves as Treasurer of the Carol Woods Residents Association. After retirement, he and his late wife Marian traveled full-time for four years in their motor home, camping north of the Arctic Circle and eventually south of the Tropic of Cancer. His many interests include travel, science, history, and biography.

Board membership may change between major updates of this disclosure statement.

C. Residents Association

A vibrant quality of Carol Woods is the active involvement of residents in most aspects of the retirement community through membership in a Residents Association, with an elected Council and appointed Committee structure. The Residents Association is a separate non-profit corporation, independent of the Carol Woods, Canopy and Charitable Fund corporations. All residents are members on the basis of being Residents of Carol Woods – both those living on campus and those in the Early Acceptance program. Association members elect representatives to a Residents Council, which is the governing body of the Association. The Residents' Council generally meets monthly, and is joined by the President/CEO of Carol Woods. The Council President appoints the chairpersons of a large number of standing committees, ranging in scope from Finance to Fitness -- Dining to Decorating. The President of the Residents Council and one other member of the Council (selected by the Council) serve as ex-officio, non-voting members of the Carol Woods Board of Directors.

Management works very closely with the residents through the Association, its Council and its committees. Each department manager meets routinely with the appropriate resident advisory committees. Resident-initiated questions and issues relating to operations are directed to the committee level for clarification or discussion with management. Parameters for programs and policies are developed at this level.

Programs and policies developed in this way generally are referred to the President/CEO of Carol Woods with consensus having been reached between the particular resident committee and manager. Similar support is sought and is usually reached at the Residents' Council level. The Board of Directors is thereby assured that policies that it must consider, and policies that are within the discretion of management to approve and implement, have had considerable and very real resident input.

- D. Executive Staff:** Pursuant to NCGS §58-64-20(a)(2) and (3), none of Carol Woods' executive management staff has any ownership in Carol Woods. In the spirit of full disclosure, the following are Carol Woods' key executive staff.

Patricia E. Sprigg, President and CEO:

See profile in Board of Directors section.

Kenneth Reeb, Jr., Vice President of Finance and Planning:

Education: MSPH, (Health Care Administration) UNC-CH; BA, Economics, Carleton College; North Carolina NHA and ACH Licenses. Former Administrator of Hampton Woods Senior Campus, Jackson, NC. Mr. Reeb served as Treasurer of the Board of Senior Care of Orange County, and serves as Chair of the Board of Piedmont Health Services, Inc.. He has been involved in the health care industry since 1984. He joined Carol Woods in 1996.

David Wilkerson, Vice President of Operations:

Education: B.A. UNC-CH. With over 20 years of experience in information systems, programming, and analysis of software and hardware, Mr. Wilkerson has held positions of Vice President, President and CEO of software companies located in Chapel Hill, NC, Boston, MA, and Portland, OR. He serves as Treasurer of the Board of Senior Care of Orange County, Inc. and joined Carol Woods in 1995.

- E. Consulting Professionals:** Pursuant to NCGS §58-64-20(a)(2) and (3), no consulting firm or other professional service firm has any ownership interest in Carol Woods. In the spirit of full disclosure, the following are the key consulting firms used by Carol Woods.

A. V. Powell and Associates, LLC.

Actuarial Consultants, Suite 209, 6055 Barfield Road, NE, Atlanta, GA 30328-4403

Clifton Larson Allen, PLLC

Auditors and Financial Consultants, 101 North Tryon Street, Suite 1000, Charlotte, NC 28246

UBS Financial Services, Inc.

Investment Advisors, 1201 W. Peachtree St., Suite 3500, Atlanta, GA 30309

Womble Carlyle Sandridge & Rice, PLLC

Legal Counsel, 150 Fayetteville Street Mall, Suite 2100 Raleigh, NC 27610

F. Full Disclosure Practice

Carol Woods discloses to its residents all policies and summary financial information related to the retirement center. Both the annual audited financial statements and the monthly interim financial statements are presented to Resident Finance Committee members. Audit forums are offered annually, open for all residents to attend. Committees of the Residents Association and the Residents Council are involved in the budget preparation process. Budget forums are given annually for all residents during and after budget approval. Copies of the annual audits, interim monthly financials, annual budgets, resident forums, and the annual Disclosure Statement are archived in the Carol Woods library for resident and public reference. Electronic copies are posted to the resident web portal for easier access on-line.

Pursuant to NCGS §58-64-20(a)(3), no member of the Board of Directors, staff member, nor consultant has an ownership nor beneficial interest in Carol Woods. No member of the Board or management staff (i) has been convicted of a felony nor pleaded nolo contendere to a felony charge, nor been held liable nor enjoined in a civil action by final judgment if the felony or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property; (ii) is subject to a currently effective injunctive or restrictive court order, or within the past five years, had any State or federal license or permit suspended or revoked as a result of an action 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 facility, nursing home, retirement home, home for the aged, or facility subject to Chapter 58, Article 64 of the NC General Statutes or a similar law in another state.

Carol Woods does not hire nor pay Board members on either a contractual or any other basis. Per NCGS §58-64-20(a)(2) Carol Woods ensures that all of its officers, directors, and key management staff disclose "...the name and address of any professional service, association, trust, partnership, or corporation in which this person has, or which has in this person, a ten percent (10%) or greater interest and which is presently intended shall currently or in the future provide goods, leases, or services to the facility, or to residents of the facility, of an aggregate value of five hundred dollars (\$500.00) or more within any given year, including a description of the goods, leases, or services and the probable or anticipated cost thereof to the facility, provider or residents or a statement that this cost cannot presently be estimated..." There is a Board policy that governs the evaluation and disclosure of potential conflicts of interest; a copy of which is presented in Appendix G.

Residents are free to have business relationships with Board members or with organizations they own, control, are employed by, or are otherwise affiliated. Carol Woods neither endorses nor encourages residents to do business with Board members nor related organizations and is not involved in establishing continuing business relationships between residents and Board members.

Each Board member is asked each year to disclose whether they have business relationships with residents. Carol Woods has disclosed those Board members who do or may have business relationships with residents in their individual Board profiles in section II.B.

III. ONGOING OR PROPOSED EXPANSIONS OR DEVELOPMENTS

Pursuant to NCGS §58-64-20(a)(14) this section discloses some ongoing capital expansions that are noteworthy. Other than these ongoing efforts, there are no new major development projects anticipated for Carol Woods at this time.

Central Apartment Residence Expansions. 2017 earmarked the 15th year of a capital project to expand or combine central apartments. Central apartments were originally constructed in 1979 with galley kitchens, and laundry facilities were centrally located in each building. In 2003, responding to changing market demands, new architectural designs were developed to achieve full kitchens and washers/dryers in each residence. Living room space was recaptured with sunrooms constructed from existing porches. In some cases adjacent studios and 1-bedroom residences were combined to achieve much larger 2-bedroom and 2-bedroom with den residences. From 2003 through 2017, all but 6 of the 140 original central residences have been expanded or combined into larger residences. These changes continue to receive strong positive market response.

Additional Independent Living Townhomes. In 2009 Carol Woods began to offer to its Priority List several two-story townhomes that it owns that are located immediately adjacent to its original garden cottages. These residences are being offered with the same Residence and Services Agreement and lifetime obligations as are provided to all other Carol Woods residents living on campus. Currently there are 12 townhomes that are CCRC residences, which are included in the total of 313 units offered as CCRC residences.

As additional townhomes become available, Carol Woods may make offers to purchase on a selective basis. Once owned, Carol Woods will continue to offer these residences to the Priority List along with a Residence and Services Agreement commitment.

IV. ADMISSION AND RESIDENCY REQUIREMENTS

Carol Woods offers two programs by which persons can become Residents of Carol Woods:

1. If a cottage, apartment or townhome is available, one can reserve that accommodation, proceed through Carol Woods' admission process, take residency of the accommodation, and enjoy on-campus retirement living and related services, plus ensure access to future health care services as needed.
2. If a slot in Carol Woods' Early Acceptance program is available, one can reserve that slot, proceed through Carol Woods' admission process, become a Resident of Carol Woods with full access to the campus amenities, and ensure access to future health care services as needed -- while remaining in their current home for the time being -- and retaining their position on the Priority List for a potential move to campus at a later date.

Whether living on campus or continuing to live in their current home, residents in each setting have the same financial protections and access to Carol Woods' assisted living facilities, health center and other health care programs.

Since the Early Acceptance program does not include residency on campus, the array of retirement living services offered under Early Acceptance are different than the services offered to residents who live on campus -- and the fee structure reflects those differences (Refer to the Services section of this Disclosure Statement).

Aside from those differences, however, Carol Woods has made the two programs as similar as possible. Some of the key similarities are the following:

1. Only persons who are on Carol Woods' Priority List will be offered available residences on campus and available slots in the Early Acceptance program.
2. Once a member of the Priority List has reserved a residence or a slot in the Early Acceptance Program, the admission process is identical, and includes financial analysis and a health assessment.
3. Once one becomes a Resident of Carol Woods, whether living on campus or through Early Acceptance, they have equal access to all common areas of campus, equal standing as members of the Residents Association, and equal access to Carol Woods' health care facilities and shared health care benefits.

To emphasize the wide array of similarities between the two programs, the next sections on Admission and Residency Requirements, and Services will intersperse information related to both programs. To help understand the similarities and the differences, each section will contain tables that provide helpful side-by-side comparison of key policies and services, and how those apply to each program.

A. Admission Requirements

The admission requirements for the Early Acceptance program and for residence at Carol Woods are non-discriminatory with respect to race, creed, religion, gender, sexual orientation or gender expression. Carol Woods is open to both couples (married or unmarried) and singles.

	Early Acceptance	On-Campus Living
1) Access to Program	Available only to Members of Carol Woods' Priority List.	Available only to Members of Carol Woods' Priority List.
2) Geographical Consideration	Persons must live in Orange County, NC or surrounding counties, in convenient proximity to Carol Woods.	No geographical constraint, since persons are seeking a move to Carol Woods.
3) Offering Admission	When an Early Acceptance slot is available, persons on the Priority List who have expressed interest in Early Acceptance are contacted in strict sequential order based upon Priority List Date.	When an apartment, cottage or townhome is available, persons on the Priority List who have expressed interest in that accommodation type are contacted in strict sequential order based upon Priority List Date.
4) Admission Process		
a) Reservation Agreement	Applicant signs an Early Acceptance Reservation Agreement to reserve the available slot.	Applicant signs a Reservation Agreement to reserve the available accommodation.
b) Health Assessment	Applicant submits a Personal Health History within 30 days. Applicant's physician submits a Physician's History and Physical Exam Report.	Applicant submits a Personal Health History within 30 days. Applicant's physician submits a Physician's History and Physical Exam Report.
c) Financial Analysis	Applicant submits a Confidential Financial Statement within 30 days of Reservation Agreement.	Applicant submits a Confidential Financial Statement within 30 days of Reservation Agreement.
d) Insurance Requirements	Applicant must carry Medicare A and B or acceptable alternative primary medical insurance and acceptable supplemental medical insurance.	Applicant must carry Medicare A and B or acceptable alternative primary medical insurance and acceptable supplemental medical insurance.

Carol Woods maintains an active Priority List for persons interested in the Early Acceptance program, and in possibly moving to Carol Woods at a future date. The Priority Agreement (Appendix C) secures the option for persons to go through the admissions process at a later date, but does not guarantee admission to Carol Woods.

As residences on campus become available, persons who have indicated interest in the available unit type are contacted from the Priority List in order by date that one's original deposit was made and offered the option of reserving a residence at that time.

As slots for Early Acceptance become available, persons from the Priority List who live in the local geographic area, and who have expressed interest in the Early Acceptance program, are contacted and offered the option of becoming a Carol Woods resident under the Early Acceptance program at that time. The geographic area that is served through the Early Acceptance program must be close enough driving distance to be convenient for Early Acceptance Residents to come to Carol Woods and for Carol Woods' care management staff to conduct periodic in-home visits. The service area includes Orange County, NC and portions of surrounding counties that are within appropriate driving distances. Persons considering joining the Priority List will be informed as to whether they live close enough to qualify for Early Acceptance so that they can factor that into their decision of whether to join the Priority List.

A person/couple may defer becoming a resident, and that decision will not change one's position on the Priority List. Their position is set based upon the date that they made their original priority list deposit. Likewise, those who become Carol Woods' residents under the Early Acceptance program remain on the Priority List and retain their original Priority List Date. They will continue to be offered the opportunity to move to a residence on campus as residences of their choice become available, and based upon their original Priority List Date.

A Reservation Agreement or Early Acceptance Reservation Agreement (Appendix C) is signed when a person on the Priority List decides to enter the Admissions process. In this Agreement, Carol Woods agrees to take the available residence or early acceptance slot off the market while the person goes through the Admission process. The Reservation Agreement also establishes the amount of the Entry Fee to be paid upon acceptance.

The Board of Directors, guided by actuarial considerations, determines the number of Early Acceptance contracts that Carol Woods may offer. Prospective residents who elect to proceed through the Early Acceptance admission process shall be subject to the same requirements as the traditional admission process, including signing an Early Acceptance Reservation Agreement and providing timely health and financial information. The admissions criteria for Early Acceptance are the same as those used for other admissions to Carol Woods, as are outlined in the following sections.

B. Health Criteria

Pursuant to NCGS §58-64-20(a)(8) Carol Woods is a continuing care retirement community with a fee structure and reserves that are actuarially based and insurance-like in nature. The community's financial projections are based upon the assumption that every resident accepted through Carol Woods' admission process is able to live independently and have a reasonable expectation of an active lifestyle for participation in the community for a minimum of three to five years.

All prospective residents are required to submit a Personal Health History within 30 days of executing the Reservation Agreement or Early Acceptance Reservation Agreement. The prospective resident is also asked to have his/her personal physician complete a Physician's History and Physical Examination Report and, if appropriate, personal interviews are scheduled.

C. Financial and Insurance Criteria

Residents must have assets and income which will be sufficient to meet their financial obligations under the Agreement and to cover other ordinary living expenses, under foreseeable circumstances. Carol Woods requires a Confidential Financial Statement be completed within 30 days of executing the Reservation Agreement or Early Acceptance Reservation Agreement and may request that the resident furnish updated financial information periodically after acceptance.

All residents must also carry Medicare A and B (or an equivalent for those not eligible) and a Medicare supplemental policy that meets Carol Woods' requirements. At a minimum, Carol Woods expects that, since it participates in Medicare, neither one's Medicare nor one's supplemental policy would exclude Carol Woods as a health care provider. Policies are also reviewed to the extent that they cover the following:

1. Deductibles and co-insurance for all Medicare-allowed hospital care;
2. Daily co-insurance for all Medicare-allowed skilled nursing care;
3. Co-insurance for all Medicare-allowed medical visits and outpatient services.

Carol Woods provides Medicare-certified skilled nursing, outpatient rehabilitation, and primary medical care services. Carol Woods also accepts Medicare Assignment, which means that it will bill each resident's Medicare and supplemental insurance policies for Medicare-covered services that Carol Woods provides, and will accept as full payment the amount that Medicare establishes as "allowable."

To the extent that a resident's Medicare and supplemental medical insurance policies do not cover Medicare's allowable amount entirely, Carol Woods will bill the resident the remaining deductible or co-insurance amounts allowed by Medicare.

D. Age Requirements

Admission to either Carol Woods' Early Acceptance or on-campus programs is restricted to persons 65 years of age or older, except a co-applicant may be 55 years of age or older.

E. Signing of Agreements and Timing of Entry Fee Payments

Pursuant to NCGS §58-64-20(c) and §58-64-25, Appendix C includes copies of the Early Acceptance Agreement, Residence and Services Agreement, and Residence and Services Agreement Following Early Acceptance.

	Early Acceptance	On-Campus Living
1) Upon 10 Days of Notice of Acceptance by Carol Woods' Admissions Committee	<ul style="list-style-type: none">• Applicant pays remainder of the entry fee as specified in the Reservation Agreement• 2% of entry fee is considered an Acceptance Fee	<ul style="list-style-type: none">• Applicant pays an additional 10% of the entry fee specified in the Reservation Agreement• 2% of entry fee is considered an Acceptance Fee• 8% is considered an Acceptance Deposit
2) Date of Financial Responsibility	<ul style="list-style-type: none">• Date when Early Acceptance Agreement is signed and remaining entry fee is paid.• Within 10 days of Notice of Acceptance• Commencement of 30-day Rescission Period	<ul style="list-style-type: none">• Date when Residence and Services Agreement is signed and remaining entry fee is paid.• Within 90 days of Notice of Acceptance• Commencement of 30-day Rescission Period and 90-day Trial Period• Usually coincides with date of move to campus, although sometimes move to campus may be delayed briefly for extenuating circumstances.

Early Acceptance Agreement. At the time that an applicant is accepted for admission under Carol Woods' Early Acceptance program, the applicant will be notified in writing and have 10 days to sign an Early Acceptance Agreement and pay the applicable entry fee in full. 2% of this fee is considered an **Acceptance Fee**, which has bearing if the resident should seek a refund of the entry fee, as is outlined in the following section of this Disclosure Statement. The date that the agreement is signed constitutes the **Date of Financial Responsibility** for subsequent monthly service fees, and for commencing the **30-day Rescission Period** (explained in a following section).

Residence and Services Agreements. At the time that an applicant is accepted for admission to a residence on the Carol Woods campus, when there may still be up to 90 days before the actual **Date of Financial Responsibility** (the date when the Residence and Services Agreement is signed, which is also generally the move-in date to the on-campus residence), the applicant will be expected to pay a **2% Acceptance Fee** and an **8% Acceptance Deposit**, for a total of 10% of their total Entry Fee. This payment will be required within 10 days of the applicant being notified in writing of acceptance to a Carol Woods residence.

The Entry Fee for a resident who is moving to campus after having been accepted previously as a Carol Woods resident under the Early Acceptance program shall be the prevailing Entry Fee for the residence to which the resident is moving, less the Entry Fee that the resident paid previously under the Early Acceptance program. The **2% Acceptance Fee** and **8% Acceptance Deposit** for Early Acceptance residents moving to campus shall be based upon the additional Entry Fee which they will pay upon taking residence on campus, and not upon the Entry Fee that they paid originally when becoming a Carol Woods resident under the Early Acceptance program.

The Residence and Services Agreement, and Residence and Services Agreement Following Early Acceptance, shall be signed not later than 90 days after the applicant is accepted for admission to the reserved residence. The remainder of the applicable entry fee shall be paid at the time that the Agreement is signed. The date that the agreement is signed also constitutes the **Date of Financial Responsibility** for subsequent monthly service fees, and for commencing the **30-day Rescission Period** (explained in a following section).

F. Contract Cancellations / Terminations and Applicable Refunds

Pursuant to NCGS §58-64-20(a)(7)(c), this section outlines the terms and conditions under which a contract may be canceled by Carol Woods or the resident, and the conditions under which fees will be refunded.

	Early Acceptance	On-Campus Living
1) Cancellation of Priority List Agreement	Applicant may terminate Priority List Agreement and be removed from the Priority List. \$1,000 deposit is refunded. \$300 Priority List Administration Fee is forfeit.	Applicant may terminate Priority List Agreement and be removed from the Priority List. \$1,000 deposit is refunded. \$300 Priority List Administration Fee is forfeit.
2) Cancellation during Admission Process due to Change in Health Status	Applicant or Carol Woods may terminate Early Acceptance Reservation Agreement and Priority Agreement, with full refund of Priority List deposit, and other portions of Entry Fee already paid, including 2% Acceptance Fee.	Applicant or Carol Woods may terminate Reservation Agreement and Priority Agreement, with full refund of Priority List deposit and other portions of Entry Fee already paid, including 2% Acceptance Fee and 8% Acceptance Deposit
3) Cancellation during Admission Process for Reasons <u>Other than</u> Change in Health Status	Applicant or Carol Woods may terminate Early Acceptance Reservation Agreement and Priority Agreement, with full refund of Priority List deposit, and other portions of Entry Fee already paid, <u>except</u> the 2% Acceptance Fee. 2% Acceptance Fee is forfeit.	Applicant or Carol Woods may terminate Reservation Agreement and Priority Agreement, with full refund of Priority List deposit and other portions of Entry Fee already paid, including the 8% Acceptance Deposit. 2% Acceptance Fee is forfeit.
4) 30-Day Contract Rescission Period Pursuant to NC GS §58-64-25(a)(1)	30-day period following signing of Early Acceptance Agreement when Resident has the right to terminate the Agreement. Resident is entitled to full refund of the entry fee paid, except the 2% Acceptance Fee, which is forfeit.	30-day period following signing of Residence and Services Agreement when Resident has the right to terminate the Agreement. Resident is entitled to full refund of the entry fee paid, except the 2% Acceptance Fee, which is forfeit.
5) 90-Day Trial Period	Not Applicable under Early Acceptance Program	90-day period following signing of Residence and Services Agreement and move to Carol Woods' campus whereby Resident and Carol Woods can determine suitability of campus living. Contract may be terminated and Resident is entitled to full refund of Entry Fee paid, except the 2% Acceptance Fee which is forfeit.

	Early Acceptance	On-Campus Living
6) Termination following 30-Day Rescission & 90-Day Trial Periods	<ul style="list-style-type: none"> • Resident may terminate Early Acceptance Agreement voluntarily by giving 60-day written notice. • Carol Woods may terminate Agreement if Resident failed to disclose pertinent health or financial information, or if Resident fails to abide by the terms of the Agreement, including refusing to receive health care services if that is determined by Carol Woods to be in the Resident's best interest. • Carol Woods may terminate if Resident refuses to move to assisted living or the health center or obtain sufficient health care support at home if determined by Carol Woods' health care team to be in the Resident's best interest. • Portion of Entry Fee that is refundable declines at a rate of 4% per month for 25 months. After 25 months no portion of Entry Fee is refundable. • Resident is responsible for payment of the Monthly Service Fee through the date that the Early Acceptance Agreement is terminated. 	<ul style="list-style-type: none"> • Resident may terminate Residence and Services Agreement voluntarily by giving 60-day written notice. • Carol Woods may terminate Agreement if Resident failed to disclose pertinent health or financial information, or if Resident fails to abide by the terms of the Agreement, including refusing to receive health care services if that is determined by Carol Woods to be in the Resident's best interest. • Carol Woods may terminate if Resident refuses to move to assisted living or the health center or obtain sufficient health care support at home if determined by Carol Woods' health care team to be in the Resident's best interest. • Portion of Entry Fee that is refundable declines at a rate of 2% per month for 50 months. After 50 months no portion of Entry Fee is refundable. • Resident is responsible for payment of the Monthly Service Fee through the date that the Residence and Services Agreement is terminated, and the residence is cleared of the Resident's belongings and trash.
7) Termination or Death of One of Two Persons Co-Signing an Agreement	Early Acceptance Agreement remains in effect for remaining Resident.	Residence and Services Agreement remains in effect for remaining Resident.

Cancellations During the Admission Process

Cancellations Due to Changes in Health Status. If an applicant's health condition changes during the admissions process and prior to acceptance, including death of one member of a couple, the applicant may terminate a Priority Agreement, Reservation Agreement, or Early Acceptance Reservation Agreement prior to acceptance by giving written notice to Carol Woods. In the event of such termination, the applicant will receive refund of \$1,000 of the Priority List deposit within 60 days, but will forfeit the Priority Agreement Administration Fee (Refer to Appendix C for copies of these Agreements).

If an applicant's health condition changes after having been accepted, but prior to the Date of Financial Responsibility, including death of one member of a couple, the applicant may terminate a Priority Agreement, Reservation Agreement or Early Acceptance Reservation Agreement prior to the Date of Financial Responsibility by giving written notice to Carol Woods. The Date of Financial Responsibility is established as the date that the applicant(s) sign an Early Acceptance Agreement, Residence and Services Agreement, or Residence and Services Agreement Following Early Acceptance. In the event of such termination, the applicant will receive refund of the \$1,000 Priority List deposit, 8% Application Deposit, and 2% Acceptance Fee within 60 days, if applicable, but will forfeit the Priority Agreement Administration Fee.

If an applicant dies, or becomes incapacitated after the date that a Residence and Services Agreement or Residence and Services Agreement Following Early Acceptance is signed, but prior to taking occupancy, and such event precludes the applicant from being able to take occupancy, the Agreement that had been executed shall be cancelled automatically, and a full refund of the entry fee shall be provided within 60 days. However, the Priority Agreement Administration Fee will be forfeit.

Cancellations for Reasons Other Than Change in Health Status. If the applicant unilaterally elects not to move to Carol Woods or to decline being a resident under the Early Acceptance program for any reason other than a change in health status, the 2% Acceptance Fee will not be refunded. The Acceptance Fee charge covers the costs to Carol Woods of the prospective resident electing to cancel the admission so late in the process.

Carol Woods may terminate an Agreement at any time during the admission process, prior to an applicant's Date of Financial Responsibility if Carol Woods determines that the applicant does not meet the physical, mental, or financial requirements for admission. In the event of such termination, the applicant will receive a refund of the \$1,000 Priority List deposit within 60 days, but will forfeit the Priority Agreement Administration Fee. Termination of an Agreement by Carol Woods after the Date of Financial Responsibility is outlined in a later section.

Contract Rescission

A resident may rescind the Early Acceptance Agreement, Residence and Services Agreement, or Residence and Services Agreement Following Early Acceptance by giving written notice to Carol Woods within 30 days following the later of the execution of the Agreement or the receipt of a disclosure statement, which meets the requirements of Section §58-64-1 et seq. of the North Carolina General Statutes. A resident who has signed a Residence and Services Agreement or Residence and Services Agreement Following Early Acceptance will not be required to move to Carol Woods during such 30-day rescission period. In the event of such rescission, if the reason for rescission is due to a resident's change in health status, the resident will receive 100% refund of the Entry Fee, less the Priority Agreement Administration Fee. If the reason for rescission is not related to a change in health status, the resident will receive a refund of the Entry Fee less the Priority Agreement Administration Fee and less the 2% Acceptance Fee. Carol Woods will pay any such refund within 60 days following receipt of written notice of rescission.

Trial Period for Residency at Carol Woods

Under the Residence and Services Agreement or the Residence and Services Agreement Following Early Acceptance, the first 90 days of residency on Carol Woods' campus will be considered to be on a trial basis. During the 90-day period, the resident has the right to terminate the Residence and Services Agreement or Residence and Services Agreement Following Early Acceptance by serving Carol Woods with written notice. During the same 90-day period, Carol Woods also has the right to terminate the Residence and Services Agreement or Residence and Services Agreement Following Early Acceptance based on its judgment that the resident's physical condition or emotional adjustment will not permit adaptation to Carol Woods' lifestyle.

If Carol Woods terminates the Residence and Services Agreement or Residence and Services Agreement Following Early Acceptance during the trial period, or the resident terminates due to change in health status, the resident will receive 100% refund of the Entry Fee, less the Priority Agreement Administration Fee. If the resident terminates the Agreement during the 90-day trial period, and the termination is not due to a change in health status, then Carol Woods will refund the Entry Fee less the Priority Agreement Administration Fee and less the 2% Acceptance Fee to cover the costs to Carol Woods of the early termination. The refund will be made within 30 days of the date that the Residence and Services Agreement is formally cancelled, or within 30 days from the date that the residence is vacated, whichever is later. The 90-day trial period begins with the Date of Financial Responsibility (the day that the Residence and Services Agreement or Residence and Services Agreement Following Early Acceptance is signed, the Entry Fee is paid in full and the applicable monthly fee commences).

If the Residence and Services Agreement Following Early Acceptance is terminated, the Early Acceptance Agreement that had been in effect prior to the resident's move to campus shall be reestablished, unless the reason for terminating the on-campus

agreement is due to factors that would preclude the resident from returning to an early acceptance relationship with Carol Woods.

If the Residence and Services Agreement or Residence and Services Agreement Following Early Acceptance is terminated during the Trial Period, the resident will be responsible for paying the full amount of monthly service fees during that period, up until the day that the accommodation is vacated and the keys returned to Carol Woods.

The 90-day trial period does not apply for residents who sign an Early Acceptance Agreement, since they do not move to Carol Woods, and there is no need for a trial period.

Voluntary Termination After Rescission / Trial Periods

Early Acceptance Agreement. After the 30-day rescission period, the resident may terminate an Early Acceptance Agreement at any time by giving Carol Woods 60 days advanced, written notice of such termination. If termination occurs within the first 25 months of the Agreement, the resident is entitled to a pro-rated refund of the Entry Fee, payable within 60 days of contract termination. The portion of the Entry Fee that is refundable shall decline at a rate of 4% per month following the Early Acceptance Agreement Date. After 25 months, there is no refund of the Early Acceptance Entry Fee. The resident shall be responsible for payment of the monthly service fees and other periodic fees accrued through the date that the Early Acceptance Agreement is terminated.

Residence & Services Agreement. After the 30-day rescission / 90-day trial periods, the resident may terminate the Residence and Services Agreement at any time by giving Carol Woods 60 days advanced, written notice of such termination. If termination occurs within the first 50 months of the Agreement, the resident is entitled to a pro-rated refund of the Entry Fee. The portion of the Entry Fee that is refundable shall decline at a rate of 2% per month following the Date of Financial Responsibility. After 50 months, there is no refund. The resident shall be responsible for payment of the monthly service fees and other periodic fees accrued through the date that the Residence & Services Agreement is terminated, or the date the residence is cleared by the resident, whichever is later.

Payment of any Entry Fee refund related to vacating a Carol Woods residence may be made only when the vacated residence has been covered by receipt of an Entry Fee by a subsequent resident.

Residence & Services Agreement Following Early Acceptance. After the 30-day rescission / 90-day trial periods, the resident may terminate the Residence and Services Agreement Following Early Acceptance at any time by giving Carol Woods 60 days advanced, written notice of such termination. For a Residence and Services Agreement that follows a period in which the person has been a resident of Carol Woods under the Early Acceptance program, the refund period of the additional Entry Fee paid for residence on campus will be set to ensure that the resident receives a full 50-month period of overall refund ability. Up to 25 months of refund

ability may have already been used by the resident under the Early Acceptance Agreement. However, if it has been less than 25 months since the resident signed the Early Acceptance Agreement, the remaining months of refund ability under the Early Acceptance Agreement will be added to the additional 25 months provided upon moving to a Carol Woods residence to establish the period during which portions of the resident's Entry Fee may be refundable. The remaining period of refund ability and rate of refund amortization will be specified for each resident in an Exhibit to the Residence and Services Agreement Following Early Acceptance.

The resident shall be responsible for payment of the monthly service fees and other periodic fees accrued through the date that the Residence & Services Agreement Following Early Acceptance is terminated, or the date the residence is cleared by the resident, whichever is later.

Payment of any Entry Fee refund related to vacating a Carol Woods residence may be made only when the vacated residence has been covered by receipt of an Entry Fee by a subsequent resident.

Termination Upon Death of a Single Resident

In the event that a single resident dies at any time after the Date of Financial Responsibility, who was covered under the terms of an individual Early Acceptance Agreement, Residence and Services Agreement, or Residence and Services Agreement Following Early Acceptance, the applicable Agreement will terminate upon the date of death or the date the residence is vacated if applicable, whichever is later. The resident's estate will be entitled to a pro-rated refund of the Entry Fee in the same manner as stated in the Voluntary Termination in the preceding paragraphs.

The resident shall be responsible for payment of the monthly service fees and other periodic fees accrued through the date that the applicable Agreement is terminated, or the date the residence is cleared by the resident's family, whichever is later.

Termination By One Of Two Residents Co-Signing an Agreement

In the event that two residents are each party to the terms of a joint Early Acceptance Agreement, Residence and Services Agreement, or Residence and Services Agreement Following Early Acceptance, upon the permanent transfer to the health center, or the death of one such resident, or in the event of the termination of the applicable Agreement with respect to one such resident, the Agreement will continue in effect as to the remaining or surviving resident, and there will be no refund of any portion of the Entry Fee.

Termination by Carol Woods

Carol Woods may terminate the Early Acceptance Agreement, Residence and Services Agreement, or Residence and Services Agreement Following Early Acceptance at any time if there has been any material misrepresentation or omission made on the part of the resident in the application forms; if a material change in the resident's health takes place before the Date of Financial Responsibility; or if the

resident fails to make payment to Carol Woods within 30 days after receiving the monthly statement. In the latter situation, Carol Woods shall give written notice to the resident, who must make payment within 15 days after receiving such written notice. In such events, the resident is entitled to a pro-rated refund of the Entry Fee as described in Voluntary Termination, if applicable.

Carol Woods also reserves the right to terminate the applicable Agreement if the resident fails to abide by Carol Woods' policies and procedures; if there is a breach in the terms of the applicable Agreement; or if the resident's continued presence is considered by Carol Woods to be a serious disruption or threat to the life, health, or safety of others. Carol Woods also may terminate the applicable Agreement if the resident refuses to move to assisted living or the health center, or to obtain sufficient health care services at home, if such services are determined by Carol Woods' health care team to be in the resident's best interests. Carol Woods will provide timely advance written notice of termination in compliance with prevailing laws, regulations and Carol Woods' policies, and will pay any refund due within 60 days or contract termination.

The resident shall be responsible for payment of the monthly service fees and other periodic fees accrued through the date that the applicable Agreement is terminated, or the date the residence is cleared by the resident, whichever is later.

G. Moves

All moves between Carol Woods' residences are at Carol Woods' discretion. Moves are subject to availability and legal requirements. All decisions regarding the resident's permanent transfer to the assisted living facilities, health center, a special care facility, or to a hospital will be made in consultation with the resident and, when appropriate, the resident's family or designee. Ultimately, Carol Woods' decision will be binding.

	To Campus Following Early Acceptance	On-Campus Living
1) Resident "Preference" Moves to Campus, or to Another Apartment, Cottage or Townhome on Campus	<ul style="list-style-type: none"> • Early Acceptance (EA) residents remain on the Priority List for types of residence that they have expressed interest in moving to in the future. • When an EA resident is contacted about an available residence, a Reservation Agreement Following EA is signed, and health and financial updates are reviewed for appropriateness and affordability. • Upon acceptance to the reserved residence, the resident follows the admission process related to a move to campus, as outlined in Section IV.E., signing a Residence and Services Agreement Following Early Acceptance. • Resident pays an entry fee equal to the prevailing entry fee for the reserved residence, less the entry fee that the resident paid previously upon acceptance to the Early Acceptance program. • The amount that is refundable and the refundable period are specified in an Exhibit to the Residence and Services Agreement Following Early Acceptance. Overall, the resident receives a total of 50 months for the overall period in which their entry fees are refundable, on a declining basis. • The monthly fee for the new residence takes effect on the date that the resident signs the Residence and Services Agreement Following Early Acceptance. 	<ul style="list-style-type: none"> • Even after moving to campus, residents may request to remain on the Priority List for a potential preference move to other desired types of residence. • For a preference move, a resident living on campus may be contacted about an available residence based upon the date when they originally joined the Priority List. • Health and financial updates are reviewed to make sure that the move will not cause undue health issues, and that the new residence is affordable to the resident. • If the preference move is to a residence that is larger than the Resident's current residence, they will be charged an additional Entry Fee for the <u>difference</u> between the <u>current</u> entry fees for the larger residence and their current residence. The additional entry fee must be paid upon approval of the internal move. The additional entry fee paid will have the same refundable period as what remains on the resident's original entry fee. • The monthly service fee for the new residence takes effect on the date that the resident moves to the new residence. For a preference move, the resident is also charged 3 additional months' monthly service fees for the residence that is being vacated for the community's costs for the preference move.

	To Campus Following Early Acceptance	On-Campus Living
2) Resident “Need-Based” Moves to Another Apartment, Cottage or Townhome on Campus	<ul style="list-style-type: none"> • If a resident’s circumstances change due to health changes, loss of a spouse, or financial reasons, a need-based move to an available campus residence may be requested. • Need-based moves may be approved by Carol Woods, if an appropriate residence is available, regardless of Priority List position. • Health and financial updates are reviewed to make sure that the move will not cause undue health issues, and that the new residence is affordable to the resident. • Upon acceptance to the reserved residence, the resident follows the admission process related to a move to campus, as outlined in Section IV.E., and signs a Residence and Services Agreement Following Early Acceptance. • Resident pays an entry fee equal to the prevailing entry fee for the reserved residence, less the entry fee that the resident paid previously. • The amount that is refundable and the refundable period are specified in an Exhibit to the new Residence and Services Agreement. Ultimately, the resident receives a total of 50 months for the overall period in which entry fees are refundable. 	<ul style="list-style-type: none"> • If a resident’s circumstances change due to health changes, loss of a spouse, or financial reasons, a need-based move to another campus residence may be requested. • Need-based moves may be approved by Carol Woods, if an appropriate residence is available, regardless of Priority List position. • Health and financial updates are reviewed to make sure that the move will not cause undue health issues, and that the new residence is affordable to the resident. • If the move is to a larger residence, the resident will be charged an additional Entry Fee based upon the <u>difference</u> between the <u>current</u> entry fee for the larger residence and their current residence. The additional entry fee must be paid upon approval of the internal move. The additional entry fee paid will have the same refundable period as that which remains with the original entry fee.
3) Single Person making a permanent move directly to Long-Term Care (LTC) in Assisted Living or the Health Center, <u>vacating</u> their current residence.	<ul style="list-style-type: none"> • The Early Acceptance Agreement remains in effect. • No additional entry fee is due. • Resident’s monthly service fee <u>increases</u> to the prevailing monthly fee for single persons living permanently in LTC facilities on campus. • Resident pays the prevailing discounted per diem charges of a Carol Woods resident. 	<ul style="list-style-type: none"> • The Residence and Services Agreement remains in effect. • No additional entry fee is due. • On the date that the resident clears their previous residence, their monthly service fee <u>decreases</u> to the prevailing monthly fee for single persons living permanently in LTC on campus. • Resident pays the prevailing discounted per diem charges of a Carol Woods resident.

	To Campus Following Early Acceptance	On-Campus Living
4) Couple, with one person making a permanent move directly to Long-Term Care (LTC) in Assisted Living or the Health Center, and the other person remaining in their current residence.	<ul style="list-style-type: none"> • The Early Acceptance Agreement remains in effect. • No additional entry fee is due. • Monthly Service Fee of resident who remains at home remains unchanged. • Monthly Service Fee of resident who is moving to Assisted Living or the Health Center <u>increases</u> to the prevailing monthly fee for 1st persons living permanently in LTC facilities on campus. • Resident in LTC pays the prevailing discounted per diem charges of a Carol Woods resident. 	<ul style="list-style-type: none"> • The Residence and Services Agreement remains in effect. • No additional entry fee is due. • Monthly Service Fee of resident who remains at home remains unchanged. • Monthly Service Fee for the resident who has moved to Assisted Living or the Health Center remains unchanged since the 2nd Person monthly fee is the same regardless of where the 2nd person resides on campus. • Resident in LTC pays the prevailing discounted per diem charges of a Carol Woods resident.
5) Couple, with both persons making a permanent move to Long-Term Care (LTC) in Assisted Living or the Health Center, vacating their current residence.	<ul style="list-style-type: none"> • The Early Acceptance Agreement remains in effect. • No additional entry fee is due. • Residents' monthly service fee <u>increases</u> to the prevailing monthly fee for two persons living permanently in LTC facilities. • Both residents pay the prevailing discounted per diem charges as Carol Woods' residents. 	<ul style="list-style-type: none"> • The Residence and Services Agreement remains in effect. • No additional entry fee is due. • On the date that the Residents clear their previous residence their monthly service fee <u>decreases</u> to the prevailing monthly fee for two persons living permanently in LTC facilities. • Both residents pay the prevailing discounted per diem charges as Carol Woods' residents.

If a resident requests an internal move on campus from one independent living residence to another, Carol Woods differentiates between need-based and preference moves. If the requested internal move is due to a significant change in the resident's circumstances (such as loss of a spouse, change in health or change in financial situation), the move is considered to be need-based -- and Carol Woods will absorb many of the costs of the internal move. If the move is a preference move, the resident will not only be charged the monthly service fee for the new residence from the date that they make the move, but also will be charged three (3) additional months' monthly service fee for the previous residence to cover the additional months that the residence will be vacant preparing for the next admission. For preference moves made within the first 5 years that a resident is living at Carol Woods, the resident also will be expected to cover the refurbishing costs of preparing their previous residence for remarketing.

Except in special circumstances, it is expected that residents transferring between independent living residences will vacate their previous residence within ten (10) days, and when moving permanently to assisted living or the health center will vacate their previous residence within thirty (30) days of the move. For transfers between assisted living and health center rooms, the resident is expected to vacate the previous room within two (2) days. The guiding principle for any internal move is to make the prior residence available as soon as possible for another resident.

Moving to Assisted Living or the Health Center from an On-Campus Residence. In the event that one member of a couple transfers to the assisted living center or the health center, the Monthly Service Fee continues to reflect the two-person rate of the independent living residence in which the other member of the couple remains. For single residents or both members of a couple who transfer to a higher level of care, and who have released their independent living residence for re-marketing, the Monthly Service Fee will be reduced to a level rate as presented in Carol Woods' prevailing monthly fee schedule.

If Carol Woods subsequently determines that a resident can resume occupancy in a comparable residence as had been occupied prior to such transfer, the resident will have priority to such residence as soon as one becomes available.

Moving to Assisted Living or the Health Center from Off Campus Under Early Acceptance. In the event that a single person or one member of a couple who is living off campus under Carol Woods' Early Acceptance program moves permanently to the assisted living center or the health center, the Monthly Service Fee of the individual who is making the move to the higher level of care will increase to the prevailing 1st Person Monthly Service Fee of an on-campus resident. For both members of a couple who had been living off campus under Early Acceptance, and who transfer to higher levels of care, the Monthly Service Fee will be increased to a rate comparable to on-campus couples as presented in Carol Woods' prevailing monthly fee schedule.

Upon the death of one resident, the surviving resident will pay the applicable single-person rate (Refer to the Monthly Service Fee schedule presented in Section VI.C.).

H. Marriages / New Second Occupant

Pursuant to NCGS §58-64-20(a)(7)(a), if a non-resident is planning to join a resident in a residence at Carol Woods or under the Early Acceptance program, he/she must apply and be approved for acceptance as a resident. An additional Entry Fee will be charged, calculated as the difference in the amount actually paid by the resident for the current Agreement and the total Entry Fee due for the amended Agreement at the double occupancy rate effective at the time the joint coverage commences.

If the non-resident does not meet all admission criteria, Carol Woods may grant admission subject to limited financial and service responsibilities on the part of Carol Woods.

If one resident of Carol Woods marries another resident of Carol Woods it is presumed that one may wish to move into the current living residence of the other. On the date that the other living residence is cleared and the key returned to Carol Woods, the monthly service fee shall change to the two-person monthly fee related to the residence in which the couple now resides. If the couple elects to remain in their two separate residences, each will continue to be charged the single person monthly service fee for each of the two residences in which they continue to reside.

Since both residents had been admitted to Carol Woods previously under separate contracts, each contract will remain in effect separately. There shall be no refund of any balance remaining on either entry fee paid previously, as long as the particular contract related to that entry fee remains in effect. Should the contract of one or another of the persons subsequently be terminated, any potential refund of the entry fee shall be provided as outlined in Section IV.F.

I. Inability to Pay

Pursuant to NCGS §58-64-20(a)(7)(b), if the sole reason for non-payment of financial obligations to Carol Woods is insufficient funds or other circumstances beyond the resident's control, Carol Woods will review the matter with the resident. If special financial consideration is determined to be necessary, Carol Woods may partly or wholly subsidize the fees, provided that such subsidy will not impair Carol Woods' sound financial position and maintenance of the quality service provided. Carol Woods may request that the resident make every effort to obtain assistance from all available resources both private and public.

When a resident dies, the estate, if any, will be liable to Carol Woods for the full amount of the subsidy provided by Carol Woods.

This policy applies equally to all Carol Woods residents, whether residing on campus or living off campus under the Early Acceptance program.

V. SERVICES

Pursuant to NCGS §58-64-20(a)(6), Carol Woods is a full-service continuing care retirement community, with many of the available services supported through the Entry Fee and Monthly Service Fee pricing structure. There are also other services available to residents on campus for an additional charge. The contracts provided in Appendix C outline the general, residential and health care services provided by Carol Woods, and whether they are covered by entry fees and monthly fees, or available for an additional charge. In the full spirit of disclosure, the following sections provide more specificity to the terms of those contracts.

A. Standard Carol Woods Services

General Services

The following services are available to all residents of Carol Woods (those living on campus as well as those in the Early Acceptance program), and are supported by Monthly Service Fees and amortization of initial Entry Fees.

General Services Supported with Entry Fees and Monthly Fees	Early Acceptance	On-Campus Living
1) Membership in Carol Woods' Residents Association	✓	✓
2) Equal participation in all social, educational, recreational and cultural activities offered at Carol Woods and/or to other off-campus activities or events sponsored by Carol Woods or the Residents Association	✓	✓
3) Free, unassigned parking and use of all Carol Woods' common areas, meeting rooms, classrooms, and private dining rooms	✓	✓
4) Free use of Carol Woods' Campus Amenities, including: <ul style="list-style-type: none"> a) Fitness Center and Indoor Pool b) Library c) Craft / Woodworking Shop and Art Studio d) Business Center & Access to CW Online Resident Web Portal e) Dog Park & Labyrinth f) Croquet Court, Bocce Court and Natural Walking Trails 	<div style="text-align: center;">✓</div> <div style="text-align: center;">✓</div> <div style="text-align: center;">✓</div> <div style="text-align: center;">✓</div> <div style="text-align: center;">✓</div> <div style="text-align: center;">✓</div>	<div style="text-align: center;">✓</div> <div style="text-align: center;">✓</div> <div style="text-align: center;">✓</div> <div style="text-align: center;">✓</div> <div style="text-align: center;">✓</div> <div style="text-align: center;">✓</div>
5) Assistance with filing medical insurance claims, via the Carol Woods Finance and Accounting Department	✓	✓

Residential Living Services

The following residential living services are available to all residents of Carol Woods who reside on Carol Woods' campus (not available to those residents in the Early Acceptance program, or available at an extra charge), and are supported by Monthly Service Fees and amortization of initial Entry Fees.

Residential Services Supported with Entry and Monthly Fees	Early Acceptance	On-Campus Living
1) Monthly Meal Credits per resident equal in number to the number of days in the month	Available for Extra Charge	Included
2) One (1) housekeeping visit per week	Not Included	Included
3) Utilities, including electricity, natural gas, water/sewer, standard Cable TV, and high speed broad band wireless	Not Included	Included
4) One (1) local telephone line if resident chooses to use Carol Woods' telephone system	Not Included	Included
5) Flat linens / towels (Those provided by Carol Woods are laundered weekly)	Not Included	Included
6) Twenty-four hour security coverage, with central monitoring of emergency call bells installed in every cottage and apartment, and emergency response from Carol Woods' security and nursing staff	Not Included	Included
7) Routine landscaping around campus	Not Included	Included
8) Garbage Removal	Not Included	Included
9) Maintenance of Carol Woods' property	Not Included	Included
10) General liability and property insurance coverage of Carol Woods' property (On campus residents are encouraged to consider personal property and liability insurance coverage. Early Acceptance Residents are encouraged to carry homeowners insurance)	Not Included	Included
11) Operation of a local bus service (in operation 20 to 25 hours per week)	Available from Campus	Included
12) Free Temporary Sick Meal Delivery to one's residence, when approved by Clinic staff	Not Included	Included
13) County property taxes & fees	Residents pay their own taxes & fees	Included

Health Care / Health Promotion Services

The following services are also supported through Monthly Service Fees and amortization of the initial Entry Fee, and constitute the insurance-like component of Carol Woods' pricing structure. These services are available to all residents of Carol Woods, including those in the Early Acceptance program.

Health Care & Health Promotion Benefits Supported with Entry Fees and Monthly Fees	Early Acceptance	On-Campus Living
1) Health Care "Free Days" which, when used, make the applicable health care per diem charge \$0	Accrue 15 days per year. Accumulate unused days over time	Accrue 15 days per year. Accumulate unused days over time
2) Deep daily discounts on prevailing per diem charges in Assisted Living, Assisted Nursing and Skilled Nursing levels of care	Same discounts as residents living on campus	Same discounts as Early Acceptance residents
3) Per diem charges in Assisted Nursing and Skilled Nursing levels of care that <u>include</u> most "routine" ancillary charges, such as medical supplies, incontinence supplies, personal need supplies, and non-prescription medications	Same benefits as residents living on campus	Same benefits as Early Acceptance residents
4) On-campus clinic visits for preventative / health promotion purposes otherwise not covered by Resident's Medicare Part B and supplemental insurance policies.	Same benefits as residents living on campus	Same benefits as Early Acceptance residents
5) Free use of the campus fitness center, indoor pool, walking paths, and other health promotion areas	Same benefits as residents living on campus	Same benefits as Early Acceptance residents
6) Heart-healthy menu options available at every meal served on campus	Same benefits as residents living on campus	Same benefits as Early Acceptance residents
7) Social Work services provided on campus by Carol Woods' Well-Being staff	Same benefits as residents living on campus	Same benefits as Early Acceptance residents
8) Activities and programs provided on campus through Carol Woods' Well-Being program	Same benefits as residents living on campus	Same benefits as Early Acceptance residents
9) Annual Check-in by Carol Woods' Staff	Available upon request	Available upon request

B. Carol Woods Services Available at Extra Charge

The following services are provided, arranged or referred by Carol Woods, and are available to residents at an additional charge.

Residential Living Services

Residential Services Available at an Extra Charge	Early Acceptance	On-Campus Living
1) Extra meals taken at Carol Woods	Residents are charged same discounted fees as on-campus residents for each meal taken at Carol Woods.	Residents are charged a discounted fee for each meal beyond the meal credits included in their monthly service fee.
2) A monthly meal program option available at a significantly reduced monthly charge for residents wishing to have a defined number of meal credits on a monthly basis	Same discounted monthly fee as residents living on campus	Same discounted monthly fee as Early Acceptance residents
3) Guest Meals	Guests are charged a reasonable Guest Meal charge	Guests are charged a reasonable Guest Meal charge
4) On Campus Guest House Residences	Guests encouraged to use hotels closer to resident's home	4 rooms available for guest's on-campus convenience
5) Special requests for maintenance of resident's personal property	Currently not available from Carol Woods	Available from Carol Woods staff at Extra Charge
6) Special requests for landscaping services around resident's residence.	Currently not available from Carol Woods	Available from Carol Woods staff at Extra Charge
7) Special modifications made to resident's residence.	Currently not available from Carol Woods	Available from Carol Woods staff at Extra Charge
8) Concierge and other Home Services, such as Closet Reorganizing, Deep Cleaning, etc.	Currently not available from Carol Woods	Available from Carol Woods staff at Extra Charge

Health Care Services

For both Early Acceptance and On-Campus, residents are charged discounted per diem charges each day that they receive assisted living, assisted nursing or skilled nursing services. A resident may use accumulated Free Days at any time. The value of the Free Day is derived by the prevailing discounted per diem on the day in which it is applied, since the Free Day makes the net per diem charge for that day \$0. Section VI.D. presents the discounted per diem charges, which are the same for both Early Acceptance and On-Campus residents.

Health Care Services Available at an Extra Charge	Early Acceptance	On-Campus Living
1) Deep daily discount on prevailing per diem charges in Central Assisted Living, Garden Assisted Living, Assisted Nursing and Skilled Nursing levels of care	Same discounted per diem charges as residents living on campus	Same discounted per diem charges as Early Acceptance residents
2) Medical supplies, personal need supplies, and other “ancillary” items supplied to residents while in the Assisted Living level of care	Same charges as On-Campus residents	Same charges as Early Acceptance residents
3) Per diem charges in Assisted Nursing and Skilled Nursing levels of care that <u>include</u> most “routine” ancillary charges, such as medical supplies, incontinence supplies, personal need supplies, and non-prescription medications	Same discounted per diem charges as residents living on campus	Same discounted per diem charges as Early Acceptance residents
4) Medical Transportation charges for residents living independently (Costs of driver and mileage for round-trip to medical appointments). NOTE: Medical Transportation is included in the per diem charge for residents in higher levels of care.	Currently not available from Carol Woods	Available from Carol Woods staff at Extra Charge
5) Medical Accompaniment (Costs of additional staff person accompanying resident to the medical appointment).	Currently not available from Carol Woods	Available from Carol Woods staff at Extra Charge
6) Full access to Carol Woods on-campus medical clinic, including the services of Carol Woods’ medical director, medical staff and nursing staff	Billed to insurance. Resident pays deductibles /copays	Billed to insurance. Resident pays deductibles / copays
7) Home Care Services (Personal Care Services at Home), or Companionship Services (1-on-1 Services in higher levels of care)	Carol Woods may provide through Canopy, or refer to another provider when appropriate	Carol Woods may provide through Canopy, or refer to another provider when appropriate

C. Personal Services

The following services are available on-campus to Carol Woods' residents.

	Early Acceptance	On-Campus Living
1) US Postal Service post office boxes	US Mail Service will continue at resident's own home	Available On Campus
2) Gift Shop operated by residents	Available On Campus	Available On Campus
3) A Barber / Beauty Salon managed contractually by a licensed beautician	Available On Campus	Available On Campus
4) Integrative Health Therapies (massage, healing touch) provided by licensed therapists	Available On Campus	Available On Campus
5) Medical specialty services (podiatry, audiology, counseling) provided by independent licensed practitioners in the Carol Woods clinic as a convenience to Residents	Available On Campus	Available On Campus
6) Pick up and drop off services of a local dry cleaning service	Not Available	Available only for On Campus residents
7) Pick up and drop off point for UPS and other express mail services	Not Available	Available only for On Campus residents

VI. FEES

A. Priority List Deposit / Administration Fee

Carol Woods maintains an active Priority List for persons seeking the opportunity to apply for admission at a future date.

Registering for the Priority List requires payment of \$1,300. \$300 of that sum is a non-refundable Priority Agreement Administration Fee. The remaining \$1,000 is applied to one's initial Entry Fee at the time one proceeds with the application and admission process, or is refunded upon written request for withdrawal from the list.

B. Entry Fees

Early Acceptance Agreement. Upon approval of the Admissions Committee and within ten days of notification of acceptance, a prospective Early Acceptance resident is required to sign the Early Acceptance Agreement and make payment of the established Entry Fee. The Entry Fee is that which was established at the start of the admissions process, and stipulated in the Early Acceptance Reservation Agreement. 2% of this fee is considered an Acceptance Fee, which has bearing if the resident should seek a refund of the entry fee, as is outlined in the Policies section of this Disclosure Statement.

Residence and Services Agreement. Upon approval of the Admissions Committee and within ten days of written notification of acceptance, a prospective resident is required to make payment of 10% of the established Entry Fee; comprised of a 2% Acceptance Fee and an 8% Acceptance Deposit. The Entry Fee amount is that which was established at the start of the admissions process, and stipulated in the Reservation Agreement. The balance of the Entry Fee (90%) is due upon signing a Residence and Services Agreement, payment of which establishes the Date of Financial Responsibility, which should occur within a 90-day period after approval. One thousand dollars of the Priority Deposit will be applied toward this 90% amount. The refund ability of the entry fee is outlined in the Policies section of this Disclosure Statement.

Residence and Services Agreement Following Early Acceptance. Upon approval of the move to campus, and within ten days of notification of acceptance, a prospective resident is required to make payment of 10% of the established Entry Fee; comprised of a 2% Acceptance Fee and an 8% Acceptance Deposit. The Entry Fee amount is that which was established at the start of the admissions process, and stipulated in the Reservation Agreement. It shall reflect the prevailing entry fee for the reserved residence, less the amount that the resident paid previously as an Early Acceptance entry fee. The balance of the Entry Fee (90%) is due upon signing a Residence and Services Agreement Following Early Acceptance, payment of which establishes the new Date of Financial Responsibility, which should occur within a 90-day period after approval. The refund ability of the entry fee is outlined in the Disclosure Statement Policies section.

The following table shows Entry Fees related to Early Acceptance and to residency at Carol Woods by residence type. The fees shown are effective as of April 1, 2018.

4/1/2018 Entry Fees for Singles and Couples by Type of Unit

Type of Unit		Number of Units	Square Footage	1st Person Entry Fees ⁽¹⁾	2nd Person Entry Fees ⁽¹⁾
Early Acceptance					
Each Person			N/A	\$35,000	\$35,000
Central Apartments					
Studio, Expanded	C-SE	15	507	\$96,600	\$35,000
1-Bedroom, Small Expanded	C-1SE	7	671	\$147,000	\$35,000
1-Bedroom Expanded	C-1E	65	695	\$155,200	\$35,000
1-Bedroom Large	C-1L	3	758	\$171,900	\$35,000
2-Bedroom, Expanded	C-2E	35	910	\$211,900	\$35,000
2-Bedroom Large	C-2L	3	1,042	\$239,400	\$35,000
2-Bedroom Extra Large	C-2XL	6	1,160	\$272,200	\$35,000
2-Bedroom & Den	C-2D	12	1,292	\$298,600	\$35,000
2-Bedroom & Den Large	C-2DL	2	1,345	\$311,500	\$35,000
2-Bedroom & Den Extra Large	C-2DXL	1	1,390	\$328,500	\$35,000
Apartment Totals / Weighted Averages		149	888	\$183,800	\$35,000
Garden Cottages ⁽²⁾					
1-Bedroom	G-1	14	678	\$149,600	\$35,000
1-Bedroom & Den	G-1D	23	801	\$182,400	\$35,000
2-Bedroom	G-2	19	957	\$218,200	\$35,000
1-Bedroom, Den & Carolina Room	G-1DC	3	1,006	\$230,100	\$35,000
2-Bedroom & Den	G-2D	12	1,078	\$250,000	\$35,000
2-Bedroom & Carolina Room	G-2C	6	1,149	\$261,500	\$35,000
2-Bedroom, Den & Carolina Room	G-2DC	13	1,280	\$289,300	\$35,000
1-Bedroom Duplex	G-1DXL	16	1,343	\$300,300	\$35,000
2-Bedroom Duplex	G-2DXL	34	1,538	\$361,200	\$35,000
2-Bedroom Duplex & Sunroom	G-2DXS	12	1,855	\$441,700	\$35,000
Cottage Totals / Weighted Averages		152	1,195	\$275,300	\$35,000
⁽²⁾ Cottage Expansion (60 to 119 Sq Ft)				\$16,000	
⁽²⁾ Cottage Expansion (120 to 179 Sq Ft)				\$26,600	
⁽²⁾ Cottage Expansion (180 to 240 Sq Ft)				\$37,200	
Townhomes (Average) ⁽³⁾		12	1,065	\$378,000	\$35,000
ILU Totals / Weighted Averages		313	1,065	\$234,600	\$35,000

NOTES:

- (1) The Entrance Fee pricing is effective as of April 1, 2018.
- (2) Cottages with an expansion to the base unit have the additional entry fee based upon expansion square footage.
- (3) Each townhome has a unique floor plan and is priced individually

For all contracts, the Entry Fee represents a prepayment of many of the services Carol Woods provides in the basic service package, over the remaining life time of the resident, including a significant amount of future healthcare services (i.e., health center free days, health promotion / prevention services, and discounts on health center per diems).

Upon receipt of the entry fee, Carol Woods accounts for it as deferred revenue, which shows up as a long-term liability on the balance sheet. Every year a portion of the resident's entry fee is amortized to revenue based upon the remaining life expectancy of the resident. In that way, a portion of the entry fee paid by the resident originally helps cover the annual costs of providing services each of the remaining years of the resident's life.

C. Monthly Service Fees

The following table presents the Monthly Service Fees for Early Acceptance and for on-campus residency at Carol Woods by residence type. The current monthly fee structure was effective as of January 1, 2018. Any future increases during the next year will be disclosed as an amendment to the disclosure statement.

1/1/2018 Monthly Service Fees for Singles and Couples by Type of Unit

				Independent Living Monthly Fees ⁽¹⁾		Long-Term Care Monthly Fees ⁽³⁾		
Type of Unit		Number of Units	Square Footage	1st Person Monthly Fees ⁽¹⁾	2nd Person Monthly Fees ⁽¹⁾	1st Person Monthly Fees ⁽²⁾	2nd Person Monthly Fees ⁽²⁾	
Early Acceptance								
Each Person				N/A	\$923	\$923	\$2,413	\$1,210
Central Apartments								
Studio	C-S	3	447	\$2,413	\$1,210	\$2,413	\$1,210	
Studio, Expanded	C-SE	12	507	\$2,466	\$1,210	\$2,413	\$1,210	
1-Bedroom, Small Expanded	C-1SE	7	671	\$2,992	\$1,210	\$2,413	\$1,210	
1-Bedroom	C-1	2	635	\$3,070	\$1,210	\$2,413	\$1,210	
1-Bedroom Expanded	C-1E	63	695	\$3,132	\$1,210	\$2,413	\$1,210	
1-Bedroom Large	C-1L	3	758	\$3,243	\$1,210	\$2,413	\$1,210	
2-Bedroom	C-2	1	850	\$3,874	\$1,210	\$2,413	\$1,210	
2-Bedroom, Expanded	C-2E	34	910	\$3,935	\$1,210	\$2,413	\$1,210	
2-Bedroom Large	C-2L	3	1,042	\$4,169	\$1,210	\$2,413	\$1,210	
2-Bedroom Extra Large	C-2XL	6	1,160	\$4,343	\$1,210	\$2,413	\$1,210	
2-Bedroom & Den	C-2D	12	1,292	\$4,596	\$1,210	\$2,413	\$1,210	
2-Bedroom & Den Large	C-2DL	2	1,345	\$4,714	\$1,210	\$2,413	\$1,210	
2-Bedroom & Den Extra Large	C-2DXL	1	1,390	\$4,777	\$1,210	\$2,413	\$1,210	
Apartment Totals / Weighted Averages		149	888	\$3,467	\$1,210	\$2,413	\$1,210	
Garden Cottages ⁽²⁾								
1-Bedroom	G-1	14	678	\$3,086	\$1,210	\$2,413	\$1,210	
1-Bedroom & Den	G-1D	23	801	\$3,366	\$1,210	\$2,413	\$1,210	
2-Bedroom	G-2	19	957	\$3,876	\$1,210	\$2,413	\$1,210	
1-Bedroom, Den & Carolina Room	G-1DC	3	1,006	\$4,075	\$1,210	\$2,413	\$1,210	
2-Bedroom & Den	G-2D	12	1,078	\$4,229	\$1,210	\$2,413	\$1,210	
2-Bedroom & Carolina Room	G-2C	6	1,149	\$4,317	\$1,210	\$2,413	\$1,210	
2-Bedroom, Den & Carolina Room	G-2DC	13	1,280	\$4,537	\$1,210	\$2,413	\$1,210	
1-Bedroom Duplex	G-1DXL	16	1,343	\$4,647	\$1,210	\$2,413	\$1,210	
2-Bedroom Duplex	G-2DXL	34	1,538	\$4,867	\$1,210	\$2,413	\$1,210	
2-Bedroom Duplex & Sunroom	G-2DXS	12	1,855	\$5,263	\$1,210	\$2,413	\$1,210	
Cottage Totals / Weighted Averages		152	1,195	\$4,244	\$1,210	\$2,413	\$1,210	
⁽²⁾ Cottage Expansion (60 to 119 Sq Ft)				\$158				
⁽²⁾ Cottage Expansion (120 to 179 Sq Ft)				\$263				
⁽²⁾ Cottage Expansion (180 to 240 Sq Ft)				\$368				
Townhomes (Average)		12	1,620	\$4,912	\$1,210	\$2,413	\$1,210	
ILU Totals / Weighted Averages		313	1,065	\$3,900	\$1,210	\$2,413	\$1,210	

NOTES:

- (1) The Monthly Fee pricing is effective as of January 1, 2018.
- (2) Cottages with an expansion to the base unit have the additional monthly fee based upon expansion square footage.
- (3) When a single person or couple moves from independent living into long term care, the single / 1st person monthly fee is changed to the prevailing monthly fee for a studio apartment. The monthly fees are in addition to the resident's discounted per diem fees.

D. Health Center Fees

The following table shows health center daily room charges effective January 1, 2018. Health center fees are only charged for days that a person occupies a room in an applicable level of care. Daily charges are in addition to Monthly Service Fees. Any future increases during the next year will be disclosed as an amendment to the disclosure statement.

1/1/2018 Per Diem Fees by Type of Unit

Type of Unit		Number of Beds	Per Diem Fees for Carol Woods' Residents ⁽¹⁾	Per Diem Fees for Outside Referral Residents ⁽¹⁾	% Discount
Assisted Living (AL)					
Central Assisted Living	Type 1	1	\$71.00	\$193.00	
Central Assisted Living	Type 2	5	\$73.00	\$193.00	
Central Assisted Living	Type 3	19	\$77.00	\$193.00	
Central Assisted Living	Type 4	8	\$81.00	\$193.00	
Central Assisted Living	Type 5	2	\$83.00	\$193.00	
2nd Person in Type 4/5			\$77.00	\$193.00	
Garden Assisted Living		24	\$77.00	\$193.00	
AL Totals / Weighted Averages		59	\$77.00	\$193.00	60.1%
Assisted Nursing (ANF) & Skilled Nursing (SNF)					
Assisted Nursing	Semi-Private	8	\$91.00	\$306.00	
Assisted Nursing	Private	22	\$101.00	\$321.00	
Skilled Nursing	Semi-Private	8	\$104.00	\$343.00	
Skilled Nursing	Private	22	\$114.00	\$358.00	
ANF & SNF Totals / Weighted Averages		60	\$105.00	\$336.00	68.7%
Totals / Weighted Averages		119	\$91.00	\$265.00	65.7%

NOTES:

(1) The Per Diem Fee pricing is effective as of January 1, 2018.

Carol Woods' residents receive a discount from per diem rates as a part of their Early Acceptance Agreement or Residence and Services Agreement. Residents may elect to apply "Free" Days from remaining balances in their individual accumulated reserve to cover the additional per diem rate. A resident may elect to defer use of Free Days to a later time, but there is no refund for unused Free Days.

Per Diem charges at the Skilled Nursing, Assisted Nursing, Garden Assisted Living and Central Assisted Living levels of care include 3 meals per day and all the necessary nursing/personal care on a 24-hour basis appropriate for each particular level of care. The 24/7 nursing/personal care, however, is shared among all residents living in a particular facility on a particular day. If a resident or family wishes to receive 1-on-1 services for an extended period, that Companionship service is arranged on an individual basis, and the resident is charged on an hourly basis for the 1-on-1 services that are provided. If Carol Woods provides the 1-on-1 Companionship services, those are charged in ½ hour increments at rates presented in the fee schedule in the following section. The Companionship hourly charges are in addition to the discounted per diem charge.

The per diems for Assisted Nursing and Skilled Nursing also include many ancillary items of daily care, including medical and personal need supplies, non-prescription medications, nutritional supplements, and oxygen as needed.

Prescription medications, physician services, customized medical equipment, and rehabilitation services are NOT included in the above per diem charges, and may be billed separately.

E. Fee Change Policies

Pursuant to NCGS §58-64-20(a)&7)(e), Carol Woods' fees are changed generally once annually but may be changed at any time. At least thirty days' written notice is provided to residents before new fees take effect. The objective in setting fees is to keep them at the lowest feasible rates consistent with sound fiscal practices and maintenance of high quality service. Changes in the Consumer Price Index as determined by the US Department of Labor are considered in establishing fees, but need not be the sole determining factor.

Entry Fees and Monthly Service Fees are also determined using actuarial modeling. The goal is to set fees that are sufficient to cover residents' current needs as well as projected future needs.

F. Historic Changes in Major Fees

Pursuant to NCGS §58-64-20(a)(7)(e), the following table shows average changes in the monthly service fees and health center daily charges over time. Note that it is the average dollar amount of the CHANGE in fees from year to year that is shown - NOT the fees themselves. All changes during this period occurred once per year on January 1.

<u>Monthly Service Fees</u>	2013 – <u>2014</u>	2014 – <u>2015</u>	2015 – <u>2016</u>	2016 – <u>2017</u>	2017 – <u>2018</u>
One Occupant (per month)	\$83	\$86	\$88	\$108	\$76
Two Occupants (per month)	\$109	\$111	\$114	\$141	\$99
Approx. Percentage Increase	2.4%	2.4%	2.4%	2.9%	1.9%

Health Center Room Charges

(Private Room At Residents' Discounted Rate)

Skilled Nursing (per day)	\$3.00	\$3.00	\$3.00	\$5.00	\$3.00
Assisted Nursing (per day)	\$3.00	\$3.00	\$3.00	\$5.00	\$3.00
Approx. Percentage Increase	3.3%	3.2%	3.1%	5.0%	2.9%

These data demonstrate Carol Woods' commitment to responsible changes in fees over time. Carol Woods' goal is to institute modest increases in strong economic periods helping to cushion against the need for larger increases in periods of higher inflation.

VII. FINANCIAL INFORMATION

A. Financial Overview

Pursuant to NCGS §58-64-20(a)(10) and §58-64-20(a)(12), the Appendices to this Disclosure Statement present substantial financial detail on the historic, current and projected financial status of Carol Woods, including:

- Fiscal Year 2017 Audited Financial Statements
- 5-Year Financial Projections including assumptions about Early Acceptance (2018-2022)
- Most Recent Monthly Interim Financial Statements as of March 31, 2018

Due to the lifetime commitment that has been made to each resident, Carol Woods uses actuarial planning and forecasting tools in addition to more traditional accounting methods.

Amortization of Entry Fees

Entry Fees are prepaid fees used to help cover costs of providing services to a resident over one's lifetime. As such, rather than record the Entry Fee as revenue only in the year it is paid, Carol Woods elects to "defer" most of the Entry Fee of a new entrant and recognize a portion of the fee as income each year that one remains a resident of Carol Woods. New Entry Fees are recorded as "Deferred Revenue" on Carol Woods' balance sheet. Each year, including the first year, the appropriate amount is reclassified from deferred income to actual income, based on an actuarially derived schedule.

The actuarial model that Carol Woods uses to derive amortized Entry Fees contains life expectancy tables that are reviewed and updated by an independent Certified Actuary. In addition, changes in individual residents' health care situations are updated annually, so that amounts amortized for each resident may be adjusted annually.

By accounting for Entry Fee revenue in this way, Carol Woods spreads its income from one's Entry Fee over one's lifetime, enabling some of the future costs of service to be covered every year by income from the initial Entry Fee.

B. Reserves, Escrows and Trusts

Reserves

NCGS §58-64-33 requires that continuing care retirement communities (CCRCs) provide for a minimum operating reserve. If a CCRC has occupancy that is less than or equal to 90%, it must maintain a reserve at least equal to 50% of the upcoming fiscal year's projected operating expenses, less amortization and depreciation; and less debt service if covered by a Debt Service Reserve. If a CCRC has occupancy that is greater than 90%, the reserve can be decreased to 25% of the upcoming fiscal year's budgeted operating expenses.

Campus occupancy at Carol Woods exceeds 90%, so that the 25% factor is applied to calculate the statutorily-mandated reserve.

Carol Woods' reserves far exceed the statutory requirement now, and that trend is projected to continue in the future. According to the state requirements, as of December 31, 2017 Carol Woods must have maintained a minimum operating reserve of \$6,583,000. Clearly, Carol Woods has cash and investments that far exceed the North Carolina statutory requirements. According to the audited financial statements as of December 31, 2017 the corporation has total cash and investments (both current and long-term) of \$68,734,823. Of those funds, \$9,860,883 are "Limited as to Use", including required bond funds and state reserve requirements, leaving a total of \$58,873,940 in current and long-term investments that are unrestricted (Appendix A, Note 2).

By the year 2022 (see Appendix B), the 5-Year Study projects a statutory reserve requirement of \$8,006,000 versus total cash and investments of \$70,601,000. The corporation is projected to exceed substantially the minimum standards for each intervening year as well.

Included in Carol Woods' overall reserves are the following funds presented on the balance sheet of the audited financial statements (see Appendix A):

1. Carol Woods makes a monthly payment to its Bond Sinking Fund accounts equal to 1/12th of the principal amount that it is scheduled to pay each year on both its 2010 bonds and 2012 bonds. This is shown as a current asset that is limited as to use.
2. A second reserve consists of amounts associated with unspent gifts and funds set aside by the Board for resident financial assistance. These are regularly reviewed and updated (refer to Appendix A, Notes 2 and 6).
3. Carol Woods reserves the use of Entry Fees paid by residents (see Amortization of Entry Fees in the preceding Section). The income is reserved on an actuarial basis to cover costs for services to residents over their respective lifetimes, and is shown on the liability side of the balance sheet.

4. Finally, Carol Woods' unrestricted net assets can be considered reserves that can help the organization remain strong financially during periodic unexpected losses.

Escrows And Trusts

In situations where a CCRC is in startup and premarketing its apartments, and if those CCRCs ask for prepayment of 10% or more of one's entry fee prior to opening, the North Carolina Department of Insurance requires that the prepaid entry fees must be placed in escrow. Since neither condition applies to Carol Woods, it does not escrow entry fees. Management of entry fee funds is outlined in the following section (Investment of Reserves, Escrows & Trusts).

Carol Woods uses trusts in two ways. First, bond funds are governed by trust agreements with The Bank of New York Mellon as the named trustee. Second, certain temporarily restricted gifts are accepted through a trust relationship where Carol Woods agrees to use the gift only for specified purposes.

C. Investment of Reserves, Escrows, & Trusts

As part of the covenants related to the Carol Woods' 2010 and 2012 debt financing, Carol Woods must escrow 1/12th of its annual scheduled principal payment each month. The Bank of New York Mellon holds these bond funds in trust. Investment of these funds is governed by state law and bond document covenants. In general, the funds are in cash or money market accounts to ensure preservation of principal.

The majority of Carol Woods' remaining cash and investments are maintained in a series of accounts, with various managers.

All investment funds managed by outside managers (with the exception of funds under trustee control) are controlled from a custodial account with UBS Financial Services. All fund managers manage Carol Woods' funds in accordance with a formal investment policy developed by the Board of Directors with the assistance of the UBS Prime Asset Consulting Group. The Board policy establishes allowable investment instruments and provides limits on the portions of the portfolio that may be invested in certain instruments at any given time. UBS Financial Services also provides manager-search services (through which current managers were selected) and provides on-going manager performance assessment services.

Fund managers direct investment decisions and trades, provided they are in conformance with the Board-adopted investment policy. The current investment policy for invested funds calls for a target portfolio mix of 60% equities and 40% fixed income securities. Managers are given some latitude to vary from those targets within thresholds defined by Board policy. Carol Woods reconciles investment statements monthly, and does a quarterly review of manager performance against benchmarks that are outlined in the board-adopted investment policy.

D. Financial Projections

Projections

Pursuant to NCGS §58-64-20(a)(12), Appendix B includes a 5-year forecast of financial statements compiled by an independent accounting firm in accordance with state law. The assumptions used are included in the notes to that forecast.

Projected Fees

The attached tables show projected Monthly Service Fees and health center daily fees. Projections are based on actuarial assumptions of a 4.5% inflation rate. It is also assumed that fees will be raised by a common percentage and that the program and pricing structure remain the same. All these assumptions are subject to change.

Projected Monthly Service Fees for Singles and Couples by Type of Unit, 2018 - 2022

		2018	2019	2020	2021	2022
Type of Unit		Monthly Fees	Monthly Fees 4.5%	Monthly Fees 4.5%	Monthly Fees 4.5%	Monthly Fees 4.5%
Early Acceptance						
Each Person		\$923	\$965	\$1,008	\$1,053	\$1,100
Central Apartments						
Studio	C-S	\$2,413	\$2,522	\$2,635	\$2,754	\$2,878
Studio, Expanded	C-SE	\$2,466	\$2,577	\$2,693	\$2,814	\$2,941
1-Bedroom	C-1SE	\$3,070	\$3,208	\$3,352	\$3,503	\$3,661
1-Bedroom, Small Expanded	C-1	\$2,992	\$3,127	\$3,268	\$3,415	\$3,569
1-Bedroom Expanded	C-1E	\$3,132	\$3,273	\$3,420	\$3,574	\$3,735
1-Bedroom Large	C-1L	\$3,243	\$3,389	\$3,542	\$3,701	\$3,868
2-Bedroom	C-2	\$3,874	\$4,048	\$4,230	\$4,420	\$4,619
2-Bedroom, Expanded	C-2E	\$3,935	\$4,112	\$4,297	\$4,490	\$4,692
2-Bedroom Large	C-2L	\$4,169	\$4,357	\$4,553	\$4,758	\$4,972
2-Bedroom Extra Large	C-2XL	\$4,343	\$4,538	\$4,742	\$4,955	\$5,178
2-Bedroom & Den	C-2D	\$4,596	\$4,803	\$5,019	\$5,245	\$5,481
2-Bedroom & Den Large	C-2DL	\$4,714	\$4,926	\$5,148	\$5,380	\$5,622
2-Bedroom & Den Extra Large	C-2DXL	\$4,777	\$4,992	\$5,217	\$5,452	\$5,697
Apartment Totals / Weighted Averages		\$3,467	\$3,623	\$3,786	\$3,956	\$4,134
Garden Cottages						
1-Bedroom	G-1	\$3,086	\$3,225	\$3,370	\$3,522	\$3,680
1-Bedroom & Den	G-1D	\$3,366	\$3,517	\$3,675	\$3,840	\$4,013
2-Bedroom	G-2	\$3,876	\$4,050	\$4,232	\$4,422	\$4,621
1-Bedroom, Den & Carolina Room	G-1DC	\$4,075	\$4,258	\$4,450	\$4,650	\$4,859
2-Bedroom & Den	G-2D	\$4,229	\$4,419	\$4,618	\$4,826	\$5,043
2-Bedroom & Carolina Room	G-2C	\$4,317	\$4,511	\$4,714	\$4,926	\$5,148
2-Bedroom, Den & Carolina Room	G-2DC	\$4,537	\$4,741	\$4,954	\$5,177	\$5,410
1-Bedroom Deluxe	G-1DXL	\$4,647	\$4,856	\$5,075	\$5,303	\$5,542
2-Bedroom Deluxe	G-2DXL	\$4,867	\$5,086	\$5,315	\$5,554	\$5,804
2-Bedroom Deluxe & Sunroom	G-2DXS	\$5,263	\$5,500	\$5,748	\$6,007	\$6,277
Cottage Totals / Weighted Averages		\$4,244	\$4,435	\$4,635	\$4,843	\$5,061
Townhomes (Average)		\$4,912	\$5,133	\$5,364	\$5,605	\$5,857
ILU Totals / Weighted Averages		\$3,900	\$4,075	\$4,258	\$4,450	\$4,650
2nd Person Monthly Fees, All Units ⁽¹⁾		\$1,210	\$1,264	\$1,321	\$1,380	\$1,442
Monthly Fees for Singles / 1st Persons in LTC ⁽²⁾		\$2,413	\$2,522	\$2,635	\$2,754	\$2,878

NOTES:

(1) 2nd Persons are charged the same monthly service fee regardless of what unit type in which they reside.

(2) For single residents, or 1st persons of couples, who move permanently into assisted living or the health center, their monthly service fee changes to the prevailing fee for a studio apartment.

Projected Discounted Per Diem Fees by Type of Unit, 2018 - 2022

			2018	2019	2020	2021	2022
Type of Unit			Discounted Per Diem Fees ⁽¹⁾	Discounted Per Diem Fees ⁽¹⁾	Discounted Per Diem Fees ⁽¹⁾	Discounted Per Diem Fees ⁽¹⁾	Discounted Per Diem Fees ⁽¹⁾
				4.5%	4.5%	4.5%	4.5%
Assisted Living (AL)							
Central Assisted Living	Type 1		\$71.00	\$74.00	\$77.00	\$80.00	\$84.00
Central Assisted Living	Type 2		\$73.00	\$76.00	\$79.00	\$83.00	\$87.00
Central Assisted Living	Type 3		\$77.00	\$80.00	\$84.00	\$88.00	\$92.00
Central Assisted Living	Type 4		\$81.00	\$85.00	\$89.00	\$93.00	\$97.00
Central Assisted Living	Type 5		\$83.00	\$87.00	\$91.00	\$95.00	\$99.00
2nd Person in Type 4/5			\$77.00	\$80.00	\$84.00	\$88.00	\$92.00
Garden Assisted Living			\$77.00	\$80.00	\$84.00	\$88.00	\$92.00
AL Totals / Weighted Averages			\$77.00	\$80.00	\$84.00	\$88.00	\$92.00
Assisted Nursing (ANF) & Skilled Nursing (SNF)							
Assisted Nursing	Semi-Private		\$91.00	\$95.00	\$99.00	\$103.00	\$108.00
Assisted Nursing	Private		\$101.00	\$106.00	\$111.00	\$116.00	\$121.00
Skilled Nursing	Semi-Private		\$104.00	\$109.00	\$114.00	\$119.00	\$124.00
Skilled Nursing	Private		\$114.00	\$119.00	\$124.00	\$130.00	\$136.00
ANF & SNF Totals / Weighted Averages			\$105.00	\$110.00	\$115.00	\$120.00	\$125.00
Totals / Weighted Averages			\$91.00	\$95.00	\$100.00	\$104.00	\$109.00

NOTES:

- (1) This table presents the projected per diem fees that are charged to Carol Woods' residents under an Early Acceptance Agreement or Residence and Services Agreement.

Per Diem charges to outside referrals for short term respite or rehabilitative stays are projected to increase by the same annual percentage of 4.5%.

Actual Performance Compared to Historic Projections

Pursuant to NCGS §58-64-30, the following tables present fiscal year (FY) 2017 actual performance, as reported in the audited financial statements (Appendix 1), compared to what had been projected for FY 2017 in the prior year's Disclosure Statement in terms of revenue, expenses, cash flows, and balance sheet assets, liabilities and net assets.

Carol Woods considers any variance of at least \$500,000 as material if it is also at least 5%, and therefore deserving of explanation. Other explanations are also provided if they are deemed to be noteworthy to prospective residents.

Actual 2017 Revenue and Expenses Compared to Historic Projections

	2017 Projected (2017 Disclosure)	2017 Audited	Variance Over (Under)	Notes
REVENUE:				
Resident Monthly Fees - On Campus	17,647,000	17,559,637	(87,363)	
Resident Monthly Fees - Early Acceptance	988,000	1,047,361	59,361	
Amortization of Advance Fees - On Campus	3,764,000	3,916,502	152,502	
Amortization of Advance Fees - Early Acceptance	145,000	159,943	14,943	
Guest Meals & Lodging	294,000	275,261	(18,739)	
Health Services	11,611,000	10,059,703	(1,551,297)	(1)
Contractual Allowances	(7,446,000)	(6,549,434)	896,566	(1)
Net Health Services	4,165,000	3,510,269	(654,731)	(1)
Investment Income	2,510,000	8,537,236	6,027,236	(2)
Miscellaneous Operating Revenue	628,000	913,756	285,756	(3)
Unrealized Gain (Loss) on Interest Rate Swaps	0	983,046	983,046	(4)
Total Revenue	30,141,000	36,903,011	6,762,011	
EXPENSES:				
Health Services	7,956,000	7,671,421	284,579	
Dietary Services	4,142,000	4,123,012	18,988	
Facility Services	6,047,000	5,760,295	286,705	
Early Acceptance	71,000	75,465	(4,465)	
Administration	5,253,000	5,478,994	(225,994)	
Depreciation & Amortization	3,572,000	3,466,692	105,308	
Debt Expense	1,837,000	1,855,405	(18,405)	
Loss / (Gain) on Retirement of Fixed Assets	244,000	(67,730)	311,730	(5)
Total Expenses	29,122,000	28,363,554	758,446	
TOTAL NET REVENUE	1,019,000	8,539,457	7,520,457	

NOTES to Revenue and Expense Variances:

- (1) **Net Health Services Revenue** was \$655,000 lower than projected due to the average census in the health center being lower than projected. We had projected an average daily census of 98, but averaged closer to 90 per day.
- (2) **Investment income**, including interest and dividends from investments, is projected based upon an assumption that investments will generate an annual return of 4.5%. This is a projection of investment yield rather than an estimate of what a particular annual return might be. In 2017, interest and dividend income was in line with budgeted yields, but at year-end the portfolio actually had increased 14.1% in its overall value rather than increase by 4.5%
- (3) **Miscellaneous revenue** was higher than projected due to some revenue that had not been anticipated, particularly related to receipt of \$193,000 in contributions, a \$28,000 dividend from the workers comp insurance for low loss experience, and more net assets released from restrictions for operations than had been projected.
- (4) **Gain (Loss) on Interest Rate Swaps**. In its 5-year projections, Carol Woods does not try to estimate annual changes in interest rates as measured by LIBOR. On December 31, 2017 LIBOR was higher (149bp) than it had been at the end of 2016 (72bp) causing the fair market value of Carol Woods' two swaps to be \$983,000 higher than what they had been valued at as of December 31, 2016. If Carol Woods holds the two swaps to maturity, the fair market value of each will become \$0.
- (5) **Retirement of Fixed Assets** shows a slight gain in 2017 compared to the \$244,000 loss that had been projected. This difference reflects a property insurance claim that was received in 2017 of \$607,000 that had not been anticipated.

If not for the variances in investment income, miscellaneous revenue, the gains on interest rate swaps, and the insurance proceeds from loss of fixed assets, Carol Woods would have experienced a 2% negative variance in revenue offset by a 2% positive variance in expenses.

Actual 2017 Cash Flows Compared to Historic Projections

	2017 Projected (2017 Disclosure)	2017 Audited	Variance Over (Under)	Notes
CASH FLOWS:				
Cash Flows from Operating Activities	5,683,000	6,334,087	651,087	
Proceeds from Advance Fees	4,837,000	6,414,360	1,577,360	(1)
Amortization of Advance Fees	(3,909,000)	(4,076,445)	(167,445)	
Other Cash Flows from Operations	4,755,000	3,996,172	(758,828)	(2)
Cash Flows from Investing Activities	(3,179,000)	(4,543,859)	(1,364,859)	
Net Sale (Purchase) of Investments	332,000	(1,192,547)	(1,524,547)	(3)
Purchase of Property and Equipment	(3,511,000)	(3,969,847)	(458,847)	(3)
Proceeds from Sale of Property and Equipment		618,535	618,535	(3)
Cash Flows from Financing Activities	(2,504,000)	(2,063,164)	440,836	
Net Proceeds from Line of Credit	(221,000)	83,988	304,988	(4)
Principal Payments on Long-Term Debt	(2,090,000)	(2,090,000)	0	(4)
Refund of Advance Fees	(193,000)	(57,152)	135,848	
NET CASH FLOW	0	(272,936)	(272,936)	

NOTES to Cash Flow Variances:

In its 2017 pro forma financials, CW projected that \$5,683,000 in cash in-flows from operations (including entry fee proceeds), plus \$332,000 from investments would cover cash out-flows from operations, \$3,511,000 in capital improvements, \$2,090,000 repayment of LT debt, pay down its \$221,000 line of credit to \$0, and provide for \$193,000 in entry fee refunds. In actuality, the following cash flows were experienced in 2017:

- (1) **Proceeds from Advance Fees.** In 2017 CW generated \$1,525,000 more in new entry fee proceeds than had been projected. CW had 36 residents move to campus to 27 residences, compared to a more typical year with 20 residences. Carol Woods also added 30 new residents to its Early Acceptance program; 8 of whom replaced others who moved from EA to campus.
- (2) **Other Cash Flow from Operating Activities.** Much of the \$759,000 negative variance in Other Cash Flows from Operations relates to the lower average census in higher levels of support that explains the \$655,000 negative variance on the income statement for Net Health Services revenue.
- (3) **Cash Flow from Investing Activities.** CW had projected capital improvements totalling \$3,511,000, but had actual capital improvements of \$3,970,000 -- driven by the need to upgrade more residences for reoccupancy. The property insurance proceeds are also shown as proceeds from sale of property and equipment. Carol Woods was able to avoid withdrawing any funds from investments except to pay investment fees. Instead, the positive cash flow from operations, coupled with the \$618,000 in insurance proceeds, enabled Carol Woods to redeem the scheduled \$2.090 MM in LT debt, while ending the year with a small balance on its short-term line of credit (treated as a financing activity) of \$305,000.
- (4) **Proceeds from Financing Activities.** CW retired \$2,090,000 of its LT debt as planned. As noted above, a net \$305,000 was drawn on a short-term revolving line of credit.

Actual December 31, 2017 Balance Sheet Compared to Historic Projections

	2017 Projected (2017 Disclosure)	2017 Audited	Variance Over (Under)	Notes
BALANCE SHEET:				
Assets Limited as to Use	9,967,000	9,860,883	(106,117)	
Current Assets Limited as to Use	1,643,000	1,652,963	9,963	
Long Term Assets Limited as to Use	8,324,000	8,207,920	(116,080)	
Cash and Investments Not Limited as to Use	50,582,000	58,873,940	8,291,940	(1)
Cash and Temporary Investments	3,649,000	3,333,979	(315,021)	
Long Term Investments	46,933,000	55,539,961	8,606,961	(1)
Other Assets	56,442,000	56,612,806	170,806	
Other Assets	2,379,000	2,332,499	(46,501)	
Property and Equipment, net	54,063,000	54,280,307	217,307	
TOTAL ASSETS	116,991,000	125,347,629	8,356,629	(1)
Total Liabilities	95,901,000	96,658,951	757,951	(2)
Net Long Term Debt, including Current Maturities	41,205,000	41,205,412	412	
Deferred Advance Fee Revenue	44,279,000	45,824,447	1,545,447	(2)
Interest Rate Swap Agreements	6,146,000	5,162,689	(983,311)	(2)
Other Current & Long Term Liabilities	4,271,000	4,466,403	195,403	
Total Net Assets	21,090,000	28,688,678	7,598,678	(3)
Unrestricted Net Assets	20,129,000	27,649,186	7,520,186	(3)
Temporarily Restricted Net Assets	961,000	1,039,492	78,492	
TOTAL LIABILITIES & NET ASSETS	116,991,000	125,347,629	8,356,629	

NOTES to Balance Sheet Variances:

- (1) **Assets.** Total assets were \$8,357,000 more than projected. As is seen in the Cash Flow Statement, Carol Woods generated \$6,414,000 in new entry fees while refunding only \$57,000; which was \$1.7 MM better than projected. The strong net cash flow from new entry fees enabled Carol Woods to avoid withdrawing funds from its investment portfolio, which increased 14.1% instead of the projected 4.5%.
- (2) **Liabilities.** Total liabilities were @ \$758,000 higher than projected at the end of 2017 due to the fact that CW generated more than anticipated in net new entry fee proceeds, thereby increasing deferred advance fee revenue by \$1,545,000. As interest rates continued to rise, the value of the interest rate swaps also improved, which reduced the estimated liability.
- (3) **Net Assets.** Total net assets were higher than projected by @ \$8,357,000 due to the factors noted above for assets and liabilities; particularly the \$8,607,000 higher long term investments.

APPENDIX A

The following presents the 2017 Audited Financial Statements for Carol
Woods

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY AND
THE CAROL WOODS CHARITABLE FUND, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2017 AND 2016

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY AND
THE CAROL WOODS CHARITABLE FUND, INC.
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED BALANCE SHEETS	3
CONSOLIDATED STATEMENTS OF OPERATIONS	5
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS	6
CONSOLIDATED STATEMENTS OF CASH FLOWS	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8
SUPPLEMENTARY INFORMATION	
CONSOLIDATING BALANCE SHEET	28
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS	29
SCHEDULE OF PROPERTY AND EQUIPMENT	31
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS INFORMATION (ALTERNATIVE FORMAT)	32
CONSOLIDATED SCHEDULE OF EXPENSES	33

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Chapel Hill Residential Retirement Center, Inc.
d/b/a Carol Woods Retirement Community and
The Carol Woods Charitable Fund, Inc.
Chapel Hill, North Carolina

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Chapel Hill Residential Retirement Center, Inc. d/b/a Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc. (collectively the Center), which comprise the consolidated balance sheets as of December 31, 2017, and 2016, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Board of Directors
The Chapel Hill Residential Retirement Center, Inc.
d/b/a Carol Woods Retirement Community and
The Carol Woods Charitable Fund, Inc.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Chapel Hill Residential Retirement Center, Inc. d/b/a Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc. as of December 31, 2017 and 2016, and the results of their operations, changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 28-30 is presented for purposes of additional analysis rather than to present the financial position and results of operations of the individual organizations and is not a required part of the consolidated financial statements. Additionally, the other consolidated schedules on pages 31-34 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was 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 audit 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 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



CliftonLarsonAllen LLP

Charlotte, North Carolina
March 5, 2018

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,984,547	\$ 2,257,483
Temporary Investments	1,349,432	1,392,454
Assets Limited as to Use, Current Portion	1,652,963	1,575,754
Accounts Receivable, Net	1,548,241	1,523,576
Other Receivables	127,486	186,012
Prepaid Expenses and Inventory	527,172	432,062
Total Current Assets	<u>7,189,841</u>	<u>7,367,341</u>
ASSETS LIMITED AS TO USE		
Reserves Required by State Statute	6,583,000	6,456,000
By Board Designation	1,624,920	1,624,920
Externally Restricted Under Bond Indenture Agreements	1,652,963	1,575,754
	<u>9,860,883</u>	<u>9,656,674</u>
Less: Amounts Available for Current Liabilities	<u>(1,652,963)</u>	<u>(1,575,754)</u>
	8,207,920	8,080,920
PROPERTY AND EQUIPMENT, NET	54,280,307	54,327,957
INVESTMENTS	55,539,961	47,574,879
OTHER LONG-TERM ASSETS	<u>129,600</u>	<u>100,000</u>
 Total Assets	 <u><u>\$ 125,347,629</u></u>	 <u><u>\$ 117,451,097</u></u>

See accompanying Notes to Consolidated Financial Statements.

	2017	2016
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of Credit	\$ 304,555	\$ 220,567
Current Maturities of Long-Term Debt	2,190,000	2,090,000
Accounts Payable	706,062	970,059
Accrued Expenses	2,103,024	1,991,209
Total Current Liabilities	5,303,641	5,271,835
LONG-TERM DEBT, LESS CURRENT MATURITIES	39,015,412	41,165,920
REFUNDABLE FEES	295,347	240,474
DEFERRED REVENUE FROM ADVANCE FEES	45,529,100	43,303,210
PRIORITY LIST DEPOSITS	1,120,110	1,041,380
INTEREST RATE SWAP AGREEMENTS	5,162,689	6,145,735
OTHER NON-CURRENT LIABILITIES	232,652	211,574
Total Liabilities	96,658,951	97,380,128
NET ASSETS		
Unrestricted	27,649,186	19,109,729
Temporarily Restricted	1,039,492	961,240
Total Net Assets	28,688,678	20,070,969
Total Liabilities and Net Assets	<u>\$ 125,347,629</u>	<u>\$ 117,451,097</u>

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
UNRESTRICTED REVENUE, GAINS, AND OTHER SUPPORT		
Resident Services:		
On Campus	\$ 17,559,637	\$ 16,901,439
Early Acceptance	1,047,361	939,622
Amortization of Advanced Fees:		
On Campus	3,916,502	4,226,124
Early Acceptance	159,943	148,170
Guests' Meals and Lodging	275,261	282,097
Health Center:		
Routine Services	8,693,878	9,422,220
Special Services	1,365,825	1,433,444
Adjustments and Allowances	(6,549,434)	(7,426,374)
Miscellaneous	268,436	418,397
Investment Interest and Dividends	1,603,514	1,611,200
Net Assets Released from Restrictions Used for Operations	446,463	363,767
Total Unrestricted Revenue, Gains and Other Support	<u>28,787,386</u>	<u>28,320,106</u>
EXPENSES		
Health Center	7,671,421	7,646,285
Dietary Services	4,123,012	3,988,423
Facility Services	5,760,295	5,977,004
Early Acceptance	75,465	66,216
Administration	5,478,994	5,214,047
Depreciation	3,466,692	3,267,597
Interest	1,855,405	1,949,450
Total Expenses	<u>28,431,284</u>	<u>28,109,022</u>
Operating Income	356,102	211,084
NON-OPERATING INCOME (LOSS)		
Net Realized Gains on Sale of Investments	1,925,928	1,052,832
Gain (Loss) on Disposal of Property and Equipment	67,730	(460,842)
Undesignated Contributions	198,857	76,532
Total Non-Operating Income	<u>2,192,515</u>	<u>668,522</u>
Excess of Revenues, Gains, and Other Support Over Expenses	2,548,617	879,606
OTHER CHANGES IN UNRESTRICTED NET ASSETS		
Change in Fair Value of Interest Rate Swap Agreements	983,046	1,111,920
Net Unrealized Gains on Investments and Assets Limited as to Use	<u>5,007,794</u>	<u>710,915</u>
Change in Unrestricted Net Assets	<u><u>\$ 8,539,457</u></u>	<u><u>\$ 2,702,441</u></u>

See accompanying Notes to Consolidated Financial Statements.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS		
Excess of Revenues, Gains, and Other Support Over Expenses	\$ 2,548,617	\$ 879,606
Change in Fair Value of Interest Rate Swap Agreements	983,046	1,111,920
Net Unrealized Gains on Investments and Assets Limited as to Use	<u>5,007,794</u>	<u>710,915</u>
Change in Unrestricted Net Assets	8,539,457	2,702,441
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	524,715	153,964
Net Assets Released from Restrictions Used for Operations and Capital	<u>(446,463)</u>	<u>(363,767)</u>
Change in Temporarily Restricted Net Assets	<u>78,252</u>	<u>(209,803)</u>
CHANGE IN NET ASSETS	8,617,709	2,492,638
Net Assets, Beginning of Year	<u>20,070,969</u>	<u>17,578,331</u>
NET ASSETS, END OF YEAR	<u><u>\$ 28,688,678</u></u>	<u><u>\$ 20,070,969</u></u>

See accompanying Notes to Consolidated Financial Statements.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 8,617,709	\$ 2,492,638
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Proceeds from Advance Fees	6,414,360	7,506,616
Depreciation	3,466,692	3,267,597
Amortization of Advance Fees	(4,076,445)	(4,374,294)
Amortization of Deferred Costs	39,492	39,491
Realized Gains on Sale of Investments	(1,925,928)	(1,052,832)
(Gain) Loss on Disposal of Property and Equipment	(67,730)	460,842
Net Unrealized Gains on Investments and Assets Limited as to Use	(5,007,794)	(710,915)
Change in Fair Value of Interest Rate Swaps	(983,046)	(1,111,919)
Change in Assets and Liabilities:		
Accounts Receivable	(24,665)	129,749
Other Receivables	58,526	(86,631)
Prepaid Expenses and Inventory	(124,710)	(153,172)
Accounts Payable	(263,997)	396,909
Accrued Expenses	111,815	229,069
Priority List Deposits	78,730	71,090
Other Non-Current Liabilities	21,078	20,075
Net Cash Provided by Operating Activities	<u>6,334,087</u>	<u>7,124,313</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Property and Equipment	618,535	-
Purchase of Property and Equipment	(3,969,847)	(4,247,282)
Proceeds from Sale of Investments and Assets Limited as to Use	18,857,904	15,810,719
Purchase of Investments and Assets Limited as to Use	<u>(20,050,451)</u>	<u>(15,545,478)</u>
Net Cash Used in Investing Activities	<u>(4,543,859)</u>	<u>(3,982,041)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(2,090,000)	(2,000,000)
Proceeds from Line of Credit	12,651,623	13,510,615
Payments on Line of Credit	(12,567,635)	(14,069,411)
Refund of Advance Fees	<u>(57,152)</u>	<u>(8,162)</u>
Net Cash Used in Financing Activities	<u>(2,063,164)</u>	<u>(2,566,958)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(272,936)</u>	<u>575,314</u>
Cash and Cash Equivalents - Beginning of Year	<u>2,257,483</u>	<u>1,682,169</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,984,547</u>	<u>\$ 2,257,483</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u>\$ 1,863,754</u>	<u>\$ 1,958,031</u>

See accompanying Notes to Consolidated Financial Statements.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Chapel Hill Residential Retirement Center, Inc. d/b/a Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc. (collectively, the Center), provides housing, health care and other related services to residents through the operation of a retirement community containing 149 apartments, 152 cottages, 12 townhomes, a 35-bed assisted living center, two 12-unit assisted living homes, and a 60-bed health center located in Chapel Hill, North Carolina.

In 2006, The Chapel Hill Residential Retirement Center, Inc. (Carol Woods) created an affiliated corporate entity, The Carol Woods Charitable Fund, Inc. (Charitable Fund). The Charitable Fund has been established as a separate 501(c)(3) charitable organization and has been organized as a “supporting” organization to Carol Woods. Under IRS guidelines, a supporting organization is one that is treated as a charitable tax-exempt entity because its primary purpose is to support another charitable, tax-exempt entity. The Charitable Fund’s purpose as described in its Articles of Incorporation and Bylaws follows:

- Support the facilities, grounds and services of Carol Woods to maintain its high quality and affordability.
- Support Carol Woods as a leader in research and development of innovative housing programs, health care services, technology applications and other needed support services in order to help elderly persons lead meaningful lives as they age.
- Support Carol Woods’ leadership role in the community, identifying and addressing potential gaps in the service delivery system, financial issues and other barriers to seniors being able to access needed services.
- Support Carol Woods’ assistance to elderly persons during periods in which the aging process may lead to personal loss, supporting seniors as long as possible in desired living arrangements and achieving smooth transition to other settings as needed.
- Support Carol Woods in promoting the care and service to seniors as a fulfilling career choice for students at high school, college, graduate school and trade school levels, thereby, increasing the supply of qualified and dedicated personnel available to serve seniors.
- Support Carol Woods in its cooperation and collaboration with other public agencies and non-profit corporations in the community, North Carolina and the United States in efforts to determine the most satisfying and fulfilling methods of providing living accommodations and supportive services for elderly persons.

The Charitable Fund can accept charitable donations for which the donor may receive a tax deduction. To maintain sufficient control over the Charitable Fund, all members of the Board of Directors of the supporting organization are appointed by the Carol Woods Board, and a majority of the Charitable Fund Board must be current members of the Carol Woods Board; including the Center’s President/CEO and Vice-President of Finance, who serve as ex-officio voting members of the Charitable Fund Board.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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

Organization (Continued)

In 2017, Carol Woods created Canopy of Carol Woods, LLC (Canopy), a wholly-owned limited liability company. Carol Woods is the sole member. The purpose for creation of the subsidiary entity is for the Center to pursue elements of its mission to serve seniors across the broader community while safeguarding the assets of the Center as a Continuing Care Retirement Community (CCRC), and ultimately for protection for the residents of the CCRC.

The financial statements of Canopy will be consolidated with those of the Center. As of December 31, 2017, there was no financial information to report. Neither the Charitable Fund nor Canopy will be part of the Obligated Group that Carol Woods created through a Master Trust Indenture relating to its long term debt. Carol Woods remains the sole member of that Obligated Group.

Principles of Consolidation

The consolidated financial statements include the accounts of The Chapel Hill Residential Retirement Center, Inc. d/b/a Carol Woods Retirement Community, which includes the activity of Canopy of Carol Woods, LLC, and The Carol Woods Charitable Fund, Inc. Significant intercompany balances and transactions between the consolidated entities have been eliminated.

Early Acceptance Program

In 2012, the Center received approval from the North Carolina Department of Insurance to offer a “continuing care without lodging” contract for persons to become residents of the Center while not taking residence at the Center initially. Under the Early Acceptance contract, residents who are living off-campus receive the same access to the Center’s campus amenities and the same health care services and future benefits that are afforded to residents who are living on campus. North Carolina General Assembly Statutes § 58-64-7(c) stipulates that the Center must account for the revenue and expenses related to the Early Acceptance program separate from revenue and expenses for on-campus services on financial statements and five-year forecasts. The Center had 109 residents and 88 residents under contract in the Early Acceptance program as of December 31, 2017 and 2016, respectively.

Use of Estimates

The preparation of consolidated 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 reported amounts of consolidated assets and liabilities, 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.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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

Cash and Cash Equivalents

Cash and cash equivalents, excluding those classified as assets limited as to use, include investments with original maturities of three months or less when purchased. At December 31, 2017 and 2016, a portion of these funds were in excess of federal deposit insurance limits.

Investments

Investments include money market funds, common stocks, an exchange-traded fund, mutual funds, debt and obligation securities (including U.S. Treasury and government obligations, municipal obligations, corporate obligations, and asset-backed obligations), which are carried at fair value. Investment interest and dividends are included with unrestricted revenue, gains, and other support and are included in operating income. Realized gains and losses are reported as non-operating income (loss), and are included in excess of revenues, gains, and other support over expenses.

Net unrealized gains and losses on investments and assets limited as to use are excluded from excess of revenues, gains and other support over expenses and are reported as other changes in unrestricted net assets. The cost of securities sold is based on the first in, first out cost method, adjusted for other-than-temporary impairment in the value of investments.

Management regularly evaluates its investment portfolio for other-than-temporary impairments. Under the Center's policy, other-than-temporary impairments are not recognized on all securities held in a loss position. The Center's policy includes a regular evaluation of its portfolio. Included in this evaluation are management's assessment of general market conditions, the issuer's financial condition and near-term prospects, conditions in the issuer's industry, the recommendations of advisors and the length of time and extent to which the fair value of an investment is less than cost. Based on this evaluation, no other-than-temporary impairments were recognized during the years ended December 31, 2017 and 2016.

Deferred Bond Issuance Costs

Deferred bond issuance costs are being amortized on the straight-line basis, which approximates the effective interest method, over the life of long-term debt and other credit instruments issued.

In the prior year, the Center has adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 required organizations to present deferred bond issuance costs as a direct deduction from the face amount of the related borrowings, amortize deferred bond issuance costs using the effective interest method over the life of the debt, and record the amortization as a component of interest expense.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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

Assets Limited as to Use

Assets limited as to use are reported at fair value. Assets limited as to use needed for current liabilities have been classified as current assets on the consolidated balance sheets. Assets limited as to use include assets set aside for the following purposes:

- *Current assets limited as to use* – Current assets limited as to use include funds held by trustee that are held in accordance with the trust and loan agreements. Under the terms of the trust and loan agreements between the Center and the North Carolina Medical Care Commission, these funds are deposited with the trustee. The assets are current because they will be used to repay the current portion of the Center's long-term debt on April 1 of the upcoming year.
- *Reserves required by state statute* – Assets limited as to use related to reserves required by state statute include funds held totaling twenty-five percent of the upcoming year's total budgeted operating costs set aside to meet the operating reserve requirements of North Carolina General Assembly Statutes - Chapter 58, Article 64.
- *By board designation* – Assets limited as to use include funds designated by the Board of Directors. The Board retains control over these assets and may, at its discretion, subsequently re-designate them for other purposes.

Property and Equipment, Net

Property and equipment is reported at cost less accumulated depreciation and include assets costing greater than \$1,000. Contributed property is reported at the estimated fair value at the date of receipt. Depreciation is computed under the straight-line method and is based on estimated useful lives from 3 to 40 years. The cost of routine maintenance and repairs is expensed as incurred.

The Center periodically assesses the realizable value of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of any asset may not be recoverable. Impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. For assets to be disposed of, impairment is determined to exist if the estimated net realizable value is less than the carrying amount. At December 31, 2017 and 2016, the Center has determined that no impairment indicators exist.

Interest Rate Swap Agreements

The Center entered into interest rate swap agreements to limit the effect of increases in the interest rates of floating rate debt. These interest rate swap agreements are reported in the accompanying consolidated balance sheets at estimated fair value at December 31, 2017 and 2016. The Center does not hold derivative instruments for any purpose other than limiting the effects of interest rate fluctuations and does not hold interest rate swap agreements for speculative or investment purposes.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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

Deferred Revenue from Advance Fees

Fees paid by each resident upon entering into a continuing care contract are reported as deferred revenue and amortized into net resident services revenue using the straight-line method over the estimated remaining life expectancy of the resident, adjusted on an annual basis. When a contract is terminated, by death of last survivor or withdrawal, any unamortized advance fees, net of refundable amounts, are recognized as net resident services revenue. The total amount of deferred revenue from advance fees was \$45,529,100 and \$43,303,210 for the years ended December 31, 2017 and 2016, respectively.

Obligation to Provide Future Services

The Center enters into continuing care contracts with residents – both for those taking residence on campus and those becoming residents under the Early Acceptance program. A continuing care contract is an agreement between a resident and the Center specifying the services and facilities to be provided over the resident's remaining life. Under each contract, the Center has the ability to increase fees as deemed necessary. As of December 31 of each fiscal year, the Center calculates the present value of the estimated net cost of future services to be provided to current residents, including the cost of facilities, and compares the amount with the balance of deferred revenue from advance fees at that date. If the present value of the net cost of future services and use of facilities exceeds the balance of deferred revenue from advance fees, a liability (obligation to provide future services) is recorded. No liability has been recorded as of December 31, 2017 or 2016 because the present value of the estimated net costs of future services and use of facilities is less than the balance of deferred revenue from advance fees.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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

Net Assets

The Center reports net assets using the following three classes: unrestricted, temporarily restricted and permanently restricted, depending on the presence and type of donor-imposed restrictions limiting the Center's ability to use or dispose of specific contributed assets or the economic benefits embodied in those assets. Unrestricted net assets include those whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Temporarily restricted net assets are those whose use by the Center has been limited by donors to a specific time period or purpose. The Center reports contributions of cash and other assets as 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), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period as contributed are reflected as unrestricted contributions in the accompanying consolidated statements of operations and changes in net assets. Permanently restricted net assets are those net assets which have been restricted by donors to be maintained by the Center in perpetuity. There were no permanently restricted net assets at December 31, 2017 and 2016.

The Center reports contributions of property and equipment (or other long-lived assets) as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used, and contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Excess of Revenues, Gains and Other Support Over Expenses

The consolidated statements of operations include excess of revenues, gains and other support over expenses. Changes in unrestricted net assets which are excluded from excess of revenues, gains and other support over expenses, consistent with industry practice, would include unrealized gains and losses on investments, change in fair value of interest rate swap agreements, 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 the purpose of acquiring such assets).

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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

Income Tax Status

Carol Woods and the Charitable Fund are not-for-profit organizations exempt from Federal and state income taxes under Internal Revenue Code Section 501(c)(3). Canopy is established as a non-profit LLC through the North Carolina Secretary of State, and is exempt from Federal and state income taxes by virtue of being organized and operated for the purpose of supporting the Center through its 501(c)(3) status.

Carol Woods and the Charitable Fund file as tax-exempt organizations. Management is not aware of any activities that would jeopardize the tax-exempt status of Carol Woods or the Charitable Fund. Management is not aware of any significant activities that are subject to tax on unrelated business income or excise or other taxes for Carol Woods or the Charitable Fund.

Net Resident Service Revenue

Net resident services revenue represents the estimated net realizable amounts from residents, third-party payers, and others for services rendered. Contractual adjustments represent the difference between the Center's standard health care charges and the amounts received for health care services. Medicare contractual adjustments are a result of established allowable rates differing from amounts charged by the Center. Additionally, continuing care contracts signed by each resident contain contractual adjustments for health care charges.

Community Benefit

The Center provides various outreach programs and volunteer services to the community in addition to direct financial support. The recorded benefit for these services is based on management assessment of the fair market value of services provided.

Concentration of Credit Risk

Concentrations of credit risk with respect to resident accounts receivable are limited due to the formalized agreements with third-party payers. The Center has significant accounts receivable (approximately 51% in 2017 and 49% in 2016) whose collectability or realizability is dependent upon the performance of Medicare. Management does not believe there is significant credit risks associated with Medicare.

Reclassifications

Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current year consolidated financial statements.

Subsequent Events

The Center evaluated the effect subsequent events would have on the consolidated financial statements through March 5, 2018, the date the consolidated financial statements were available to be issued.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 INVESTMENTS AND ASSETS LIMITED AS TO USE

The Center allocates its investment portfolios between investments and various categories of assets limited as to use. The allocation between assets limited as to use and investments is set forth in the following table at December 31:

	<u>2017</u>	<u>2016</u>
ASSETS LIMITED AS TO USE		
Board Designated:		
For Resident Assistance	\$ 308,876	\$ 308,876
For Mission Development	<u>1,316,044</u>	<u>1,316,044</u>
	1,624,920	1,624,920
 Reserves Required by State Statute	 6,583,000	 6,456,000
Contractual Agreement, Including Current Portion	<u>1,652,963</u>	<u>1,575,754</u>
 Total Assets Limited as to Use	 9,860,883	 9,656,674
 INVESTMENTS		
Temporary Investments	1,349,432	1,392,454
Investments	<u>55,539,961</u>	<u>47,574,879</u>
	<u><u>\$ 66,750,276</u></u>	<u><u>\$ 58,624,007</u></u>

Investments and assets whose use is limited are summarized as follows as of December 31:

	<u>2017</u>	<u>2016</u>
Investments and Assets Limited as to Use		
Cash and Short-Term Investments	\$ 1,652,963	\$ 1,575,754
Money Market Funds	1,349,432	1,392,454
Common Stocks	33,234,078	28,295,084
Mutual Funds	15,198,246	14,027,160
Debt and Obligation Securities	<u>15,315,557</u>	<u>13,333,555</u>
Total	<u><u>\$ 66,750,276</u></u>	<u><u>\$ 58,624,007</u></u>

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

Investment income consists of the following for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Investment Interest and Dividends	\$ 1,603,514	\$ 1,611,200
Net Realized Gains on Sale of Investments	1,925,928	1,052,832
Net Unrealized Gains	<u>5,007,794</u>	<u>710,915</u>
Total Investment Income	<u>\$ 8,537,236</u>	<u>\$ 3,374,947</u>

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2017</u>	<u>2016</u>
Land	\$ 833,077	\$ 833,077
Land Improvements	5,355,913	4,939,658
Buildings	78,519,696	76,778,621
Furniture and Fixtures	2,603,912	2,573,144
Equipment	7,033,748	6,614,328
Construction in Progress	<u>1,798,227</u>	<u>1,612,509</u>
	96,144,573	93,351,337
Less: Accumulated Depreciation	<u>(41,864,266)</u>	<u>(39,023,380)</u>
Property and Equipment, Net	<u>\$ 54,280,307</u>	<u>\$ 54,327,957</u>

Depreciation expense was \$3,466,692 and \$3,267,597 for the years ended December 31, 2017 and 2016, respectively. Construction in progress at December 31, 2017 and 2016 was related to apartment renovations and other general improvement projects.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 4 LONG-TERM DEBT AND SHORT-TERM LINE OF CREDIT

Long-term debt consists of the following at December 31:

	<u>2017</u>	<u>2016</u>
2010 North Carolina Medical Care Commission Tax-Exempt Variable Rate Bank-Qualified Bonds; Payable on a Predetermined Payment Schedule with Payments through 2035.	\$ 23,565,000	\$ 24,610,000
2012 North Carolina Medical Care Commission Tax-Exempt Variable Rate Non-Bank-Qualified Bonds; Payable on a Predetermined Payment Schedule with Payments through 2030.	<u>18,195,000</u>	<u>19,240,000</u>
Total Long-Term Debt	41,760,000	43,850,000
Unamortized Deferred Bond Issuance Costs	(554,588)	(594,080)
Less: Current Maturities of Long-Term Debt	<u>(2,190,000)</u>	<u>(2,090,000)</u>
Long-Term Debt, Less: Current Maturities	<u>\$ 39,015,412</u>	<u>\$ 41,165,920</u>

Maturities of long-term debt computed under the 2010 and 2012 Trust Agreements as of December 31, 2017 are as follows:

<u>Year Ending December 31,</u>	2010 Bonds	2012 Bonds	Total Bonds
2018	\$ 1,095,000	\$ 1,095,000	\$ 2,190,000
2019	1,145,000	1,145,000	2,290,000
2020	1,200,000	1,200,000	2,400,000
2021	1,255,000	1,255,000	2,510,000
2022	1,310,000	1,310,000	2,620,000
Thereafter	<u>17,560,000</u>	<u>12,190,000</u>	<u>29,750,000</u>
Long-Term Debt as of December 31, 2017	<u>\$ 23,565,000</u>	<u>\$ 18,195,000</u>	<u>\$ 41,760,000</u>

2010 Series Bonds

On October 1, 2010 the Center entered into a debt agreement with the North Carolina Medical Care Commission (the Commission) pursuant to the Commission's \$30,000,000 bond offering (Series 2010 Bonds) for purposes of refinancing previously existing debt and to provide financing for additional routine capital needs. Proceeds from this offering were placed in trust and distributed to pay off the existing debt. The Center's 2001 bonds were retired on November 5, 2010. The Series 2010 Bonds are held by Branch Banking & Trust Company (BB&T) under a Bank Terms and Conditions Agreement dated October 1, 2010. Since BB&T holds the Series 2010 Bonds, the Bonds are not remarketed in bond markets and credit enhancement of the Series 2010 Bonds is not required.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 4 LONG-TERM DEBT AND SHORT-TERM LINE OF CREDIT (CONTINUED)

2010 Series Bonds (Continued)

Under the Bank Terms and Conditions Agreement, Master Trust Indenture, and the Supplemental Indentures, the Center is required to comply with various covenants including, but not limited to, making monthly payments of interest to The Bank of New York Mellon Trust Company, (the Trustee) on behalf of BB&T, making monthly payments to a Trustee held bond sinking fund of one-twelfth of the annual scheduled bond principal amount, meeting minimum reporting requirements and limitations on incurrence of additional indebtedness and various financial ratios at specified reporting dates. According to these agreements, the Center has the ability to remedy any covenant violation within thirty days after receiving written notification from the Commission without accelerating the debt payments. Security for the 2010 Series Bonds consists of a pledge and assignment to the Trustee of all rights, title and interest in and to the Center's deed of trust dated July 2, 2001, which evidences the Center's obligation to repay the loan issued by the Commission. Under the deed of trust, the Commission assigned its rights as beneficiary to the Trustee, which granted the Trustee first priority deed of trust on the site and any buildings or improvements and assigned its rights as secured party with respect to its security interest.

The Series 2010 Bonds are scheduled to amortize over a period of 25 years. The amortization schedule for the first 21 years, through April 1, 2031, is identical to the amortization schedule of the previous \$27,315,000 in 2001 bonds that were refunded with the 2010 issuance. The remaining \$2,685,000 in bonds will amortize over the final four years through April 1, 2035.

For the first ten years of the 2010 bond issue, the bonds carry a blended fixed and variable interest rate of 1.1375% plus 68% of 1-month London Inter-Bank Offered Rate (LIBOR). The fixed portion of 1.1375% is fixed through July 2020, at which point it will be renegotiated with the bank for a new term and rate. Since the interest paid to the bank is exempt from corporate income tax, the 1.1375% fixed rate was priced based upon the bank's corporate tax rate at the time of 35%. With the federal corporate tax rate being reduced to 21%, this could impact the fixed rate charged to the Center subsequent to December 31, 2017.

2012 Series Bonds

On July 1, 2012 the Center entered into a debt agreement with the Commission to enter into a non-bank-qualified bond issue of \$22,000,000 (Series 2012 Bonds) that has a draw down feature in which the outstanding principal is the amount that has been drawn to reimburse expenditures allowable under the loan agreement. The bonds were fully drawn down as of January 2016, within the required three-year period.

The Series 2012 Bonds were to fund a campus enhancement construction project and to provide financing for additional routine capital needs. The Series 2012 Bonds are held by First Tennessee Bank (First Tennessee) under a Credit Agreement dated July 1, 2012. Since First Tennessee holds the Series 2012 Bonds, the Series 2012 Bonds are not remarketed in bond markets and credit enhancement of the Series 2012 Bonds is not required.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 4 LONG-TERM DEBT AND SHORT-TERM LINE OF CREDIT (CONTINUED)

2012 Series Bonds (Continued)

Under the Credit Agreement, Master Trust Indenture, and the Supplemental Indentures, the Center is required to comply with various covenants including, but not limited to, making monthly payments of interest to the Trustee, on behalf of First Tennessee, making monthly payments to a Trustee held bond sinking fund of one-twelfth of the annual scheduled bond principal amount, meeting minimum reporting requirements and limitations on incurrence of additional indebtedness and various financial ratios at specified reporting dates. According to these agreements, the Center has the ability to remedy any covenant violation within thirty days after receiving written notification from the Commission without accelerating the debt payments.

Security for the Bonds consists of a pledge and assignment to the Trustee of all rights, title and interest in and to the Center's deed of trust dated July 2, 2001, which evidences the Center's obligation to repay the loan issued by the Commission. Under the deed of trust, the Commission assigned its rights as beneficiary to the Trustee, which granted the Trustee first priority deed of trust on the site and any buildings or improvements and assigned its rights as secured party with respect to its security interest.

The Series 2012 Bonds are scheduled to amortize over a period of 18 years. The amortization schedule for the Series 2012 Bonds is designed so that the outstanding 2010 and 2012 series bonds, together, mirror the outstanding notional amounts of two interest rate swap agreements to which the Center is party.

For the first 10 years of the 2012 bond issue, the bonds carry a blended fixed and variable interest rate of 0.78% plus 65% of 1-month LIBOR. The fixed portion of 0.78% is fixed through June 2022, at which point it will be renegotiated with the bank for a new term and rate. Since the interest paid to the bank is exempt from corporate income tax, the 0.78% fixed rate was priced based upon the bank's corporate tax rate at the time of 35%. With the federal corporate tax rate being reduced to 21%, this could impact the fixed rate charged to the Center subsequent to December 31, 2017.

Line of Credit

On March 24, 2016, the Center renewed the unsecured revolving line of credit with a financial institution with maximum limit of \$3,000,000. The line of credit was extended through March 23, 2018. Interest is 1-month LIBOR plus 2.25%, which was 1.4925% at December 31, 2017, subject to monthly adjustments. The funds are used for short-term working capital needs. The Center had a balance of \$304,555 and \$220,567 on the line of credit at December 31, 2017 and 2016, respectively.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 5 INTEREST RATE SWAP AGREEMENTS

The Center has entered into interest rate swap agreements with certain investment companies which reduce the volatility of interest rates on certain variable rate debt. As such, the Center pays a fixed rate of interest, noted in the following table, which the investment company pays based on a floating rate of 1-month LIBOR. The difference between the fixed and floating rates for the aforementioned interest rate swap agreements is accrued monthly and recorded as interest expense in the accompanying consolidated statements of operations. The fair value of these derivative instruments are recorded on the consolidated balance sheets as a long-term liability.

The 1271 CounterParty, LLC swap was first transacted in 2005 as a forward swap agreement with Lehman Brothers Special Financing (Lehman Brothers). Due to the bankruptcy of Lehman Brothers, in 2012 the Center entered into a Novation Agreement with 1271 CounterParty, LLC (1271 CounterParty) – an LLC established by the bankruptcy court to enable transfer of agreements to which Lehman Brothers had been a counter party to a new counter party. Under the Novation Agreement, all of the terms of the original 2005 swap agreement remain the same, with 1271 CounterParty becoming the new counter party to the agreement. A Guarantee Agreement was also affected with Deutsche Bank under which Deutsche Bank guarantees the performance of 1271 CounterParty for the duration of the agreement.

Under the 1271 CounterParty swap, which took effect on April 1, 2012 and continues until April 1, 2031, the Center pays a fixed rate of 3.48% and receives a floating amount of 65% of 1-month LIBOR.

In 2009, the Center entered into a forward interest rate swap agreement with Deutsche Bank. This interest rate swap agreement also took effect on April 1, 2012, and continues until April 1, 2031. The Center pays a fixed rate of 3.153% and receives a floating amount of 68% of 1-month LIBOR.

The variable portion of interest on the Series 2010 Bonds is 68% of 1-month LIBOR, and the variable portion of the Series 2012 Bonds is 65% of 1-month LIBOR. These percentages were done in order to better mirror the variable components of the Deutsche Bank and 1271 CounterParty swaps that pay a floating rate of 68% of 1-month LIBOR and 65% of 1-month LIBOR, respectively. As such, they will mitigate much of the risk of interest rate fluctuations on the variable-rate of the outstanding Series 2010 Bonds and Series 2012 Bonds.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 5 INTEREST RATE SWAP AGREEMENTS (CONTINUED)

The following are schedules outlining the terms and fair market values of the derivative instruments on December 31:

	1271 CounterParty Swap	Deutsche Bank Swap
Notional Amount - Original	\$ 25,680,000	\$ 25,680,000
Notional Amount - December 31, 2017	20,880,000	20,880,000
Trade Date	12/15/2005	11/3/2009
Effective Date	4/1/2012	4/1/2012
Termination Date	4/1/2031	4/1/2031
Fixed Rate	3.48%	3.15%
Floating Rate (Percentage of LIBOR)	65%	68%
Fair Value at December 31, 2015	\$ (3,974,842)	\$ (3,282,812)
Unrealized Gains	<u>591,291</u>	<u>520,628</u>
Fair Value at December 31, 2016	(3,383,551)	(2,762,184)
Unrealized Gains	<u>522,408</u>	<u>460,638</u>
Fair Value at December 31, 2017	<u>\$ (2,861,143)</u>	<u>\$ (2,301,546)</u>

By using an interest rate swap to hedge exposure to change in interest rates, the Center exposes itself to credit risk and market risk. Credit risk is the failure of the counter party to perform under the terms of the derivative contract. Market risk is the adverse effect on the value of the financial instrument that results from a change in interest rates. The market risk associated with an interest rate swap is managed by establishing and monitoring parameters that limit the types and degrees of market risk that may be undertaken. An analysis on the effectiveness of the swap was performed, causing the change in the fair value of the interest rate swaps to be included within other changes in unrestricted net assets.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31:

	2017	2016
Resident Assistance	\$ 506,852	\$ 664,637
Employee Development	136,854	89,422
Resident Life	113,184	101,087
Campus	44,052	38,719
Community Mission Development	200,044	28,869
Other	38,506	38,506
	<u>\$ 1,039,492</u>	<u>\$ 961,240</u>
Total Temporarily Restricted Net Assets	<u>\$ 1,039,492</u>	<u>\$ 961,240</u>

NOTE 7 REFUNDABLE FEES

Any resident who takes residency on the Center's campus, and subsequently withdraws before the expiration of the first 90 days of residency is entitled to a full refund of their advance fee. After the first 90 days of residency, the amount refundable upon withdrawal or death declines by 2% per month over the first 50 months of residency. Anyone who becomes a resident under the Early Acceptance program, which does not involve residency initially, the amount of their advance fee that is refundable upon death or withdrawal declines by 4% per month for the first 25 months of the Early Acceptance contract. If an Early Acceptance resident should subsequently move to an independent living unit on the Center's campus, which would involve payment of an additional advance fee for the unit, they will have an additional period in which the total advance fee paid declines in the amount that is refundable at a rate of 4% per month. The total number of months any fees would be refundable for an Early Acceptance resident is 50 months.

The estimated aggregate amount of advance fees that are expected to be refunded is derived actuarially, and shown on the consolidated balance sheets as refundable fees, totaling \$295,347 and \$240,474 at December 31, 2017 and 2016, respectively. The total amount of contractual refund obligations under existing contracts (that is, if all residents with a contractually refundable balance were to have withdrawn) totaled \$13,034,242 and \$13,271,753 at December 31, 2017 and 2016, respectively, and is included in deferred revenue from advance fees on the consolidated balance sheets. There was one withdrawal in 2016 that resulted in a refund of \$8,162; and one death in 2017 that resulted in a refund of \$57,152.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 8 FAIR VALUE OF ASSETS AND LIABILITIES

Fair Value Measurement

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Center 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 Center 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. In addition, Level 1 inputs include securities that are traded by dealers or brokers in active over-the-counter markets, such as U.S. Treasury and other U.S. government and agency mortgage-backed securities, municipal bonds, and corporate bonds. Assets and liabilities valued using Level 2 inputs include the interest rate swap agreements. The Center does not have any assets valued using Level 3 inputs.

The Fair Value Option Standard for Financial Assets and Financial Liabilities allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for eligible financial assets and liabilities on an instrument-by-instrument basis. The Center has not elected to measure any existing financial assets or financial liabilities at fair value under this option.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 8 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

Fair Value Measurement (Continued)

The Center uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The following table presents the fair value hierarchy for the consolidated balances of the assets of the Center measured at fair value on a recurring basis as of December 31, 2017 and 2016:

	2017			
	Level 1	Level 2	Level 3	Total
ASSETS				
Common Stocks				
Large Cap	\$ 16,178,392	\$ -	\$ -	\$ 16,178,392
Mid Cap	3,885,798	-	-	3,885,798
Small Cap	2,906,757	-	-	2,906,757
International	10,263,131	-	-	10,263,131
Total Common Stocks	33,234,078	-	-	33,234,078
Mutual Funds				
Global Allocation	6,255,931	-	-	6,255,931
Fixed Income	8,942,315	-	-	8,942,315
Total Mutual Funds	15,198,246	-	-	15,198,246
Debt and Obligation Securities				
U.S. Treasury and Government	1,443,152	-	-	1,443,152
Municipal	4,014,452	-	-	4,014,452
Corporate	6,552,920	-	-	6,552,920
Asset-Backed	3,305,033	-	-	3,305,033
Total Debt and Obligation Securities	15,315,557	-	-	15,315,557
Money Market Funds	1,349,432	-	-	1,349,432
Total Assets	<u>\$ 65,097,313</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,097,313</u>
LIABILITIES				
Interest Rate Swaps	<u>\$ -</u>	<u>\$ 5,162,689</u>	<u>\$ -</u>	<u>\$ 5,162,689</u>

The Center had \$1,652,963 of cash and cash equivalents included with investments and assets limited as to use as of December 31, 2017 which are not included in the fair value hierarchy.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 8 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

Fair Value Measurement (Continued)

	2016			
	Level 1	Level 2	Level 3	Total
ASSETS				
Common Stocks				
Large Cap	\$ 14,511,268	\$ -	\$ -	\$ 14,511,268
Mid Cap	2,999,642	-	-	2,999,642
Small Cap	3,404,386	-	-	3,404,386
International	7,379,788	-	-	7,379,788
Total Common Stocks	28,295,084	-	-	28,295,084
Mutual Funds				
Global Allocation	5,378,409	-	-	5,378,409
Fixed Income	8,648,751	-	-	8,648,751
Total Mutual Funds	14,027,160	-	-	14,027,160
Debt and Obligation Securities				
U.S. Treasury and Government	1,087,045	-	-	1,087,045
Municipal	3,575,117	-	-	3,575,117
Corporate	5,539,111	-	-	5,539,111
Asset-Backed	3,132,282	-	-	3,132,282
Total Debt and Obligation Securities	13,333,555	-	-	13,333,555
Money Market Funds	1,392,454	-	-	1,392,454
Total Assets	<u>\$ 57,048,253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,048,253</u>
LIABILITIES				
Interest Rate Swaps	<u>\$ -</u>	<u>\$ 6,145,735</u>	<u>\$ -</u>	<u>\$ 6,145,735</u>

The Center had \$1,575,754 of cash and cash equivalents included with investments and assets limited as to use as of December 31, 2016 which are not included in the fair value hierarchy.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 9 RESIDENT SERVICES REVENUE

Resident services revenue represents the estimated net realizable amounts from residents, third-party payers, and others for services rendered. Resident services revenue consists of the following for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Resident Services	\$ 18,606,998	\$ 17,841,061
Amortization of Advanced Fees	4,076,445	4,374,294
Guests' Meals and Lodging	275,261	282,097
Health Center Routine Services	8,693,878	9,422,220
Health Center Special Services	1,365,825	1,433,444
Adjustments and Allowances	<u>(6,549,434)</u>	<u>(7,426,374)</u>
Net Resident Services Revenue	<u>\$ 26,468,973</u>	<u>\$ 25,926,742</u>

NOTE 10 CHARITY CARE AND COMMUNITY BENEFITS

The Center provides assistance to its residents who can no longer financially afford to provide for themselves financially. Assistance is provided in the form of subsidizing the resident's monthly fee due to the Center. The Center is also involved in the community through participation in various community outreach and educational programs, direct financial support, donated volunteer services and voluntary payments to government agencies. Charity care and community benefits, at cost, for the years ended December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Resident Assistance/Charitable Care	\$ 351,270	\$ 275,525
Community Benefits		
Community Benefit	88,215	86,855
Charitable Donations	453,770	546,685
Donated Volunteer Services	<u>57,542</u>	<u>70,753</u>
Total Community Benefits	<u>599,527</u>	<u>704,293</u>
Total Support	<u>\$ 950,797</u>	<u>\$ 979,818</u>

In addition to direct resident assistance and community charitable donations, the Center participates in the Medicare program, which provides payment based on established reimbursement guidelines rather than the Center's established fee for services. Participation in this program results in unreimbursed costs of approximately \$400,000 annually.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 11 RETIREMENT PLANS

The Center sponsors retirement plans under Internal Revenue Code Section 401(a) and 403(b). The plan under Internal Revenue Code Section 401(a) provides for employer-only discretionary contributions for eligible employees. Employees are eligible if they are hired into a position that would normally work 1,000 hours during the plan year or worked at least 1,000 hours during the plan year and are still employed on December 31. The Center's discretionary contribution was based on 4% of eligible compensation for 2017 and 2016. Employees become fully vested after three years of service. Employer contributions to the plan were \$406,304 and \$385,079 for the years ended December 31, 2017 and 2016, respectively.

The plan under Internal Revenue Code Section 403(b) provides for employee-only contributions in accordance with Internal Revenue Service guidelines with employee balances being fully vested at all times.

NOTE 12 COMMITMENTS AND CONTINGENCIES

The Center has occurrence-based insurance coverage for possible litigation in the ordinary course of business related to general and professional liability claims. Management believes that claims, if asserted, would be settled within the limits of coverage, with limits of \$1,000,000 per claim and \$3,000,000 in the aggregate.

On August 1, 2016, the Center changed from a fully insured health insurance plan for its employees to a self-insured arrangement. From the employee perspective, the elements of the self-insured plan are identical to what had been in place under the fully insured plan, but the risk for payment of all claims is now borne by the Center rather than an insurance company. The Center has engaged Blue Cross Blue Shield of North Carolina (BCBSNC) as Third Party Administrator, giving employees access to the BCBSNC network and negotiated provider fees. The Center also has purchased specific stop loss protection from BCBSNC of \$100,000, and aggregate stop loss protection of 125% of expected losses.

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, requirements for participation in governmental health care programs, reimbursement for patient services and Medicare fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that they are in compliance with all applicable laws and regulations and are not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2017**

	Carol Woods Retirement Community	The Carol Woods Charitable Fund, Inc.	Eliminations	Consolidated
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 293,401	\$ 1,691,146	\$ -	\$ 1,984,547
Temporary Investments	1,349,432	-	-	1,349,432
Assets Limited as to Use, Current Portion	1,652,963	-	-	1,652,963
Accounts Receivable, Net	1,548,241	-	-	1,548,241
Other Receivables	127,486	-	-	127,486
Prepaid Expenses and Inventory	527,172	-	-	527,172
Total Current Assets	5,498,695	1,691,146	-	7,189,841
ASSETS LIMITED AS TO USE				
Reserves Required by State Statute	6,583,000	-	-	6,583,000
By Board Designation	1,624,920	-	-	1,624,920
Externally Restricted Under Bond Indenture Agreements	1,652,963	-	-	1,652,963
	9,860,883	-	-	9,860,883
Less: Amounts Available for Current Liabilities	(1,652,963)	-	-	(1,652,963)
	8,207,920	-	-	8,207,920
PROPERTY AND EQUIPMENT, NET				
	54,280,307	-	-	54,280,307
INVESTMENTS				
	55,539,961	-	-	55,539,961
OTHER LONG-TERM ASSETS				
	129,600	-	-	129,600
Total Assets	<u>\$ 123,656,483</u>	<u>\$ 1,691,146</u>	<u>\$ -</u>	<u>\$ 125,347,629</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Line of Credit	\$ 304,555	\$ -	\$ -	\$ 304,555
Current Maturities of Long-Term Debt	2,190,000	-	-	2,190,000
Accounts Payable	651,534	54,528	-	706,062
Accrued Expenses	2,103,024	-	-	2,103,024
Total Current Liabilities	5,249,113	54,528	-	5,303,641
LONG-TERM DEBT, LESS CURRENT MATURITIES				
	39,015,412	-	-	39,015,412
REFUNDABLE FEES				
	295,347	-	-	295,347
DEFERRED REVENUE FROM ADVANCE FEES				
	45,529,100	-	-	45,529,100
PRIORITY LIST DEPOSITS				
	1,120,110	-	-	1,120,110
INTEREST RATE SWAP AGREEMENTS				
	5,162,689	-	-	5,162,689
OTHER NON-CURRENT LIABILITIES				
	232,652	-	-	232,652
Total Liabilities	96,604,423	54,528	-	96,658,951
NET ASSETS				
Unrestricted	26,828,254	820,932	-	27,649,186
Temporarily Restricted	223,806	815,686	-	1,039,492
Total Net Assets	27,052,060	1,636,618	-	28,688,678
Total Liabilities and Net Assets	<u>\$ 123,656,483</u>	<u>\$ 1,691,146</u>	<u>\$ -</u>	<u>\$ 125,347,629</u>

See accompanying Independent Auditors' Report.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2017**

	Carol Woods Retirement Community	The Carol Woods Charitable Fund, Inc.	Eliminations	Consolidated
UNRESTRICTED REVENUE, GAINS, AND OTHER SUPPORT				
Resident Services:				
On Campus	\$ 17,559,637	\$ -	\$ -	\$ 17,559,637
Early Acceptance	1,047,361	-	-	1,047,361
Amortization of Advanced Fees:				
On Campus	3,916,502	-	-	3,916,502
Early Acceptance	159,943	-	-	159,943
Guests' Meals and Lodging	275,261	-	-	275,261
Health Center:				
Routine Services	8,693,878	-	-	8,693,878
Special Services	1,365,825	-	-	1,365,825
Adjustments and Allowances	(6,549,434)	-	-	(6,549,434)
Miscellaneous	268,436	-	-	268,436
Investment Interest and Dividends	1,602,979	535	-	1,603,514
Net Assets Released from Restrictions				
Used for Operations	396,463	50,000	-	446,463
Total Unrestricted Revenue, Gains, and Other Support	28,736,851	50,535	-	28,787,386
EXPENSES				
Health Center	7,671,421	-	-	7,671,421
Dietary Services	4,123,012	-	-	4,123,012
Facility Services	5,760,295	-	-	5,760,295
Early Acceptance	75,465	-	-	75,465
Administration	5,426,342	52,652	-	5,478,994
Depreciation	3,466,692	-	-	3,466,692
Interest	1,855,405	-	-	1,855,405
Total Expenses	28,378,632	52,652	-	28,431,284
Operating Income (Loss)	358,219	(2,117)	-	356,102
NON-OPERATING INCOME				
Net Realized Gains on Sale of Investments	1,925,928	-	-	1,925,928
Gain on Disposal of Property and Equipment	67,730	-	-	67,730
Undesignated Contributions	5,711	193,146	-	198,857
Total Non-Operating Income	1,999,369	193,146	-	2,192,515
Excess of Revenues, Gains, and Other Support Over Expenses	2,357,588	191,029	-	2,548,617
OTHER CHANGES IN UNRESTRICTED NET ASSETS				
Change in Fair Value of Interest Rate Swap Agreements	983,046	-	-	983,046
Net Unrealized Gains on Investments and Assets Limited as to Use	5,007,794	-	-	5,007,794
Change in Unrestricted Net Assets	8,348,428	191,029	-	8,539,457

See accompanying Independent Auditors' Report.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017**

	Carol Woods Retirement Community	The Carol Woods Charitable Fund, Inc.	Eliminations	Consolidated
TEMPORARILY RESTRICTED NET ASSETS				
Contributions	\$ -	\$ 524,715	\$ -	\$ 524,715
Transfer to Retirement Community	396,454	(396,454)	-	-
Net Assets Released from Restrictions				
Used for Operations and Capital	<u>(396,463)</u>	<u>(50,000)</u>	<u>-</u>	<u>(446,463)</u>
Change in Temporarily Restricted Net Assets	<u>(9)</u>	<u>78,261</u>	<u>-</u>	<u>78,252</u>
Change in Net Assets	8,348,419	269,290	-	8,617,709
Net Assets, Beginning of Year	<u>18,703,641</u>	<u>1,367,328</u>	<u>-</u>	<u>20,070,969</u>
Net Assets, End of Year	<u>\$ 27,052,060</u>	<u>\$ 1,636,618</u>	<u>\$ -</u>	<u>\$ 28,688,678</u>

See accompanying Independent Auditors' Report.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
SCHEDULE OF PROPERTY AND EQUIPMENT
DECEMBER 31, 2017 AND 2016**

	Assets, at Cost				
	Balance December 31, 2016	Acquisitions	Retirements	Transfers	Balance December 31, 2017
Land	\$ 833,077	\$ -	\$ -	\$ -	\$ 833,077
Land Improvements	4,939,658	2,150	-	414,105	5,355,913
Buildings	76,778,621	38,771	(664,338)	2,366,642	78,519,696
Furniture and Fixtures	2,573,144	240,833	(210,065)	-	2,603,912
Equipment	6,614,328	589,653	(302,208)	131,975	7,033,748
Construction in Progress	1,612,509	3,098,440	-	(2,912,722)	1,798,227
	<u>\$ 93,351,337</u>	<u>\$ 3,969,847</u>	<u>\$ (1,176,611)</u>	<u>\$ -</u>	<u>\$ 96,144,573</u>
	Accumulated Depreciation				Depreciated Cost December 31, 2017
	Balance December 31, 2016	Depreciation	Retirements	Balance December 31, 2017	Depreciated Cost December 31, 2017
Accumulated Depreciation	\$ (39,023,380)	\$ (3,466,692)	\$ 625,806	\$ (41,864,266)	\$ 54,280,307

See accompanying Independent Auditors' Report.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN UNRESTRICTED NET
ASSETS INFORMATION (ALTERNATIVE FORMAT)
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
REVENUE		
Resident Services	\$ 18,606,998	\$ 17,841,061
Guests' Meals and Lodging	275,261	282,097
Health Center:		
Routine Services	8,693,878	9,422,220
Special Services	1,365,825	1,433,444
Adjustments and Allowances	(6,549,434)	(7,426,374)
Net Assets Released from Restrictions Used for Operations	446,463	363,767
Investment Interest and Dividends	1,603,514	1,611,200
Miscellaneous	268,436	418,397
Total Revenue	<u>24,710,941</u>	<u>23,945,812</u>
EXPENSES		
Health Center	7,671,421	7,646,285
Dietary Services	4,123,012	3,988,423
Facility Services	5,760,295	5,977,004
Early Acceptance	75,465	66,216
Administration	5,478,994	5,214,047
Interest	1,855,405	1,949,450
Total Expenses	<u>24,964,592</u>	<u>24,841,425</u>
Decrease in Unrestricted Net Assets Before Amortization of Advance Fees, Investment Income, Depreciation and Change in Fair Value of Interest Rate Swap Agreements	(253,651)	(895,613)
Amortization of Advance Fees	4,076,445	4,374,294
Undesignated Contributions	198,857	76,532
Investment Income:		
Net Realized Gains on Sales of Investments	1,925,928	1,052,832
Net Unrealized Gains on Investments	5,007,794	710,915
Total Investment Income	<u>6,933,722</u>	<u>1,763,747</u>
Net Assets Released from Restrictions Used for Capital	-	-
Depreciation	(3,466,692)	(3,267,597)
Change in Fair Value of Interest Rate Swap Agreements	983,046	1,111,920
Gain (Loss) on Disposal of Property and Equipment	67,730	(460,842)
Change in Unrestricted Net Assets	<u>\$ 8,539,457</u>	<u>\$ 2,702,441</u>
SUPPLEMENTAL INFORMATION		
Entrance Fee Proceeds	<u>\$ 6,414,360</u>	<u>\$ 7,506,616</u>
Capital Expenditures	<u>\$ 3,969,847</u>	<u>\$ 4,247,282</u>

See accompanying Independent Auditors' Report.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
CONSOLIDATED SCHEDULE OF EXPENSES
YEAR ENDED DECEMBER 31, 2017**

Expenses	Health Center	Early Acceptance	Dietary Services	Facility Services	Administration	Total
Salaries and Wages, Regular	\$ 5,378,625	\$ 75,465	\$ 1,731,529	\$ 2,727,125	\$ 1,595,366	\$ 11,508,110
Payroll Taxes and Employee Benefits	1,046,053	-	319,878	602,796	543,523	2,512,250
Retirement Benefits and Deferred Compensation	182,475	-	56,867	103,541	63,421	406,304
Supplies	255,733	-	136,781	330,922	100,943	824,379
Purchased Services	232,962	-	135,575	267,735	62,544	698,816
Food Purchases	-	-	1,732,969	-	-	1,732,969
Professional Dues and Subscriptions	9,716	-	-	14,540	253,827	278,083
Professional and Consulting Fees	7,385	-	-	-	214,084	221,469
Maintenance and Repairs	14,481	-	-	717,501	46,343	778,325
Prescriptions	70,476	-	-	-	-	70,476
Oxygen	1,395	-	-	-	-	1,395
Equipment Purchases and Rentals	29,769	-	7,944	15,160	42,464	95,337
Physicians' Services	293,932	-	-	-	-	293,932
Laboratory	7,180	-	-	-	-	7,180
Property Taxes	-	-	-	-	151,799	151,799
Insurance	-	-	-	-	173,116	173,116
Telephone and Internet	-	-	-	-	450,092	450,092
Utilities	-	-	-	973,927	-	973,927
Advertising	-	-	-	-	111,466	111,466
Investment Fees	-	-	-	-	486,815	486,815
Gifts to Community	-	-	-	-	912,945	912,945
Miscellaneous	141,239	-	1,469	7,048	270,246	420,002
	<u>\$ 7,671,421</u>	<u>\$ 75,465</u>	<u>\$ 4,123,012</u>	<u>\$ 5,760,295</u>	<u>\$ 5,478,994</u>	23,109,187
Depreciation						3,466,692
Interest						1,855,405
Total						<u>\$ 28,431,284</u>

See accompanying Independent Auditors' Report.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
CONSOLIDATED SCHEDULE OF EXPENSES
YEAR ENDED DECEMBER 31, 2016**

Expenses	Health Center	Early Acceptance	Dietary Services	Facility Services	Administration	Total
Salaries and Wages, Regular	\$ 5,283,337	\$ 66,216	\$ 1,668,610	\$ 2,665,386	\$ 1,399,963	\$ 11,083,512
Payroll Taxes and Employee Benefits	1,122,152	-	345,641	647,321	684,263	2,799,377
Retirement Benefits and Deferred Compensation	175,766	-	52,908	97,584	58,822	385,080
Supplies	302,936	-	137,369	356,634	92,134	889,073
Purchased Services	205,237	-	147,168	280,434	61,100	693,939
Food Purchases	-	-	1,622,029	-	-	1,622,029
Professional Dues and Subscriptions	6,699	-	-	18,266	256,929	281,894
Professional and Consulting Fees	7,362	-	-	-	235,566	242,928
Maintenance and Repairs	23,689	-	-	922,151	24,906	970,746
Prescriptions	72,813	-	-	-	-	72,813
Oxygen	2,603	-	-	-	-	2,603
Equipment Purchases and Rentals	16,863	-	6,768	16,654	71,719	112,004
Physicians' Services	285,371	-	-	-	-	285,371
Laboratory	10,888	-	-	-	-	10,888
Property Taxes	-	-	-	-	144,250	144,250
Insurance	-	-	-	-	195,319	195,319
Telephone and Internet	-	-	-	-	343,395	343,395
Utilities	-	-	-	937,521	-	937,521
Advertising	-	-	-	-	89,274	89,274
Investment Fees	-	-	-	-	444,413	444,413
Gifts to Community	-	-	-	-	950,264	950,264
Miscellaneous	130,569	-	7,930	35,053	161,730	335,282
	<u>\$ 7,646,285</u>	<u>\$ 66,216</u>	<u>\$ 3,988,423</u>	<u>\$ 5,977,004</u>	<u>\$ 5,214,047</u>	22,891,975
Depreciation						3,267,597
Interest						1,949,450
Total						<u>\$ 28,109,022</u>

See accompanying Independent Auditors' Report.

APPENDIX B

The following presents the 5-Year Projected Financial Statements for Carol Woods for the 5 years ending December 31, 2018 through December 31, 2022.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
D/B/A CAROL WOODS RETIREMENT COMMUNITY AND
THE CAROL WOODS CHARITABLE FUND, INC.**

CONSOLIDATED FINANCIAL PROJECTION

**FOR EACH OF THE FIVE YEARS ENDING
DECEMBER 31, 2022**

**(WITH INDEPENDENT ACCOUNTANTS'
COMPILATION REPORT THEREON)**

TABLE OF CONTENTS

Independent Accountants' Compilation Report.....	1
Projected Consolidated Balance Sheets	
At December 31, 2018 through 2022	2
Projected Consolidated Statements of Operations and Changes in Net Assets	
For the Years Ending December 31, 2018 through 2022.....	3
Projected Consolidated Statements of Cash Flows	
For the Years Ending December 31, 2018 through 2022.....	4
Summary of Significant Projection Assumptions and Accounting Policies	
Introduction and Background Information.....	5
Summary of Significant Accounting Policies.....	8
Management's Basis for Projection of Revenues, Expenses, and Other Items	11

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors
The Chapel Hill Residential Retirement Center, Inc.
d/b/a Carol Woods Retirement Community and
The Carol Woods Charitable Fund, Inc.
Chapel Hill, North Carolina

Management is responsible for the accompanying projected consolidated balance sheets, projected consolidated statements of operations and changes in net assets, and projected consolidated statements of cash flows of The Chapel Hill Residential Retirement Center, Inc. d/b/a Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc. (collectively, the "Center" or "Carol Woods") as of December 31, 2018 through 2022, and for each of the five years then ending, in accordance with the guidelines for presentation of a financial projection 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 projected consolidated 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 projected consolidated financial statements or the assumptions. Furthermore, even if the hypothetical assumptions as noted in Management's Summary of Significant Projection Assumptions and Accounting Policies on page 5 (the "Hypothetical Assumptions") occur as projected, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying projection 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 64 and is included in the Center's disclosure statement filing), and are not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Charlotte, North Carolina
April 3, 2018

THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
d/b/a CAROL WOODS RETIREMENT COMMUNITY AND
THE CAROL WOODS CHARITABLE FUND, INC.
PROJECTED CONSOLIDATED BALANCE SHEETS ASSUMING HYPOTHETICAL
ASSUMPTIONS NOTED ON PAGE 5
AT DECEMBER 31,
(IN THOUSANDS OF DOLLARS)

	2018	2019	2020	2021	2022
ASSETS					
CURRENT ASSETS					
Cash & Cash Equivalents	\$ 1,985	\$ 1,985	\$ 1,985	\$ 1,985	\$ 1,985
Temporary Investments	1,349	1,349	1,349	1,349	1,349
Assets Limited as to Use, Current Portion	1,718	1,800	1,883	1,965	2,055
Accounts Receivable, Net	1,606	1,753	1,838	1,867	1,925
Other Receivables	127	127	127	127	127
Prepaid Expenses and Inventory	593	620	648	675	705
Total Current Assets	7,378	7,634	7,830	7,968	8,146
ASSETS LIMITED AS TO USE					
Reserves Required by State Statute	6,846	7,116	7,377	7,660	8,005
By Board Designation	1,625	1,625	1,625	1,625	1,625
Total Assets Limited as to Use	8,471	8,741	9,002	9,285	9,630
INVESTMENTS	55,006	55,347	55,850	55,657	55,060
PROPERTY AND EQUIPMENT, NET	53,703	53,122	52,823	52,463	52,122
OTHER LONG-TERM ASSETS	130	130	130	130	130
Total Assets	\$ 124,688	\$ 124,974	\$ 125,635	\$ 125,503	\$ 125,088
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Current Maturities of Long-Term Debt	\$ 2,290	\$ 2,400	\$ 2,510	\$ 2,620	\$ 2,740
Line of Credit	-	-	-	-	-
Accounts Payable	790	827	863	900	940
Accrued Expenses	2,305	2,412	2,518	2,626	2,741
Total Current Liabilities	5,385	5,639	5,891	6,146	6,421
LONG-TERM DEBT, LESS CURRENT MATURITIES	37,280	34,880	32,370	29,750	27,010
LESS: Bond Issuance Costs	(516)	(477)	(438)	(399)	(360)
Long-Term Debt, Net	36,764	34,403	31,932	29,351	26,650
REFUNDABLE FEES	164	157	148	150	148
DEFERRED REVENUE FROM ADVANCE FEES	46,614	47,378	48,265	49,198	50,312
PRIORITY LIST DEPOSITS	1,120	1,120	1,120	1,120	1,120
INTEREST SWAP AGREEMENTS	5,163	5,163	5,163	5,163	5,163
OTHER NON-CURRENT LIABILITIES	233	233	233	233	233
Total Long-Term Liabilities	90,058	88,454	86,861	85,215	83,626
Total Liabilities	95,443	94,093	92,752	91,361	90,047
NET ASSETS					
Without Donor Restrictions	28,647	30,283	32,285	33,544	34,443
With Donor Restrictions	598	598	598	598	598
Total Net Assets	29,245	30,881	32,883	34,142	35,041
Total Liabilities and Net Assets	\$ 124,688	\$ 124,974	\$ 125,635	\$ 125,503	\$ 125,088

See accompanying Independent Accountants' Compilation Report and
Summary of Significant Projection Assumptions and Accounting Policies
(2)

THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
d/b/a CAROL WOODS RETIREMENT COMMUNITY AND
THE CAROL WOODS CHARITABLE FUND, INC.
PROJECTED CONSOLIDATED STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS ASSUMING HYPOTHETICAL ASSUMPTIONS NOTED ON PAGE 5
FOR EACH OF THE FIVE YEARS ENDING DECEMBER 31,
(IN THOUSANDS OF DOLLARS)

	2018	2019	2020	2021	2022
REVENUE, GAINS AND OTHER SUPPORT					
Resident Services					
On Campus	\$ 17,864	\$ 18,723	\$ 19,504	\$ 20,334	\$ 21,233
Early Acceptance	1,241	1,297	1,391	1,491	1,584
Amortization of Advance Fees					
On Campus	3,837	3,932	3,986	4,043	4,106
Early Acceptance	182	198	208	223	241
Guests' Meals and Lodging	278	291	304	317	332
Health Center:					
Routine Services	9,240	11,045	11,961	12,345	13,027
Special Services	1,738	1,816	1,898	1,983	2,072
Adjustments and Allowances	(6,883)	(7,544)	(8,199)	(9,177)	(10,119)
Miscellaneous	262	233	243	254	265
Investment Interest and Dividends	2,868	2,876	2,906	2,925	2,921
Contribution / Gift Income	-	-	-	-	-
Net Assets Released from Restrictions Used for Operations	441	-	-	-	-
Total Revenue, Gains and Other Support	31,068	32,867	34,202	34,738	35,662
EXPENSES					
Health Center	8,116	8,553	8,938	9,340	9,761
Dietary Services	4,191	4,334	4,523	4,716	4,923
Housekeeping and Laundry	1,558	1,628	1,701	1,778	1,858
Plant Operations, Maintenance, Security & Transportation	4,593	4,800	5,016	5,241	5,477
Early Acceptance	90	94	101	108	114
Administration	5,519	5,773	6,014	6,237	6,478
Depreciation	3,776	3,918	3,836	4,097	4,278
Interest Expense	1,726	1,629	1,569	1,460	1,372
Interest Expense - Bond Issuance Costs	39	39	39	39	39
Loss on Disposal of Property & Equipment	463	463	463	463	463
Total Expenses	30,071	31,231	32,200	33,479	34,763
Income from Operations and Change in Net Assets Without Donor Restrictions	997	1,636	2,002	1,259	899
NET ASSETS WITH DONOR RESTRICTIONS					
Net Assets Released from Restrictions Used for Operations	(441)	-	-	-	-
Change in Net Assets With Donor Restrictions	(441)	-	-	-	-
CHANGE IN NET ASSETS	556	1,636	2,002	1,259	899
NET ASSETS					
Beginning of the Year	28,689	29,245	30,881	32,883	34,142
End of the Year	\$ 29,245	\$ 30,881	\$ 32,883	\$ 34,142	\$ 35,041

See accompanying Independent Accountants' Compilation Report and
Summary of Significant Projection Assumptions and Accounting Policies
(3)

THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
d/b/a CAROL WOODS RETIREMENT COMMUNITY
THE CAROL WOODS CHARITABLE FUND, INC.
PROJECTED CONSOLIDATED STATEMENTS OF CASH FLOWS ASSUMING HYPOTHETICAL
ASSUMPTIONS NOTED ON PAGE 5
FOR EACH OF THE FIVE YEARS ENDING DECEMBER 31,
(IN THOUSANDS OF DOLLARS)

	2018	2019	2020	2021	2022
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in Net Assets	\$ 556	\$ 1,636	\$ 2,002	\$ 1,259	\$ 899
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:					
Proceeds from Advance Fees	5,158	5,051	5,229	5,349	5,609
Amortization of Advance Fees	(4,019)	(4,130)	(4,194)	(4,266)	(4,347)
Depreciation	3,776	3,918	3,836	4,097	4,278
Amortization of Deferred Bond Issuance Costs	39	39	39	39	39
Loss on Disposal of Property & Equipment	463	463	463	463	463
Change in Accounts Receivable, Prepaid Expenses, and Inventory	(124)	(174)	(113)	(56)	(88)
Change in Accounts Payable and Accrued Expenses	286	144	142	145	155
Net Cash Provided by Operating Activities	6,135	6,947	7,404	7,030	7,008
CASH FLOWS FROM INVESTING ACTIVITIES					
Net (Increase) / Decrease in Investments and Assets Limited as to Use	206	(693)	(847)	(172)	162
Purchase of Property and Equipment	(3,661)	(3,800)	(4,000)	(4,200)	(4,400)
Net Cash Used by Investing Activities	(3,455)	(4,493)	(4,847)	(4,372)	(4,238)
CASH FLOWS FROM FINANCING ACTIVITIES					
Principal Payments on Long-Term Debt	(2,190)	(2,290)	(2,400)	(2,510)	(2,620)
Principal Payments on Line of Credit	(305)	-	-	-	-
Refund of Advance Fees	(185)	(164)	(157)	(148)	(150)
Net Cash Used by Financing Activities	(2,680)	(2,454)	(2,557)	(2,658)	(2,770)
NET INCREASE (DECREASE) IN CASH	-	-	-	-	-
Cash, Beginning of the Year	1,985	1,985	1,985	1,985	1,985
Cash, End of the Year	\$ 1,985	\$ 1,985	\$ 1,985	\$ 1,985	\$ 1,985

Nature of Business

The accompanying consolidated financial projection presents, to the best knowledge and belief of the management (“Management”) of The Chapel Hill Residential Retirement Center, Inc., doing business as Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc. (collectively, the “Center” or “Carol Woods”), the expected consolidated financial position, changes in net assets and cash flows of the Center as of and for each of the five years ending December 31, 2022. Accordingly, the projection reflects Management’s judgment of the expected conditions and its expected course of action as of April 3, 2018. The financial projection is based on Management's assumptions concerning future events and circumstances. The assumptions disclosed herein are those which Management believes are significant to the projection as of the date of this report, or are key factors upon which the financial results depend.

Management has prepared its financial projection for inclusion in the Center’s annual disclosure statement in accordance with Chapter 58, Article 64, of the North Carolina General Statutes. Accordingly, this report should not be used for any other purpose. The assumptions disclosed herein are those that Management believes are significant to the prospective consolidated financial statements (herein referred to as “financial statements”). The Center recognizes that there will be differences between prospective and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. Management does not intend to revise this projection to reflect changes in present circumstances or the occurrence of unanticipated events.

Hypothetical Assumptions – A hypothetical assumption is an assumption used in a financial projection to present a condition or course of action that may not occur as expected, but is consistent with the purpose of presentation.

Management has prepared its financial projections with the following hypothetical assumptions:

- The Early Acceptance program, which had 109 residents as of the end of 2017, will continue to be marketed successfully to the Center’s Priority List;
- Adequate demand exists to support the projected program utilization and staffing;
- Existing independent living units continue to be successfully marketed to sustain projected occupancy levels; and
- Entrance fee pricing as shown in Table 1.

Organization – The Center provides housing, health care and other related services to residents through the operation of a retirement facility containing three hundred thirteen independent living apartments, cottages and townhomes; a thirty-five bed assisted living center; two twelve-unit assisted living homes; and a sixty-bed health center located in Chapel Hill, North Carolina. The Center provides care to residents over their remaining lives under terms it establishes for individual residents.

Existing Independent Living Unit and Health Center Unit Configuration and Fees – Table 1 summarizes the type, number, approximate square footage, baseline monthly service fees (“Monthly Fees”) and baseline entrance fees (“Entry Fees” or “Advance Fees”) for Existing Independent Living Units. Table 2 summarizes the type, number, approximate square footage, and the daily fees of the Health Center effective January 1, 2018.

Summary of Significant Projection Assumptions and Accounting Policies
Introduction and Background Information (continued)

Table 1

EXISTING INDEPENDENT LIVING UNIT CONFIGURATION AND BASELINE FEES

Type of Unit		Number of Units	Square Footage	Entry Fees ⁽¹⁾	Monthly Fees ⁽²⁾
Early Acceptance					
Each Person			N/A	\$35,000	\$923
Central Apartments					
Central Studio	C-S	3	447	N/A	\$2,413
Central Studio, Expanded	C-SE	12	507	\$93,800	\$2,466
Central 1-BR	C-1	2	635	N/A	\$3,070
Central 1-BR, Small Expanded	C-1SE	7	671	\$147,000	\$2,992
Central 1-BR Expanded	C-1E	63	695	\$155,200	\$3,132
Central 1-BR Large	C-1L	3	758	\$171,900	\$3,243
Central 2-BR	C-2	1	850	N/A	\$3,874
Central 2-BR, Expanded	C-2E	34	910	\$211,900	\$3,935
Central 2-BR Large	C-2L	3	1,042	\$239,400	\$4,169
Central 2-BR Extra Large	C-2XL	6	1,160	\$272,200	\$4,343
Central 2-BR & Den	C-2D	12	1,292	\$298,600	\$4,596
Central 2-BR & Den Large	C-2DL	2	1,345	\$311,500	\$4,714
Central 2-BR & Den Extra Large	C-2DXL	1	1,405	\$328,500	\$4,777
Apartment Totals / Weighted Averages		149	812	\$183,500	\$3,467
Garden Cottages					
Garden 1-BR	G-1	14	678	\$149,600	\$3,086
Garden 1-BR & Den	G-1D	23	801	\$182,400	\$3,366
Garden 2-BR	G-2	19	957	\$218,200	\$3,876
Garden 1-BR, Den & Carolina Room	G-1DC	4	1,006	\$230,100	\$4,075
Garden 2 BR & Den	G-2D	11	1,078	\$250,000	\$4,229
Garden 2-BR & Carolina Room	G-2C	6	1,149	\$261,500	\$4,317
Garden 2-BR, Den & Carolina Room	G-2DC	13	1,280	\$289,300	\$4,537
Garden 1-BR Deluxe	G-1DXL	16	1,343	\$300,300	\$4,647
Garden 2-BR Deluxe	G-2DXL	34	1,538	\$361,200	\$4,867
Garden 2-BR Deluxe & Sunroom	G-2DXS	12	1,855	\$441,700	\$5,263
Cottage Totals / Weighted Averages		152	1,194	\$275,100	\$4,243
Townhomes (Average)		12	1,615	\$378,000	\$4,912
ILU Totals / Weighted Averages		313	1,028	\$235,500	\$3,899
Cottage Sunroom Additions ⁽³⁾		9	60 to 240	\$26,600	\$258
Second Person Fees ⁽⁴⁾				\$35,000	\$1,186
1st Person Fees upon move to LTC ⁽⁵⁾					\$2,413

Source: Management

- (1) The Entrance Fee pricing will be effective as of April 1, 2018. Carol Woods offers only a declining refund plan.
- (2) The Monthly Fee pricing is effective as of January 1, 2018.
- (3) There is an added entry fee and monthly fee for cottage sunroom additions, depending upon the square footage.
- (4) Second persons are charged the same entry fees and monthly service fees regardless of where they are living.
- (5) When a single person or couple vacates their independent living unit the single / 1st person monthly fee is reduced to the prevailing monthly fee for a central studio (C-S) apartment.

See accompanying Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies
Introduction and Background Information (continued)

Table 2
HEALTH CENTER CONFIGURATION

Type of Unit	Beds	Approximate Square Footage	Daily Fees ⁽¹⁾
Assisted Living Units			
Central-Private	35	350	\$193
Garden-Private ⁽²⁾	10	250	193
Total / Weighted Averages:	45	328	\$193
Assisted Nursing Beds			
Private ⁽²⁾	36	280	\$321
Semi-Private	8	140	306
Total / Weighted Averages:	44	255	\$318
Skilled Nursing Beds			
Private Room	22	280	\$358
Semi-Private	8	140	343
Total / Weighted Averages:	30	243	\$354
Total / Weighted Averages:	119	279	\$280

Source: Management

- (1) The "Daily Fees" shown are the non-resident rates effective January 1, 2018. The Center's residents receive a life care benefit in which they pay Daily Fees that are discounted approximately 60%-70% from the non-resident rates (refer to Table 5).
- (2) Two private 12-unit Garden Assisted Living facilities can support either Assisted Living or Assisted Nursing, depending upon the needs of the resident. For illustrative purposes in Table 2, 10 of the units are portrayed as Assisted Living, and 14 are included in the 36 private Assisted Nursing Beds.

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

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

Cash and Cash Equivalents – Cash and cash equivalents, excluding those classified as assets limited as to use, include investments with original maturities of three months or less when purchased.

Assets Limited as to Use – Assets Limited as to Use, Current Portion represent monthly escrow of annual bond redemption requirements of the Center's bond covenants held by the bond trustee. Assets limited as to use by Board designation include amounts set aside for resident assistance and mission development. Reserves required by State Statute are set aside to meet the operating reserve requirements of North Carolina General Statute Chapter 58, Article 64.

Accounts Receivable – Resident accounts receivable consist of resident Monthly Fees. The Center provides an allowance for uncollectible accounts using Management's estimate about the collectability of any past due accounts. Residents are not required to provide collateral for services rendered. Payment for services is required upon receipt of invoice or claim submitted.

Property and Equipment – Property and equipment is stated at cost less accumulated depreciation. Contributed property is recorded at the estimated fair value at the date of receipt. Depreciation is computed under the straight-line method and is based on estimated useful lives from 3 to 40 years. The cost of maintenance and repairs is expensed as incurred.

The Center periodically assesses the realizable value of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of any asset may not be recoverable. For assets to be held, impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than carrying amount. For assets to be disposed of, impairment is determined to exist if the estimated net realizable value is less than the carrying amount.

Investments – Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the projected balance sheets. The fair values of investments are determined based upon quoted market prices. Contributed investments are stated at the fair market value at the date of receipt.

Fair Value Measurements – Fair value as defined under generally accepted accounting principles is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Center utilizes market data or assumptions that market participants would use in pricing the asset or liability.

Bond Issuance Costs – Bond issuance costs are being amortized based on the expected maturities of the bonds and other credit instruments issued. ASU 2015-03, *Simplifying the Presentation of Debt Issuance Cost*, requires that debt issuance costs be presented in the projected consolidated balance sheets as a deduction from the carrying amount of the related liability, rather than as a deferred charge asset. In addition, the expense associated with the debt issuance costs is shown as a component of interest expense as opposed to depreciation expense. The effects of this standard have been taken into consideration in Management's projection. Management has elected to show the interest expense - bond issuance costs as its own line item on the Projected Consolidated Statements of Operations and Changes in Net Assets.

Derivatives – Derivatives and hedging instruments are recorded at estimated fair value in the projected financial statements using the most recent audited valuations. The Center entered into interest rate swap agreements to limit the effect of increases in the interest rates of floating rate debt. The Center does not hold or issue derivative instruments for trading purposes.

Deferred Revenue from Advance Fees – Fees paid by residents upon entering into a continuing care contract are recorded as deferred revenue and amortized into net resident services revenue using the straight-line method over the estimated remaining life expectancy of the resident, adjusted on an annual basis. When a contract is terminated, by death of last survivor or withdrawal, any unamortized Advance Fees, net of refundable amounts, are recognized as net resident service revenue.

Obligation to Provide Future Services – The Center enters into continuing care contracts with residents. A continuing care contract is an agreement between a resident and the Center specifying the services and facilities to be provided over the resident's remaining life. Under each contract, the Center has the ability to increase fees as deemed necessary. At the end of each year, the Center calculates the present value of the estimated net cost of future services to be provided to current residents, including the cost of facilities, and compares the amount with the balance of deferred revenue from Advance Fees at that date. If the present value of the net cost of future services and use of facilities exceeds the balance of deferred revenue from Advance Fees, a liability (obligation to provide future services) is recorded. No such liability is expected in the projected financial statements.

Net Assets – With Donor Restrictions – Net assets with donor restrictions are those whose use by the Center has been limited by donors to a specific time period or purpose. The Center reports contributions of cash and other assets as 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), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the projected statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period as received are reflected as unrestricted contributions in the accompanying projected financial statements. The Center's net assets with donor restrictions are comprised of net assets that are temporarily restricted in nature either due to a time or purpose restriction. The Center does not project any donor restricted net assets that are permanent in nature. In 2018, the Center has projected that approximately \$441,000 of donor restricted net assets will meet its purpose or time restriction as noted on the projected consolidated statements of operations and changes in net assets. Management has not projected any other receipt of or release of donor restricted net assets during the Projection Period.

The Center reports contributions of property and equipment (or other long-lived assets) as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Income Tax Status – The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying projected financial statements do not reflect a provision or liability for federal and state income taxes.

Net Resident Service Revenue – Net resident services revenue represents the estimated net realizable amounts from residents, third-party payers, and others for services rendered. Adjustments and allowances represent the difference between the Center's standard health care charges and the amounts that are received

for health care services. Medicare contractual adjustments are a result of established allowable rates differing from amounts charged by the Center. Additionally, continuing care contracts signed by each resident contain contractual adjustments for health care charges.

Community Benefit – The Center provides various outreach programs and volunteer services to the community in addition to direct financial support. The recorded benefit for these services is based on Management assessment of the fair market value of services provided.

Concentration of Credit Risk – Concentrations of credit risk with respect to resident accounts receivable are limited due to the formalized agreements with third-party payers. The Center has significant accounts receivable whose collectability is dependent upon the performance of Medicare. Management does not believe there are significant credit risks associated with Medicare.

Early Acceptance Program

In 2010, the North Carolina General Assembly enacted a new statute (§ 58-67-7) that permits Continuing Care Retirement Communities (CCRCs) licensed in the State to offer “Continuing care services without lodging.” In February 2012, the Center received approval from the North Carolina Department of Insurance to offer its Early Acceptance program. As of December 2017, the Center has accepted 109 residents to the program, and will continue to add residents to the program over the course of the next few years as noted in Table 3.

The core elements of the program are as follows:

1. Since the Center has an extensive priority list of persons waiting to move to campus, this program is offered exclusively to persons who have already joined the priority list.
2. Admission to the Early Acceptance program is identical to admission to the Center’s campus, requiring health screening and financial screening. The only difference is that the Early Acceptance candidate does not reserve a residential unit on campus nor is looking to move to campus in the immediate future.
3. Upon acceptance, the person becomes a “Resident” of the Center, but remains living in their current home. They sign an Early Acceptance Agreement providing the Resident equal access to all of the campus amenities, as well as to the same access and financial protections for the prospect of needing future health care.
4. They pay an Entry Fee and Monthly Fees that cover the costs of current amenities and future access to health care.
5. Early Acceptance Residents remain on the Center’s priority list, and will be offered opportunity to move to the Center in the future -- either to a desired independent living residence or to a health care facility. If they subsequently move to an independent living residence on campus, the Entry Fee that they paid originally for Early Acceptance will be applied in full to the Entry Fee for the residence to which they are moving.
6. Home visits are made by the Center’s care management staff on an annual basis.
7. Other in-home services that might be needed over time might be provided either by the Center or by other area providers on a fee-for-service basis.

Revenue and expenses related to the Early Acceptance program are reported separately on the projected consolidated financial statements for this projection, as is required by the Department of Insurance. The current Entry Fees for Early Acceptance are \$35,000 per person, and the current Monthly Fees are \$923 per person.

Summary of Significant Projection Assumptions and Accounting Policies
Management's Basis for Projection of Revenues, Expenses and Other Items

Revenues

Projected revenue from Monthly Fees and from health care per diems are based on available independent living and health care units, projected average census, and projected fees as are presented in the following Tables 4, 5, and 6. Monthly Fees and health care per diems are assumed to increase an average of 4.5% annually. The increases may be greater or less than those projected based on the increased costs to operate the Center because of inflation and other factors. Residents of the Center who have vacated a previous independent living unit and made a permanent move to assisted living or to the health center will pay a discounted per diem, and their Monthly Fee will decrease to the prevailing Monthly Fee for a central studio (C-S) apartment.

In addition, revenue is recognized for residents who have contracts under the Early Acceptance program (as described previously). Amortization of Advance Fees is also recognized for those residents under the Early Acceptance program.

Management's census assumption for the Early Acceptance program is as follows:

Table 3	
EARLY ACCEPTANCE PROGRAM CENSUS	
Year	Average Program Census
2018	107
2019	112
2020	115
2021	118
2022	120

Source: Management

Summary of Significant Projection Assumptions and Accounting Policies
Management's Basis for Projection of Revenues, Expenses and Other Items (continued)

Table 4

INDEPENDENT LIVING UNIT CONFIGURATION AND AVERAGE CENSUS, 2018 THROUGH 2022

		2018		2019		2020		2021		2022	
Type of Unit		Ave Units	Census	Ave Units	Census	Ave Units	Census	Ave Units	Census	Ave Units	Census
Percent Occupancy - Central Apartments											
Central Studio ⁽¹⁾	C-S	3	3	2	2	1	1	0	0	0	0
Central Studio, Expanded ⁽¹⁾	C-SE	12	9	13	10	14	11	15	12	15	12
Central 1-BR, Small Expanded	C-1SE	7	7	7	7	7	7	7	7	7	7
Central 1-BR ⁽¹⁾	C-1	2	2	1	1	0	0	0	0	0	0
Central 1-BR Expanded ⁽¹⁾	C-1E	63	60	64	61	65	62	65	62	65	62
Central 1-BR Large	C-1L	3	3	3	3	3	3	3	3	3	3
Central 2-BR ⁽¹⁾	C-2	1	1	0	0	0	0	0	0	0	0
Central 2-BR, Expanded ⁽¹⁾	C-2E	34	33	35	34	35	34	35	34	35	34
Central 2-BR Large	C-2L	3	3	3	3	3	3	3	3	3	3
Central 2-BR Extra Large	C-2XL	6	6	6	6	6	6	6	6	6	6
Central 2-BR & Den	C-2D	12	12	12	12	12	12	12	12	12	12
Central 2-BR & Den Large	C-2DL	2	2	2	2	2	2	2	2	2	2
Central 2-BR & Den Extra Large	C-2DXL	1	1	1	1	1	1	1	1	1	1
Percent Occupancy - Garden Cottages											
Garden 1-BR	G-1	14	13	14	13	14	13	14	13	14	13
Garden 1-BR & Den	G-1D	23	22	23	22	23	22	23	22	23	22
Garden 2-BR	G-2	19	17	19	17	19	17	19	17	19	17
Garden 1-BR, Den & Carolina Room	G-1DC	4	4	4	4	4	4	4	4	4	4
Garden 2 BR & Den	G-2D	11	10	11	10	11	10	11	10	11	10
Garden 2-BR & Carolina Room	G-2C	6	5	6	5	6	5	6	5	6	5
Garden 2-BR, Den & Carolina Room	G-2DC	13	13	13	13	13	13	13	13	13	13
Garden 1-BR Deluxe	G-1DXL	16	16	16	16	16	16	16	16	16	16
Garden 2-BR Deluxe	G-2DXL	34	34	34	34	34	34	34	34	34	34
Garden 2-BR Deluxe & Sunroom	G-2DXS	12	12	12	12	12	12	12	12	12	12
Townhomes (Average)		12	12	12	12	12	12	12	12	12	12
Total ILU's / Average Occupancy		313	300	313	300	313	300	313	300	313	300
Percent Occupancy		95.8%		95.8%		95.8%		95.8%		95.8%	
Cottage Sunroom Additions ⁽²⁾		9		9		9		9		9	
Average Census											
Number of Persons in EA ⁽³⁾		107		112		115		118		120	
Number of 1st Persons in IL		300		300		300		300		300	
Number of 2nd Persons in IL		108		98		91		85		79	
Number of Persons in LTC		85		90		94		97		101	
Total Average Census		600		600		600		600		600	

Source: Management

- (1) Since 2003, as Studio, 1-BR and 2-BR central apartments turnover, they are expanded to include an enclosed sunroom and expanded kitchen and laundry facilities. Six unexpanded apartments currently remain. Conversion of unexpanded to expanded units is projected to continue as units continue to turnover.
- (2) Selected cottages have sunroom additions for which there is an additional Monthly Fee charged based upon square footage.
- (3) A total of 109 persons are currently in the Early Acceptance program, and over 350 others on the Center's priority list have already expressed interest in the program. The Center plans to continue accepting new residents to the program in order to maintain an average overall census of 600 as outlined above.

Summary of Significant Projection Assumptions and Accounting Policies
Management's Basis for Projection of Revenues, Expenses and Other Items (continued)

Table 5

PROJECTED PRIVATE PAY AND CCRC PER DIEM CHARGES, 2018 THROUGH 2022

Type of Unit	2018		2019		2020		2021		2022	
	Private Per Diems ⁽¹⁾	CCRC Per Diems ^{(1) (2)}	Private Per Diems ⁽¹⁾	CCRC Per Diems ^{(1) (2)}	Private Per Diems ⁽¹⁾	CCRC Per Diems ^{(1) (2)}	Private Per Diems ⁽¹⁾	CCRC Per Diems ^{(1) (2)}	Private Per Diems ⁽¹⁾	CCRC Per Diems ^{(1) (2)}
Projected Per Diem Fees										
Central Assisted Living, Private	\$193	\$77	\$202	\$80	\$211	\$83	\$220	\$86	\$230	\$89
Garden Assisted Living, Private	193	77	202	80	211	83	220	86	230	89
Assisted Nursing, Semi-Private	306	91	320	94	334	97	349	100	365	103
Assisted Nursing, Private	321	101	335	104	350	107	366	110	382	113
Skilled Nursing, Semi-Private	343	104	358	107	374	110	391	113	409	116
Skilled Nursing, Private	358	114	374	117	391	120	409	123	427	126
Skilled Nursing, Medicare ⁽³⁾	381		381		381		381		381	

Source: Management

- (1) Under the terms of its Residence and Services and Early Acceptance Agreements, residents of the Center are charged a per diem amount that is discounted from the private pay per diem.
- (2) The Center assumes 4.5% annual increases in private pay per diems, and \$3 per day per year increases in CCRC per diems.
- (3) The Medicare per diem is derived using historic weighted averages of rates per day. Medicare rates are assumed to stay constant throughout the Projection Period.

Table 6

ASSISTED LIVING AND NURSING FACILITY LICENSED CAPACITY AND AVERAGE CENSUS, 2018 THROUGH 2022

Type of Unit	2018		2019		2020		2021		2022	
	Beds	Average Census ⁽¹⁾	Beds	Average Census ⁽¹⁾	Beds	Average Census ⁽¹⁾	Beds	Average Census ⁽¹⁾	Beds	Average Census ⁽¹⁾
Projected Average Census										
Central Assisted Living, Private	35	32.0	35	33.0	35	33.0	35	33.5	35	33.5
		91.4%		94.3%		94.3%		95.7%		95.7%
Garden Assisted Living, Private ⁽³⁾	10	9.0	15	12.7	16	15.4	18	17.1	20	19.0
		90.0%		84.7%		96.3%		95.0%		95.0%
Assisted Nursing, Semi-Private	8	0.8	8	8.0	8	8.0	8	7.5	8	7.0
Assisted Nursing, Private	22	19.0	22	21.5	22	21.5	22	21.5	22	21.5
Garden Assisted Nursing, Private ⁽³⁾	14	14.0	9	8.0	8	8.0	6	5.0	4	3.0
		76.8%		96.2%		98.7%		94.4%		92.6%
Skilled Nursing, Semi-Private	0	0.0	0	0.0	0	0.0	4	1.8	6	4.4
Skilled Nursing, Medicare ⁽²⁾	8	8.0	8	8.0	8	8.0	4	4.0	2	2.0
Skilled Nursing, Private	22	9.7	22	15.3	22	16.8	22	20.0	22	21.5
		59.0%		77.7%		82.7%		86.0%		93.0%
Total Capacity / Average Census	119	92.5	119	106.5	119	110.7	119	110.4	119	111.9
		77.7%		89.5%		93.0%		92.8%		94.0%

Source: Management

- (1) Average census is derived from open group population simulations from an actuarial program that the Center leases for long-term actuarial planning.
- (2) When some excess capacity is projected in skilled nursing, it is assumed that the Center will seek outside referrals to semi-private rooms for short-term rehabilitative care under Medicare.
- (3) Two private 12-unit Garden Assisted Living facilities can support either Assisted Living or Assisted Nursing, depending upon the needs of the resident.

Entry Fees are amortized into revenue based on the actuarially-determined remaining life expectancy of the single resident or couple. The rate of annual amortization assumes that the remaining balance of deferred

Summary of Significant Projection Assumptions and Accounting Policies
Management's Basis for Projection of Revenues, Expenses and Other Items (continued)

Advance Fees on the projected consolidated balance sheets cover an additional 12.0 to 16.0 years, depending upon cohort. New Entry Fees are projected to increase an average of 3.0% annually.

Investment income is projected on an average yield of 4.5% on cash, temporary cash investments, and long-term investments each year.

Other revenue sources are projected to increase at a rate of 4.5% annually.

Expenses

Baseline operating expenses for 2018 are taken from budgeted amounts and thereafter are assumed to increase an average of 4.5% annually. Operating expenses are adjusted in years 2019 through 2022 to reflect Management's assumptions of the additional costs of implementing the Early Acceptance program. It is assumed that the Center will add 1 full-time equivalent (FTE) position of a care manager in 2019 to support the Early Acceptance program.

Depreciation and amortization is based on current depreciation and amortization tables, factoring in capital additions. Table 7 presents projected capital additions and retirements for 2018 through 2022.

Table 7

**SCHEDULE OF PROPERTY AND EQUIPMENT
(IN THOUSANDS)**

Years Ending December 31,	2018	2019	2020	2021	2022
Property and Equipment, Cost Beginning Balance	\$ 96,145	\$ 98,365	\$ 100,724	\$ 103,283	\$ 106,042
Capital Additions	3,661	3,800	4,000	4,200	4,400
Capital Retirements	(1,441)	(1,441)	(1,441)	(1,441)	(1,441)
Property and Equipment, Cost	98,365	100,724	103,283	106,042	109,001
Accumulated Depreciation	(44,662)	(47,602)	(50,460)	(52,579)	(55,879)
Property and Equipment, Net Ending Balance	\$ 53,703	\$ 53,122	\$ 52,823	\$ 53,463	\$ 53,122

Source: Management

The Center plans for annual additions to capital in aggregate amounts that are comparable to annual depreciation expense in order to be proactive in maintaining its facilities. Depreciation expense is projected using the straight-line method over useful lives of 40 years for buildings, 20 years for land improvements, 15 to 20 years for building improvements, 5 to 20 years for equipment, and 3 to 10 years for furniture and fixtures.

Other Items

Long-Term Debt

For purposes of this financial projection, it has been assumed that the historical carrying value of long-term debt equals the fair value of such debt. Long-term debt consists of two series of tax-exempt variable-rate bonds hedged with two interest rate swap instruments, as follows:

1. \$30,000,000 in North Carolina Medical Care Commission bank-qualified bonds issued in 2010 (the "Series 2010 Bonds"), which have a variable rate with predetermined annual principal payments scheduled through 2035. The Series 2010 Bonds are held by BB&T Bank; therefore, no credit enhancement or remarketing fees have been assumed.
2. \$22,000,000 in North Carolina Medical Care Commission non-bank-qualified bonds issued in 2012 (the "Series 2012 Bonds"), which have a variable rate with predetermined annual principal payments scheduled through 2030. The 2012 bonds are held by First Tennessee Bank; therefore, no credit enhancement or remarketing fees have been assumed.
3. The Center holds an interest rate swap agreement with Deutsche Bank ("DB") that became effective on April 1, 2012. Under the DB swap, the Center pays 3.153% and receives 68% of 1-month LIBOR on an original notional amount of \$25,680,000. The notional amount declines by a predetermined annual schedule, as noted in Table 8, and will mature on April 1, 2031.
4. The Center also holds an interest rate swap agreement with 1271 Counter Party, LLC ("1271"), with a DB guaranty, which also became effective April 1, 2012 and matures on April 1, 2031. Under the 1271 swap, the Center pays 3.48% and receives 65% of 1-month LIBOR on an original notional amount of \$25,680,000. The notional amount declines by a predetermined annual schedule, as noted in Table 8.

Table 8 presents the amortization schedules for the Series 2010 Bonds and Series 2012 Bonds and the declining notional amounts of the DB and 1271 swaps, and the terms of each. Table 8 also presents projected annual interest on the two series of bonds, and net payments for the two interest rate swap agreements. In mid-2020, the fixed rate on the Series 2010 Bonds will need to be renegotiated with BB&T Bank. In mid-2022, the fixed rate on the 2012 Bonds will need to be renegotiated with First Tennessee Bank. As a conservative measure, it is assumed that the rates for each series of bonds will increase by 20 basis points in the year that terms are renegotiated.

The Center records the value of its interest rate swap agreements at market value at the end of each year. As of December 31, 2017 the value of the interest rate swap agreements were recorded on the balance sheet as a liability of approximately \$5,163,000. At the time, the rate for 1-month LIBOR was approximately 1.49%. The Center makes no assumptions about changes in the market value of its interest rate swap agreements, so that the mark-to-market valuations remain unchanged.

Management is not forecasting any drawdowns on the Center's line of credit during the projection period.

Amortization expense of bond issuance costs is derived based upon the amortization schedule of each credit instrument.

Summary of Significant Projection Assumptions and Accounting Policies
Management's Basis for Projection of Revenues, Expenses and Other Items (continued)

Table 8

**SCHEDULE OF 2010 AND 2012 SERIES BONDS
AND 1271 COUNTER PARTY, LLC AND DEUTSCHE BANK INTEREST RATE SWAPS
(IN THOUSANDS)**

	Year	2010 Series Bonds	DB Interest Rate Swap	2012 Series Bonds	1271 Interest Rate Swap
Bond Maturities and Swap Amortization Schedules	2018	\$ 1,095	\$ 1,095	\$ 1,095	\$ 1,095
	2019	1,145	1,145	1,145	1,145
	2020	1,200	1,200	1,200	1,200
	2021	1,255	1,255	1,255	1,255
	2022	1,310	1,310	1,310	1,310
	2023-2027	7,510	7,510	7,510	7,510
	2028-2031	7,365	7,365	4,680	7,365
	2032-2035	2,685	-	-	-
Total Bonds / Swaps		\$ 23,565	\$ 20,880	\$ 18,195	\$ 20,880
Fixed Rates on Bonds / Swaps		1.1375%	3.153%	0.78%	3.48%
Floating % of 1-Month LIBOR		+ 68%	- 68%	+ 65%	- 65%
	2018	2019	2020 ⁽¹⁾	2021	2022 ⁽¹⁾
Annual Interest, 2010 Bonds	\$ 568	\$ 539	\$ 551	\$ 517	\$ 482
Annual Interest, 2012 Bonds	361	338	313	287	285
Net Payments, 1271 Swap	437	413	387	360	332
Net Payments, DB Swap	360	339	318	296	273
TOTAL Interest & Swap Payments	\$ 1,726	\$ 1,629	\$ 1,569	\$ 1,460	\$ 1,372
"Effective" Annual Interest Rate	4.30%	4.31%	4.34%	4.43%	4.51%

Source: Management

- (1) In mid-2020, the fixed portion of the 2010 Series Bonds will need to be renegotiated. In mid-2022, the fixed portion of the 2012 Series Bonds will be renegotiated. It is assumed that the interest rate for each series of bonds will increase by 20 basis-points.

Current Assets and Current Liabilities

Current assets limited as to use represent 9/12th of the upcoming year's bonds that are scheduled to be redeemed, since those amounts are escrowed with the bond trustee at a rate of 1/12th per month. Current maturities of long-term debt are taken from the predetermined amortization schedules of the Series 2010 Bonds and Series 2012 Bonds (refer to Table 8).

Table 9 presents the assumptions related to adjustments to other current assets and current liabilities from 2018 through 2022.

Table 9

WORKING CAPITAL – DAYS ON HAND

Accounts Receivable	25	days operating revenues
Other Receivables	2	days operating revenues
Prepaid Expenses and Inventories	9	days operating expenses
Accounts Payable	12	days operating expenses
Accrued Expenses	35	days operating expenses

Source: Management

Operating Reserve Requirement

North Carolina General Statute § 58-64-33 requires Continuing Care Retirement Communities ("CCRCs") to maintain an operating reserve (refer to "Reserves Required by State Statute") equal to 50 percent of the total operating costs in a given year, or to 25 percent of such total operating costs if occupancy as of a certain date exceeds 90 percent of the independent living unit capacity. This law provides security to residents that the CCRC is able to meet its contractual obligations to provide continuing care. The Center's projected occupancy is such that its reserve requirements are 25 percent of total operating costs for each of the five projected years. Management's projections show sufficient cash and investment balances to comply with the Statutory Operating Reserve Requirement throughout the projection period. Table 10 presents the estimated annual reserves required of the Center at year-end 2018 through 2022. The table also shows how the reserve requirement was derived for December 31, 2017, as is shown in the current 2017 audited consolidated financial statements.

Summary of Significant Projection Assumptions and Accounting Policies
Management's Basis for Projection of Revenues, Expenses and Other Items (continued)

Table 10

**NC DEPARTMENT OF INSURANCE
YEAR-END OPERATING RESERVE REQUIREMENTS
(IN THOUSANDS)**

	Historical 2017	2018	2019	2020	2021	2022
Reserves required, Year-end	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22
Total Expenses, Upcoming Year	\$ 30,071	\$ 31,231	\$ 32,200	\$ 33,479	\$ 34,763	\$ 36,307
PLUS: Bond Principal, Upcoming Year	2,190	2,290	2,400	2,510	2,620	2,740
LESS: Depreciation, Upcoming Year	(3,776)	(3,918)	(3,836)	(4,097)	(4,278)	(4,471)
LESS: Amortization, Upcoming Year	(39)	(39)	(39)	(39)	(39)	(39)
LESS: Loss on Disposal, Upcoming Year	(463)	(463)	(463)	(463)	(463)	(463)
LESS: Bond Sinking Funds (as of 12/31)	<u>(1,651)</u>	<u>(1,718)</u>	<u>(1,800)</u>	<u>(1,883)</u>	<u>(1,965)</u>	<u>(2,055)</u>
Adjusted Expenses	26,332	27,383	28,462	29,507	30,638	32,019
Apply 25% factor	\$ 6,583	\$ 6,846	\$ 7,116	\$ 7,377	\$ 7,660	\$ 8,005

Source: Management

APPENDIX C

The following presents Carol Woods' contracts and agreements, including:

- (1) Priority List Agreement
- (2) Reservation Agreements
 - a. Early Acceptance Reservation Agreement
 - b. On-Campus Reservation Agreement
 - c. On-Campus Reservation Agreement Following Early Acceptance
- (3) Residence and Services Agreement
- (4) Early Acceptance Agreement, and
- (5) Residence and Services Agreement Following Early Acceptance

PRIORITY LIST INFORMATION

NAME _____ Date of Birth_____

Address _____ City _____

State _____ Zip Code _____ Home Telephone _____

Cell Telephone _____ Work Telephone_____

E-mail Address(es) _____

Marital Status _____ Education Level _____ Institution _____

Are you retired? _____ Current or former occupation_____

Interests, hobbies, community service: _____

CO-APPLICANT NAME _____ Date of Birth _____

Marital Status _____ Education Level _____ Institution _____

Are you retired? _____ Current or former occupation_____

Interests, hobbies, community service: _____

Please check the accommodations you would like to be contacted about at this time.

You can always make changes to your selections in the future.

When making your selections, please consider that many cottages may have Carolina rooms or sunrooms that can add up to 200 sq. ft. Some smaller cottages could also have a half bath added.

☐ Studio apartment (507 sq. ft.)

☐ One-bedroom apartment (671, 695, 758 sq. ft)

☐ Two-bedroom apartment (910, 1,042, 1,160 sq. ft.)

☐ Two-bedroom with den apartment (1,292, 1,345, 1,405 sq. ft.)

☐ One-bedroom original cottage (678 sq. ft.)

☐ One-bedroom with den original cottage (801 sq. ft.) *Includes cottages with and without Carolina Rooms*

☐ Two-bedroom original cottage (957 sq. ft.) *Includes cottages with and without Carolina Rooms*

☐ Two-bedroom with den original cottage (1,078 sq. ft.) *Includes cottages with and without Carolina Rooms*

☐ One-bedroom with den duplex cottage (1,343 sq. ft.)

☐ Two-bedroom with den duplex cottage (1,538 sq. ft.)

☐ Two-bedroom with den and sun room duplex cottage (1,855 sq. ft.)

☐ Two-story Coventry townhome (1,160-1,884 sq. ft.) *Located adjacent to the Carol Woods campus.*

☐ Early Acceptance Program *(With this program, you stay in your own home)*

Comments: _____

When would you like to start being contacted about available homes? _____

How did you hear about Carol Woods _____

Please list a person we might contact if we are unable to reach you:

Name _____ Relationship _____

Address _____ Telephone _____

Please list name(s), address and telephone number of your children, if any:

Carol Woods Retirement Community

PRIORITY LIST AGREEMENT

This Priority Agreement is made with the understanding that Admission to Carol Woods is not guaranteed at this time. This Agreement secures the option for you to go through the admissions process at a later date.

1. Upon entering into the Priority Agreement, you are asked to make a deposit of \$1,300.00, made payable to Carol Woods. This deposit is refundable, less a \$300 Administrative Fee, should you elect not to proceed. The Priority Deposit is non-interest bearing. Applicants will be considered for admission in the order of their priority deposits. The Priority Agreement does not establish the amount of the Entrance Fee.
2. At the time of formal admission to Carol Woods, applicants must be independent and capable of living independently of any other individual. They must have a reasonable expectation of an active lifestyle of participation in the retirement community for three to five years.
3. When the decision to reserve a specific accommodation is made, the applicant will be asked to complete application forms including (1) Family and Personal Information, (2) Confidential Health History, (3) Confidential Financial Statement, (4) Health Insurance Information and (5) Physician’s History and Physical Examination Report. Once Admissions has received the completed forms, the Admission Committee will review and, if appropriate, interviews will be scheduled. All prospective residents will be required to stay overnight in the Carol Woods guesthouse, unless they live locally. Interviews with the President & CEO, VP of Finance & Planning, Director of Social Services and Geriatric Nurse Practitioner will be scheduled over a two-day period. If there are medical concerns, the applicant will be interviewed by the Medical Director for Carol Woods. After final review by the Admissions Committee, the applicant will be notified in writing of the decision of the Committee. The decision to admit or not to admit an applicant is made by Carol Woods in the exercise of its sole discretion. The applicant agrees to accept such decisions as binding and final in all respects.
4. At the time of formal acceptance to Carol Woods, you are asked to make a deposit equal to 10% of the Entrance Fee for the residence you have selected. One thousand dollars of your Reservation Deposit will be applied towards this amount. The 10% deposit is fully refundable.
5. You will be notified of the date your residence will be ready for occupancy and schedule a move-in date. Arrangements for the move will be coordinated with the Director of Admissions. The balance of the Entrance Fee is due within ninety days of the approval of the Admissions Committee or move-in, whichever occurs first.
6. You may terminate this Agreement for any reason prior to execution of the Residence and Services Agreement by giving written notice to Carol Woods. A refund of the Priority Deposit, less the \$300 administrative fee, will be made to you within 60 days of such notification.
7. The rights of applicants under this Agreement are personal to You and may not be transferred or assigned by You to heirs or personal representatives.

Applicant’s Signature

Date_____

Co-Applicant’s Signature

Date_____

I have received a 2017 Disclosure Statement (please initial here) _____

Director, Admissions & Public Relations

Date_____

Please mail completed form to:

Attn: Admissions Dept.

Carol Woods Retirement Community

750 Weaver Dairy Road, Chapel Hill, NC 27514

A

**EARLY ACCEPTANCE RESERVATION AGREEMENT
CAROL WOODS RETIREMENT COMMUNITY
CHAPEL HILL, NORTH CAROLINA**

PRELIMINARY RESERVATION AGREEMENT

This Agreement is Preliminary in nature and in no way represents acceptance or approval on the part of Carol Woods. Acceptance to Carol Woods under the Early Acceptance program is rendered by the Admissions Committee, whose decision shall be binding.

This Reservation Agreement is made this _____ day of _____, _____, between The Chapel Hill Residential Retirement Center, Inc. d/b/a Carol Woods, a North Carolina not-for-profit corporation, and _____.

On this date, you desire to reserve a slot offered to you by Carol Woods to become a Resident of Carol Woods under the Early Acceptance program. If accepted, you agree to pay an Entry Fee in the amount of \$_____. In addition to the Entry Fee, you agree to pay the Monthly Service Fee in effect on the date that you sign the Early Acceptance Agreement.

The projected Date of Financial Responsibility for your acceptance under the Early Acceptance program is estimated to be _____, _____. The actual date shall be determined in the Early Acceptance Agreement.

ADMISSION PROCEDURE

Application for Admission. Carol Woods requests that you complete and return the Application for Admission package within Thirty (30) Days of this Reservation.

Personal Interviews. Once the application package has been completed and returned to the Director of Admissions, the Admissions Committee will review at the next scheduled meeting and, if appropriate, will schedule interviews. Interviews are with the President/CEO, Vice President of Finance & Planning, Social Worker and Geriatric Nurse Practitioner. An in-home visit will also be scheduled by a staff facilitator. When deemed appropriate, the applicant may be interviewed by the Medical Director.

Admission Review. Final acceptance for admission to Carol Woods' Early Acceptance program is contingent upon the Admissions Committee's approval following all interviews. You will be notified in writing by the Director of Admissions of the Committee's decision. You agree that the decision of the Admissions Committee will be final and uncontested. If the Application for Admission is not approved, you will receive a refund of your Priority List Deposit, less the Administrative Fee.

Assuming Financial Responsibility. Upon receiving formal notification of acceptance to Carol Woods under the Early Acceptance program, you are expected to take financial responsibility by signing an Early Acceptance Agreement within 10 days of receiving formal notification of acceptance. The full amount of the Entry Fee that is noted above, less \$1,000 of your original Priority List Deposit, is payable when the Early Acceptance Agreement is signed. 2% of the Entry Fee that you pay shall be an Acceptance Fee in the amount of \$_____. The 2% Acceptance Fee is non-refundable unless Carol Woods rescinds acceptance or exercises its right to terminate the Early Acceptance Agreement within the first 30 days of the Agreement due to a change in health status by a prospective resident or death of a spouse within that time period.

TERMINATION AND REFUND

You or Carol Woods may terminate this Early Acceptance Reservation Agreement prior to the execution of an Early Acceptance Agreement for any reason by giving written notice. Carol Woods shall refund all Deposits, less the Administrative Fee portion of your Priority List Agreement and the 2% Acceptance Fee, unless the Agreement is terminated due to a change in your health status during the period between acceptance and the signing of an Early Acceptance Agreement. Any refunds owed to you will be reduced by any amount that you owe to Carol Woods.

This Early Acceptance Reservation Agreement is preliminary in nature and precedent to the Early Acceptance Agreement.

Prospective Resident

Director, Admissions & Public Relations
Carol Woods Retirement Community

Prospective Resident

Date

Date

**RESERVATION AGREEMENT
CAROL WOODS RETIREMENT COMMUNITY
CHAPEL HILL, NORTH CAROLINA**

A

PRELIMINARY RESERVATION AGREEMENT

This Agreement is preliminary in nature and in no way represents acceptance or approval on the part of Carol Woods. Approval for residency is rendered by the Admissions Committee, whose decision shall be binding.

This Reservation Agreement is made this _____ day of _____, 2015 between Chapel Hill Residential Retirement Center, Inc., d/b/a/ Carol Woods, a North Carolina not-for-profit corporation, and _____.

On this date, you desire to reserve the residence number _____, a _____ type of residence within the Community. You agree to pay Carol Woods an Entry Fee in the amount of \$_____. In addition to the Entry Fee, you agree to pay the Monthly Service Fee in effect on the date you sign the Residence and Services Agreement.

The projected Date of Financial Responsibility for your residence is estimated to be _____, 2015. The actual date shall be determined in the Residence and Services Agreement.

ADMISSION PROCEDURE

Application for Admission. Carol Woods requests that you complete and return the Application for Admission package within Thirty (30) Days of this Reservation Agreement.

Personal Interviews. Once the application package has been completed and returned to the Director of Admissions, the Admissions Committee will review at the next scheduled meeting and, if appropriate, will schedule interviews. Out-of-town applicants must stay overnight in the Carol Woods' guest accommodations. Interviews are with the President/CEO, Vice President of Finance & Planning, Social Worker and Geriatric Nurse Practitioner. When deemed appropriate, the applicant may be interviewed by the Medical Director.

Admission Review. Final acceptance for admission to Carol Woods is contingent on the Admissions Committee's approval following all interviews. You will be notified in writing by the Director of Admissions of the Committee's decision. You agree that the decision of the Admissions Committee will be final and uncontested. If the Application for Admission is not approved, you will receive a refund of your original Priority List Deposit, less the Administrative Fee.

Ten Percent (10%) Deposit. Within 10 days of receiving formal notification of acceptance to Carol Woods, You agree to pay 10 percent (\$_____) of the Entry Fee. This includes a 2% Acceptance Fee in the amount of \$_____ and an 8% Acceptance Deposit in the amount of \$ _____ , for a total of 10% of the Entry Fee. The 2% Acceptance Fee is non-refundable unless Carol Woods rescinds acceptance or exercises its right to terminate the Residence and Services Agreement within the first 90 days of occupancy or the prospective resident has a change in health status or death of a spouse prior to move-in. The 8% Acceptance Deposit is refundable should You elect to cancel the Reservation Agreement prior to taking occupancy or terminate Your Residence and Services Agreement within 90 days of occupancy.

Assuming Financial Responsibility. The exact date of your move will be coordinated with the Director of Admissions. However, You are expected to take financial responsibility for your unit within 90 days of acceptance. The Ninety Percent (90%) balance of the Entry Fee, less \$1000 of Your original Priority List Deposit, is payable when the Residence and Services Agreement is signed and You take possession of Your unit.

TERMINATION AND REFUND

You or Carol Woods may terminate this Reservation Agreement prior to the execution of the Residence and Services Agreement for any reason by giving written notice. Carol Woods shall refund all Deposits, less the Administrative Fee portion of your Priority List Deposit and the 2% Acceptance Fee, unless the Agreement is terminated due to a change in Your health status during the 90 days between Acceptance and taking financial responsibility of your unit. Any refunds owed to You will be reduced by any amount that You owe to Carol Woods.

This Reservation Agreement is preliminary in nature and precedent to the Residence and Services Agreement.

Prospective Resident

Director, Admissions & Public Relations
Carol Woods Retirement Community

Prospective Resident

Date

Date

PAYMENT OF NON-STANDARD RENOVATION OPTIONS AGREEMENT

It is understood and agreed to that any modifications made to your apartment or cottage that you have requested and that are outside of Carol Woods' normal renovations will be your financial responsibility.

It is also understood and agreed to that, should you terminate the Reservation Agreement prior to taking possession of your apartment or cottage, you will be responsible for all costs specifically incurred by Carol Woods associated with personal modifications made to the unit.

You agree to remit payment in full within 60 days of termination of the Reservation Agreement. Carol Woods, at its sole discretion, may withhold any amounts owed out of any refund due to you to cover any costs incurred for such personal modifications.

Prospective Resident

Director, Admissions & Public Relations

Prospective Resident

Date

Date

4/1/09

**RESERVATION AGREEMENT
FOLLOWING EARLY ACCEPTANCE
CAROL WOODS RETIREMENT COMMUNITY
CHAPEL HILL, NORTH CAROLINA**

A

RESERVATION AGREEMENT FOLLOWING EARLY ACCEPTANCE

This Agreement is for persons who previously have become Residents of Carol Woods under the Early Acceptance program. Approval for residency to the residence listed below is rendered by the Admissions Committee, whose decision shall be binding.

This Reservation Agreement is made this _____ day of _____, 2015 between Chapel Hill Residential Retirement Center, Inc., d/b/a/ Carol Woods, a North Carolina not-for-profit corporation, and _____.

On this date, you desire to reserve the residence number _____, a _____ type of residence within the Community. You agree to pay Carol Woods an Entry Fee in the amount of \$ _____. 100% of the \$ _____ Entry Fee that you paid previously under the Early Acceptance program is hereby applied to this new Entry Fee. In addition to the Entry Fee, you agree to pay the Monthly Service Fee in effect on the date you sign the Residence and Services Agreement Following Early Acceptance.

The projected Date of Financial Responsibility for your residence is estimated to be _____, 2015. The actual date shall be determined in the Residence and Services Agreement following Early Acceptance.

RESIDENCY PROCEDURE

Application for Residency and Personal Interviews. Depending upon how long You have been a Resident under the Early Acceptance program, Carol Woods reserves the right to request that you complete and return an updated Application for Admission package within Thirty (30) Days of this Reservation Agreement. Carol Woods also reserves the right to schedule interviews with the President/CEO, Vice President of Finance & Planning, Social Worker and Geriatric Nurse Practitioner. When deemed appropriate, the applicant may be interviewed by the Medical Director. The purpose of the updated application materials and interviews shall be to determine the appropriateness of the reserved residence for You from a financial and health perspective.

Admission Review. Final acceptance for residence to the reserved unit at Carol Woods is contingent on the Admissions Committee's approval following all interviews, when applicable. You will be notified in writing by the Director of Admissions of the Committee's decision. You agree that the decision of the Admissions Committee will be

final and uncontested. If the Application for Residence is not approved, You will remain a resident of Carol Woods under the Early Acceptance program.

Ten Percent (10%) Deposit. Within 10 days of receiving formal notification of acceptance to the reserved residence at Carol Woods, You agree to pay a 2% Acceptance Fee in the amount of \$ _____ and an 8% Acceptance Deposit in the amount of \$ _____, for a total of 10% of the Entry Fee for the reserved residence, net of the Early Acceptance Entry Fee that you paid previously. The 2% Acceptance Fee is non-refundable unless Carol Woods rescinds acceptance or exercises its right to terminate the Residence and Services Agreement within the first 90 days of occupancy or the prospective resident has a change in health status or death of a spouse prior to move-in. The 8% Acceptance Deposit is refundable should You elect to cancel the Reservation Agreement prior to taking occupancy or terminate Your Residence and Services Agreement Following Early Acceptance within 90 days of occupancy.

Assuming Financial Responsibility. The exact date of your move will be coordinated with the Director of Admissions. However, You are expected to take financial responsibility for your unit within 90 days of acceptance. The remaining balance of the Entry Fee, less Your original Early Acceptance Entry Fee, is payable when the Residence and Services Agreement Following Early Acceptance is signed and You take possession of Your unit.

TERMINATION AND REFUND

You or Carol Woods may terminate this Reservation Agreement prior to the execution of the Residence and Services Agreement Following Early Acceptance for any reason by giving written notice. Carol Woods shall refund the 8% Acceptance Deposit, but not the 2% Acceptance Fee, unless the Agreement is terminated due to a change in Your health status during the 90 days between Acceptance and taking financial responsibility of your unit. Any refunds owed to You will be reduced by any amount that You owe to Carol Woods.

Termination of the Reservation Agreement will terminate Your reservation of the particular residence on Carol Woods' campus, but will not terminate your Early Acceptance Agreement. As such, You will remain a Resident of Carol Woods despite terminating reservation of a particular residence on campus.

This Reservation Agreement is preliminary in nature and precedent to the Residence and Services Agreement Following Early Acceptance.

Early Acceptance Resident

Director, Admissions & Public Relations
Carol Woods Retirement Community

Early Acceptance Resident

Date

Date

PAYMENT OF NON-STANDARD RENOVATION OPTIONS AGREEMENT

It is understood and agreed to that any modifications made to your apartment or cottage that you have requested and that are outside of Carol Woods' normal renovations will be your financial responsibility.

It is also understood and agreed to that, should you terminate the Reservation Agreement Following Early Acceptance prior to taking possession of your apartment or cottage, you will be responsible for all costs specifically incurred by Carol Woods associated with personal modifications made to the unit.

You agree to remit payment in full within 60 days of termination of the Reservation Agreement. Carol Woods, at its sole discretion, may withhold any amounts owed out of any refund due to you to cover any costs incurred for such personal modifications.

Early Acceptance Resident

Director, Admissions & Public Relations

Early Acceptance Resident

Date

Date

4/1/13

**RESIDENCE AND SERVICES AGREEMENT
CAROL WOODS RETIREMENT COMMUNITY
CHAPEL HILL, NORTH CAROLINA**

This Residence and Services Agreement (referred to as the "Agreement") is made this _____ day of _____, 2____ between The Chapel Hill Residential Retirement Center, Inc., d/b/a Carol Woods (referred to as "Carol Woods" or "We or "Us"), a North Carolina non-profit corporation and _____ (referred to as "You" or "Your"). If two persons sign this Agreement as Residents, the words, "You" and "Your" apply to both persons unless the context requires otherwise. You agree to take financial responsibility for Your residence on the _____ day of _____, 2____.

WHEREAS, Carol Woods owns and operates a retirement community located at 750 Weaver Dairy Road, Chapel Hill, North Carolina; and

WHEREAS, the retirement community (referred to as the Community) consists of independent living apartments in mid-rise buildings, single-story garden cottages, two-story townhomes, a Community Center with common areas and amenities, and on-campus Health Centers providing facilities for outpatient services, assisted living and skilled nursing care; and

WHEREAS, You desire to enter into this Agreement for residence in the Community, and whereas You have applied for admission to Carol Woods and Your application has been accepted;

NOW THEREFORE, subject to the terms and conditions set forth in this Agreement, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, You and Carol Woods agree as follows:

I. RESIDENCE, COMMON AREAS, AND GENERAL SERVICES:

- A. Residence.** Subject to the terms and conditions set forth in this Agreement, Carol Woods agrees to provide You a personal, exclusive, non-transferable right to reside, use, and enjoy residence number _____ a _____ type of residence located within Carol Woods, or such other residence or accommodation within Carol Woods to which You may be transferred in accordance with this Agreement (referred to as the "Residence").
- B. Furnishings.** Carol Woods will provide floor covering, window coverings, kitchen and laundry appliances, and other furnishings as described in the current literature. You will provide all other furnishings and decorations, which shall be purchased and maintained by You at Your risk.

- C. **Maintenance and Repair Service.** Carol Woods will perform and provide repairs, maintenance, and replacement of property and equipment owned by Carol Woods. The maintenance, repair, and replacement of Your personal property is Your responsibility. Any change or replacement by You of the property or equipment provided by Carol Woods in Your Residence gives title in the changed or replaced property or equipment to Carol Woods unless otherwise agreed to in writing in advance. Carol Woods may decline to repair, maintain, or replace any property or equipment that You change, modify, or replace. You will be responsible for the cost of repairing any damage to property of Carol Woods caused by Your negligence and/or that of any guest of Yours, ordinary wear and tear excepted.
- D. **Grounds.** Carol Woods will furnish basic grounds-keeping care, including lawn service and snow removal. With Carol Woods' approval, You may elect to plant and maintain a specifically defined area adjacent to Your Residence. Title to such plantings is vested in Carol Woods unless otherwise agreed to in writing.
- E. **Meals.** Carol Woods will offer three meals a day, with a selective menu, in the dining rooms. Meal credits equal to the number of days in the month are included in Your basic monthly fee.
- For an additional charge, optional meal plans for double or triple the number of monthly meal credits may be arranged in full calendar month increments, and must be made in advance. Residents who exhaust their monthly meal credits may purchase additional meals, which shall be billed on a monthly basis at prevailing resident additional meal charges. Guests are welcome in the dining room. Guest meals may be charged to You at guest meal rates or You may purchase a meal ticket at the reception desk.
- F. **Tray Service.** Tray service will be provided during short-term illness, when ordered by one of Carol Woods' authorized health service personnel. Tray service includes the delivery and pick-up of a selected meals to You at the Residence.
- G. **Community Common Areas and Amenities.** We will provide common areas and amenities for the use and benefit of all Residents. These facilities currently include the main dining room, private dining rooms, lobbies, assembly hall, library, social, and recreational facilities (indoor and outdoor), and craft facilities. Some common areas may require advance reservation. All common areas are tobacco-free environments.
- H. **Health Center.** Carol Woods will provide or arrange transfer to the facilities necessary for the medical care and services specified in this Agreement. In this Agreement, the term "Health Center" includes facilities for outpatient services, assisted living care, and skilled nursing care. A restraint-free policy is upheld in Carol Wood's facilities.

- I. **Security.** We will use reasonable care in providing security on the premises of Carol Woods. Carol Woods will provide twenty-four (24) hour security staffing on-site, in the community, as well as emergency call devices and smoke detectors in each residence. You are responsible for locking your Residence and taking appropriate security measures to protect yourself and your personal property. We are not responsible for loss or damage to Your personal property.
- J. **Parking.** Carol Woods will provide and maintain parking areas for Residents and guests. Parking areas will be unassigned except for those for the townhomes.
- K. **Linens.** Carol Woods will furnish and launder bed and bath linens on a regular basis. Carol Woods will also provide washers and dryers for Your personal laundry in each residence or apartment building as well as common laundry facilities in the Health Center and Assisted Living.
- L. **Housekeeping.** Carol Woods will provide housekeeping services on a regular basis to each residence.

You must maintain Your Residence in a clean, safe and sanitary condition. If not, Carol Woods, after notice to You, will maintain the Residence and charge such cost to You.

- M. **Utilities.** Carol Woods will furnish heating, air conditioning, water, electricity and/or gas, as appropriate, sewage disposal, and garbage and trash removal from collection points. Carol Woods provides local telephone service and supplies connection for standard television service. You will be responsible for the cost of long distance telephone calls, which will be billed to You on a monthly basis. If You choose to arrange other television, internet or telephone services beyond what is provided, You may do so at Your own expense and receive no credit.
- N. **Local Transportation.** Carol Woods will provide limited local, scheduled transportation for Residents.
- O. **Taxes.** Carol Woods will pay all property taxes assessed on Carol Woods' real property. You will be responsible for all taxes owed by you, including, without limitation, all personal income taxes and taxes assessed on Your personal property.
- P. **Storage.** Additional storage space is provided for each apartment in the central apartment buildings. Garden cottages and townhomes include additional storage areas inside and/or outside of each unit.
- Q. **Activities.** Social, recreational, educational, and cultural activities are provided through an active Resident-directed program.

- R. **Other Services Provided.** You may not engage third parties, including private duty nurses and companions, for services to be rendered within Carol Woods without prior notification to and written authorization by Carol Woods' management. At any point in time, Carol Woods may revoke its authorization for other services provided should Carol Woods determine such third party poses a risk to You or other residents, or such third party fails to comply with any applicable rule or policy issued by Carol Woods. Such revocation shall be in writing and effective immediately or as specified in the writing.

II. **MEDICAL AND OTHER HEALTH CARE SERVICES PROVIDED OR COORDINATED BY CAROL WOODS**

- A. **General.** Carol Woods will furnish or cause to be furnished the following medical and health care services:
- 1) Medical services provided by primary care physicians who are part of Carol Woods' group practice, and who see You at the Carol Woods' on-site clinic;
 - 2) Medical and surgical services provided by specialty care physicians who have established relationships with Carol Woods, and to whom one of Carol Woods primary care physicians has referred You, in advance, for the specialty care;
 - 3) Hospital acute care and outpatient care services in hospitals which have an established relationship with Carol Woods, when one of Carol Woods' primary care physicians has referred You, in advance, for the necessary care;
 - 4) General nursing and personal care provided in Carol Woods' inpatient health center levels of care;
 - 5) General nursing and personal care provided in a similarly licensed nursing facility when space is not available at Carol Woods, and when coordinated by Carol Woods' medical and nursing staff;
 - 6) Physical, Occupational, and Speech Therapy when ordered by Carol Woods' physicians and provided at Carol Woods Outpatient Rehabilitation department or in an inpatient setting in the Health Center.

For those services provided by Carol Woods that are covered by Medicare, We will accept Medicare Assignment, billing Medicare first and accepting Medicare's allowable reimbursement rates as payment in full. You shall be responsible for amounts allowed by Medicare that are treated as deductibles, co-payments or other cost-sharing amounts imposed by Medicare or Your supplemental insurance.

- B. **Community's Physicians.** Carol Woods will appoint a Medical Director and physicians as needed. They will be responsible for Your medical care, including office visits, medical review, Health Center visits, hospital attendance, and referral to specialists.

C. **Hospitalization.** When one of Carol Woods' physicians determines that it has become necessary to hospitalize You, the Physician will have the authority to arrange such hospitalization. When the conditions necessitating such hospitalization no longer exist, the Physician will have the authority to arrange for Your discharge and transfer or return to Carol Woods.

D. **Medical Referrals.** Carol Woods will be responsible for coordinating and following Your medical, surgical and other health care services when such services either (i) are provided by Carol Woods, or (ii) are provided by licensed outside providers to whom You have been referred in writing by one of Carol Woods' physicians for treatment or consultation. Such responsibility will be limited to the specific condition for which referral was made. Carol Woods will not be responsible for secondary referrals or for follow-up visits unless approved in advance in writing by one of Carol Woods' physicians.

Carol Woods cannot be responsible for filing for insurance reimbursement for services provided by other Providers of Your choice. However, Carol Woods will supply the referral provider with Your policy information upon request, and will assist You in overseeing that other Providers are filing with Your insurance diligently, in order to help maximize Your Medicare and supplemental insurance benefits.

E. **Health Care Insurance Requirements.** You shall be responsible for carrying both Medicare Part A and Medicare Part B insurance coverage, or a substitute policy approved in writing by Carol Woods. You shall also carry a supplemental insurance policy, approved in writing by Carol Woods, which adequately covers the hospital, medical, and skilled nursing deductibles and co-payments required of Your primary insurance plan. Both Your primary and supplemental health insurance policies must recognize Carol Woods as a health care provider; or You assume the financial responsibility for services provided that otherwise could be covered.

You shall be responsible for ensuring that the health insurance coverage that was approved does not lapse, and You shall provide Carol Woods with evidence of such coverage upon request. If Your health insurance coverage should lapse, Carol Woods may require that You reapply for suitable coverage. If You are unable to obtain adequate new coverage, Carol Woods shall charge You for any costs of medical and other health care services provided that otherwise would have been covered by an approved policy.

F. **Carol Woods' Filing for and Rights to Insurance Benefits.** Carol Woods shall be responsible for filing for reimbursement from Your Medicare and supplemental health insurance plans for covered medical, nursing, and outpatient therapy services when provided by Carol Woods.

Carol Woods has a right to the benefits payable under the insurance You carry for services provided by Carol Woods as required in this Agreement, except where costs of care were borne solely by You and not Carol Woods. You hereby authorize Carol Woods to file claims for benefits to which You are entitled under this Agreement and to execute all documents necessary to enable Carol Woods to collect or enforce such claims. If, for any reason, Carol Woods cannot apply directly for benefits payable under insurance required by this Agreement, You agree to make such application and to pay Carol Woods the proceeds received that are due for services provided by Carol Woods.

- G. Automobile Accident Insurance.** If You are a licensed driver, You are responsible for maintaining automobile accident insurance to cover medical costs from automobile accidents causing injury.
- H. Carol Woods' Rights in Case of Injury Caused by a Third Party.** You hereby grant Carol Woods an irrevocable power of attorney to act in Your behalf to recover any claims for compensation from injuries caused by a third party.

After Carol Woods has been reimbursed for all costs, expenses, and damages incurred by Carol Woods on Your behalf (including reasonable costs of care Carol Woods may furnish You because of such accident or injury), the balance of any amount recovered on Your behalf from all sources will be paid to You or credited to Your account, or, in the event of Your death, will be paid to Your estate.

III. MEDICAL AND OTHER HEALTHCARE SERVICES EXCLUDED IN THIS AGREEMENT

- A. Use of Medical Practitioners and Facilities Not Referred by Carol Woods.** You may engage the services of primary care physicians other than those who are part of the Carol Woods practice, and seek care at other hospital, specialty medical, surgical or allied health services with whom Carol Woods' does not have referral relationships. However, if You do so, it is at Your own expense. Further, Carol Woods will not be liable for any subsequent expenses resulting from such care including, but not limited to, the cost of medical, surgical, hospital or nursing care provided, ordered, prescribed or occasioned by any such practitioner or such facilities.

In situations when Carol Woods' medical staff is not involved in the referral to a physician or other health care provider from whom You seek services, it is Your responsibility to require those providers to furnish Carol Woods, promptly in writing and in confidence, with medical information regarding Your condition, diagnosis, medications, and treatment.

You may not engage third parties for medical or other health-related services to be rendered at Carol Woods without prior notification to and written authorization by Carol Woods' management.

- B. Psychiatric Illness, Dangerous Communicable Disease, Drug or Alcohol Abuse.** The Community is not designed to care for persons who have an active psychiatric illness, who have a dangerous communicable disease or who are involved with drug or alcohol abuse. Should Carol Woods 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 Carol Woods may transfer You to another facility of Your choosing.

You will continue to be responsible for payment of the Monthly Fee as if You were at Carol Woods. You will also be responsible for payment of any additional amount needed for Your care at any other such facility. Carol Woods will pay a portion of the cost of Your care in that facility up to an amount equal to Your Monthly Fee. You must pay Your Monthly Fee each month before Carol Woods will take responsibility for its share of the costs of Your care in the other facility.

- C. Other Excluded Services.** Carol Woods will not be responsible for any services not described in paragraph II.A. These excluded services include, but are not limited to payment for prescription and non-prescription medications, refractions, eye-glasses, contact lenses, audiological tests, hearing aids, dentistry, dentures, dental inlays, incontinent and other personal hygiene supplies, orthopedic appliances, podiatry, chiropractic services, organ transplants, renal dialysis, treatment for alcohol and drug abuse, and diagnosis and therapy for psychiatric disorders.
- D. Illness or Accident Away from the Community.** If You have an accident or are ill while You are away from Carol Woods, We will have no responsibility to pay for costs resulting from such accident or illness until You return to Carol Woods and become subject to the care of one of Carol Woods' physicians.

IV. TERMS OF RESIDENCY

- A. **Rights of Resident.** If You are 65 years of age and Your spouse is at least 55 years of age, You have the right to occupy, use, and enjoy the Residence, common areas, amenities, programs, and services of Carol Woods, as provided in this Agreement, during Your lifetime unless this Agreement is 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 Carol Woods other than the rights and privileges as described in this Agreement.
- B. **Policies and Procedures.** You will abide by Carol Woods' policies and procedures and such amendments, modifications, and changes of the policies and procedures as may hereafter be adopted by Carol Woods.
- C. **Relationships Between Residents and Staff.** Carol Woods is built on mutual respect and instructs its staff to be cordial and helpful to You. The relationship is to remain professional. Employees 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 employees or employees' families is not permitted. You will not employ Carol Woods' employees nor hire former Carol Woods' employees without the prior written consent of management.
- D. **Modifications to Residence.** Modifications to any Residence by You will require prior written approval by Carol Woods of both the plans for the modifications and the firm or individual retained to make such modifications. The firm or individual retained to make the modifications shall be licensed appropriately, and shall carry insurance that adequately protects Carol Woods against the risks of injury or liability occasioned by the work being done on Carol Woods' property. Such modifications will be at Your expense. Approval of such modifications may be conditioned upon Your payment to Carol Woods of a sum sufficient to restore the Residence to its original condition.
- E. **Changes in the Residence.** Carol Woods has the right to change the Residence to meet requirements of any applicable statutes, law, regulation or ordinance. The Residence may not be used in any matter that violates any zoning ordinances or other governmental law or regulation.
- F. **Visitors.** Except for short-term guests, no person other than You may reside in the Residence without the written approval of Carol Woods.
- G. **Loss of Property.** Carol Woods will not be responsible for the loss of or damage to any property belonging to You due to theft, mysterious disappearance, fire, employee accident, or any other cause. It is

understood that You have the responsibility of providing any desired insurance protection covering any such loss.

- H. **Right of Entry.** You hereby authorize employees or agents of Carol Woods to enter the Residence for the purposes of housekeeping, repairs, maintenance, inspection, and in the event of an emergency.
- I. **Representations.** You affirm that the representations made in the Application for Admission, Personal Health History, and Confidential Financial Statement are true and correct and may be relied upon by Carol Woods as basis for entering into this Agreement. You agree to provide updates of this information in a timely way to Us.

V. **FINANCIAL ARRANGEMENTS**

- A. **Entry Fee.** You agree to pay Carol Woods an Entry Fee in the amount of \$_____ as a condition for becoming a Resident. The Entry Fee is a lump sum payment and will not be increased or changed during the term of this Agreement, except for changes required by state or federal law or regulation, or upon transfer to a larger residence, marriage, or entry of another resident to share the Residence.
- B. **Monthly Fee and Other Charges.** You agree to pay a Monthly Fee for the term of this Agreement. This fee will be payable before the fifth day of each month or within Five (5) Days of the date monthly statements are distributed. The current Monthly Fee associated with the Residence is \$_____ per month and an additional \$_____ per month if a second person occupies the Residence. The Monthly Fee will commence at the Date of Financial Responsibility. It will be paid on a prorated basis for any partial month.

You will be invoiced monthly for services and supplies which may be provided for You beyond that which is included in the Monthly Fee, and those invoices are also to be paid by the fifth of the month or within Five (5) Days of the date monthly statements are distributed.

If You fail to make payment within Thirty (30) Days after receiving the monthly statement, Carol Woods may give You written notice that You must make payment within Fifteen (15) Days after receiving such notice. If You fail to comply, We may terminate this Agreement. Carol Woods reserves the right to apply late fees up to the then current legal maximum for any late payment.

- C. **Assisted Living or Health Center Charges.** If You need care in Carol Woods' Assisted Living or Health Center facilities, You will be charged an additional daily fee based on the particular level of care and the type of accommodation. This fee is in addition to the Monthly Fee, which You will continue to be charged. The daily charge to You, however, will be

discounted significantly to reflect Your prepayment of health care costs in Your Entry Fee and Monthly Fees.

As part of the Entry Fee and Monthly Fee, each Resident receives Fifteen (15) "Free Days" each year, which may be used to cover the additional, discounted per diem charged to You; at either the semi-private or private rate, depending upon Your particular accommodation at the time. Unused Free Days may accumulate over time, with no limit. No credit, however, is provided for Free Days that are never used; nor can Free Days be transferred to another resident.

- D. Adjustments in the Monthly Fee and Other Charges.** Carol Woods may adjust the Monthly Fee, Assisted Living, Health Center, and other charges from time to time on the basis of experience or to reflect changes in the cost of achieving the mission or purposes of Carol Woods. Carol Woods agrees that, in the exercise of its discretion, which will be binding on You, Carol Woods will endeavor to maintain all fees and charges at the lowest feasible amounts which, in the judgment of the Board of Directors of Carol Woods, is consistent with sound financial operation and maintenance of the quality of facility, program and service provided.

VI. TRANSFERS, MOVES, RELOCATION, AND CHANGES IN RESIDENCE

- A. Transfers.** All transfers or moves between Residences are at Carol Woods' sole discretion. Transfers are subject to availability and legal requirements. The terms of payment for refunds resulting from such transfers or moves are described in Paragraph VIII. H.
- B. Refurbishing Expenses.** If You make a preference move as defined in paragraph VI.E. from one Residence to another, You will be responsible for the cost of refurbishing the Residence vacated. If you make a need-based move or if You move permanently to Assisted Living, the Health Center, an outside facility under III. B., or the hospital, You are only responsible for reversal of Residence Modifications made under IV.D.
- C. Transfer to a Larger Residence.** If You move to a larger Residence, You will pay an additional Entry Fee amount based on the difference between the Entry Fee of Residence You are leaving and the Entry Fee of the one into which You are moving. The Entry Fees used in the calculations will be the ones in effect at the time of Your move to the larger residence. Either the Single or Two Person Entry Fees will be applied in the calculations depending upon the number of people that are party to this Agreement at the date of Your move. You will pay the applicable Monthly Fee for the new Residence effective the date of Your move.

- D. **Transfer to a Smaller Residence.** If You move to a smaller Residence during the first fifty (50) months of occupancy, You may receive a refund of a portion of Your Entry Fee. The current Entry Fee of the smaller residence will be amortized in accordance with VIII.H.1. The Entry Fee that was in effect at the date You occupied the Residence You are leaving will be amortized in the same manner. You will be refunded the difference between the two unamortized balances in accordance with VIII.H.2. You will pay the applicable Monthly Fee for the new Residence effective the date of Your move.
- E. **Preference Versus Need-Based Moves.** Carol Woods considers a move as “need-based” if the move is conditioned by a change in Your health status or marital status, permanent transfer of a spouse to a higher level of care, or by financial need. If the move is made to another Residence for any other reason, it is considered a “preference move.” For any preference move, when occupancy has been 5 years or less, not only will Your Monthly Fee will be adjusted effective the date of the move to the new Residence as outlined in Sections VI.C. and VI.D., but You will also be charged an additional amount equal to three (3) months’ Monthly Fee for the residence being vacated to cover partially the costs to Carol Woods of the preference move.
- F. **Sharing Occupancy With a New Resident.** If a non-resident is joining You as a resident, the additional Entry Fee due is the difference in the amount actually paid by You for the current Residence and the total Entry Fee due for the same Residence at the double occupancy rate effective at the time double occupancy commences.

A non-resident must apply for admission as a Resident and be approved. If the non-resident is not approved as a Resident, Carol Woods may grant admission with limited rights.

- G. **Permanent Transfer to Assisted Living, the Health Center, a Special Service Facility, or a Hospital.** All decisions regarding Your permanent transfer to Assisted Living, Health Center, a special service facility, or to a hospital will be made after consultation with You and, when appropriate, with Your family or designee. Carol Woods’ decision will be binding. No Entry Fee adjustment is made with these types of transfers. If You are a member of a couple, and the other person remains in Your Independent Residence, the Monthly Fee will continue to reflect the two-person rate of the Independent Residence. For single residents, or when both members of a couple make a permanent transfer, the Monthly Fee shall be reduced to the prevailing rate comparable to other singles or couples who have made such a permanent transfer. The lower Monthly Fee takes effect on the date that You release Your previous Residence to Carol Woods for remarketing.

You will remove all personal belongings from the Independent Residence within Thirty (30) Days of transfer and within Two (2) Days of transfer

Initials

from Assisted Living or Health Center residence. If You or Your designee is unable to arrange for the removal, Carol Woods has the authority to make the necessary arrangements, place belongings in storage and bill all costs related to such a move to You or Your estate.

If Carol Woods subsequently determines that You can resume occupancy in an Independent Residence or accommodations comparable to those occupied by You prior to such transfer, You will have priority to such accommodations as soon as they become available.

VII. FINANCIAL ASSISTANCE

- A. Carol Woods' Policy.** Carol Woods' policy is that, if the sole reason for non-payment of Your financial obligations to Carol Woods is insufficient funds or other circumstances beyond Your control, Carol Woods will review the matter with You, provided, however, this policy shall not change the right of Carol Woods to expect payment from You or to terminate this Agreement for Your failure to pay, under the terms of this Agreement.

If special financial consideration is determined by Carol Woods to be necessary, Carol Woods may, in its sole discretion, partly or wholly subsidize Your fees provided that such subsidy will not impair Carol Woods' sound financial operation and maintenance of the quality of service provided. Carol Woods may request that You make every effort to obtain assistance from all available resources both private and public.

All determinations regarding financial assistance will be final and binding on You and will be handled as a confidential transaction except for reports required to financial institutions lending moneys to Carol Woods or to regulatory or governmental bodies.

- B. Transfer of Property.** You hereby represent that You have not made and will not make any gift or other transfer of money or personal property, nor pledge Your money or personal property as collateral for another who is not party to this Agreement, to the degree to which the amount transferred or pledged would impair Your ability or Your estate's ability to satisfy financial obligations under this Agreement. If Your fees are subsidized by Carol Woods, You may not sell or otherwise transfer or pledge property without Carol Woods' written consent. Carol Woods may request updated financial information from time to time and/or copies of Your tax returns.
- C. Recovery of Subsidies Provided by Carol Woods.** When You die, if Your fees have been subsidized wholly or partly by Us, Your estate, if any, will be liable to Carol Woods for the full amount of the subsidy You receive for the entire time of residency. This paragraph will apply

whether or not You are in residence at the Community at the time of death. This Agreement will operate as a lifetime assignment, transfer, and conveyance to Carol Woods of so much of Your property as is necessary to cover such liability. Any amount due Carol Woods under this paragraph may be deducted from any refund payable to You or to Your estate.

VIII. TERMINATION AND REFUNDS

- A. Termination by Resident Prior to Occupancy.** This Agreement may be terminated by You for any reason prior to The Date of Financial Responsibility by giving written notice to Carol Woods. In the event such termination is conditioned by a change in Your health status, You will receive a full refund of the Entry Fee paid less the Administrative Fee (as defined in Your Priority Agreement) and any nonstandard costs that have been incurred by Carol Woods at Your request. If You terminate the Agreement for any reason other than a change in health status, You will receive refund of the Entry Fee, less an acceptance fee equal to 2% of the Entry Fee (the 2% "Acceptance Fee") which shall be retained by Carol Woods to cover the costs of the termination.

If You die before occupying Your unit, or if illness, injury, incapacity, or change in marital status occur prior to taking occupancy of Your unit, this Agreement shall be cancelled automatically, and You or Your estate shall receive a full refund of the Entry Fee that You have paid.

- B. Trial Period.** The first Ninety (90) Days of residency at Carol Woods will be considered to be on a trial basis. During this Ninety (90) Day period, You will have the right to terminate this Agreement by serving Carol Woods with written notice. If the termination is conditioned by a change in Your health status, You will receive a full refund of the Entry Fee paid less the Administrative Fee and any nonstandard costs that have been incurred by Carol Woods at Your request. If You terminate the Agreement for any reason other than a change in health status, You will receive a refund of the Entry Fee less the 2% Acceptance Fee which shall be retained by Carol Woods to cover the costs of the termination.

During the same Ninety (90) Day Trial Period, Carol Woods also has the right to terminate this Agreement based on its judgment that Your physical condition or emotional adjustment will not permit adaptation to Carol Woods' lifestyle. In such event, Carol Woods will refund the full Entry Fee following termination during the Ninety (90) Day trial period. The refund will be made within Thirty (30) Days after the residence is vacated. The Ninety (90) Day Trial Period begins with the Date of Financial Responsibility.

- C. Voluntary Termination After Occupancy.** After the Trial Period, this Agreement may be terminated by You at any time by serving Carol

Woods Sixty (60) Days advanced written notice of such termination. If termination occurs within the first Fifty (50) Months of residency, You will be entitled to a Pro-rated Refund of the Entry Fee pursuant to Paragraph VIII. H.

- D. **Termination Upon Death.** In the event of Your death at any time after occupancy, this Agreement will terminate upon the date of death or the date Your Residence is vacated, whichever is later. Your estate may be entitled to a Pro-rated Refund of the Entry Fee pursuant to Paragraph VIII. H.
- E. **Termination by Carol Woods.** Carol Woods may terminate this Agreement at any time if there has been any material misrepresentation or omission made by You in the application forms; if a material change in Your health takes place before the Date of Financial Responsibility; or if You fail to make payment to Carol Woods and Carol Woods gives notice provided for in Paragraph V. B. In such events, You may be entitled to a Pro-rated Refund of the Entry Fee pursuant to Paragraph VIII. H. Carol Woods also reserves the right to terminate the Agreement if You fail to abide by Carol Woods' policies and procedures, breach the terms of this Agreement, or if Your continued presence is considered by Carol Woods to be a serious disruption or threat to the life, health or safety of others. Carol Woods will provide timely advance written notice of termination that is in compliance with prevailing laws, regulations and Carol Woods' policies.
- F. **Termination by One of Two Residents Sharing a Residence.** In the event that two (2) Residents occupy a Residence under the terms of this Agreement, upon the permanent transfer to a Health Center or the death of one (1) of such Residents, or in the event of the termination of this Agreement with respect to one (1) of such Residents, the Agreement will continue in effect as to the remaining or surviving Resident and there will be no refund of any portion of the Entry Fee. In the event of one or both Residents transferring to a Health Center, the monthly fee continues to reflect the double occupancy rate. Upon death of one (1) Resident, the surviving Resident will pay the single occupancy rate of the associated residence.
- G. **Condition of Residence.** Upon termination of this Agreement, You will vacate the Residence and will leave it in good condition except for normal wear and tear. You or Your estate will be liable to Carol Woods for any cost incurred in restoring the Residence to good condition except for normal wear and tear.

H. Calculation for Pro-Rated Refunds.

1. **Calculation of Refund.** If termination of this Agreement occurs during the first Fifty (50) Months of residency, You or Your estate will be entitled to a partial refund of the Entry Fee. You will receive a refund in the amount equal to the Entry Fee less Two Percent (2%) for each month or portion of a month of residency for up to Fifty (50) Months. After Fifty (50) Months, there is no refund of the Entry Fee. Residency begins on the Date of Financial Responsibility.
2. **Payment.** Payment of any refund due of an Entry Fee may be made only when a new Entry Fee has been paid for Your Residence by a subsequent Resident.

IX. RIGHT OF RESCISSION

Notwithstanding anything herein to the contrary, this Agreement may be rescinded by You giving written notice of such rescission to Carol Woods 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, if it is conditioned by a change in Your health status, You will receive a full refund of the Entry Fee, less the Administrative Fee. If the rescission is for a reason other than change in Your health status, You will receive a refund of the Entry Fee less the Acceptance Fee which will be retained to cover the costs to Carol Woods of Your rescission following acceptance. You will not be required to move to Carol Woods before the expiration of such Thirty (30) Day period. Any such refund will be paid by Carol Woods within Sixty (60) Days following receipt of written notice of rescission pursuant to this Paragraph.

X. GENERAL

- A. **Assignment.** The rights and privileges for You under this Agreement to the Residence, common areas and amenities, and services and programs of Carol Woods are personal to You and may not be transferred or assigned by You or otherwise.
- B. **Management of the Community.** The absolute rights of management are reserved by Carol Woods and its Board of Directors. Carol Woods reserves the right to accept or reject any person for residency. Residents do not have the right to determine admission or terms of admission of any Resident.
- C. **Entire Agreement.** This Agreement constitutes the entire Agreement between Carol Woods and You. Carol Woods will not be liable or bound

in any manner by any statements, representations, or promises made by any person representing or claiming to represent Carol Woods, unless such statements, representations, or promises are set forth in this Agreement.

- D. Successors and Assigns.** Except as set forth herein, this Agreement will bind and inure to the benefit of the successors and assigns of Carol Woods and Your heirs, executors, administrators, and assigns.
- E. Rights Subordinate to Mortgage.** Pursuant to the requirements of any lender, You agree that Your rights under this Agreement are Subordinate to the right of the lender under any mortgage now or in the future executed by The Chapel Hill Residential Retirement Center, Inc.
- F. Durable Power of Attorney, Will, Living Will, and Health Care Power of Attorney.** You agree to execute a Durable Power of Attorney designating a competent person as attorney-in-fact. You agree to execute a Will, Living Will, and designate a Durable Health Care Power of Attorney. You will provide Carol Woods with copies of Durable Power of Attorney, Living Will, and Health Care Power of Attorney as well as the location of the Will upon execution, and within ninety (90) days of assuming financial responsibility.
- G. Resident Contracted Employees.** If you wish to privately employ outside assistance for any reason, your contracted employee must adhere to all Carol Woods policies, and You must obtain the prior written approval of Carol Woods to hire such individual. You agree to hold Carol Woods harmless for any claim, damages or other harm arising out of Resident's private employment or contracting with any individual(s) or otherwise related to the provisions of such outside services. Carol Woods has the right to require that the Resident terminate immediately the employment or contract with such a person at any time upon written notice to Resident.
- H. Uncontrollable Interruption of Services.** No breach of Carol Woods' obligations under this Agreement and no liability for injury to Resident or Resident's property shall result from an interruption of, or failure to provide, contracted services due to an act of God or other cause beyond the reasonable control of Carol Woods, specifically including strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood, earthquakes, inclement weather or acts of the Resident. Carol Woods shall make every effort to continue to provide the usual services in such event.
- I. Confidentiality.** Carol Woods has the responsibility to keep all of the personal, medical and financial information you have supplied to it confidential. You agree that Carol Woods 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).

Initials

- J. **Indemnity.** You agree to indemnify, defend and hold Carol Woods 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 private duty nurses. This Section X.J. shall survive the termination of this Agreement.
- K. **Affiliated Corporation.** In compliance with N.C.G.S. § 58-64-25(b)(8), Carol Woods hereby discloses that it has a close affiliation with The Carol Woods Charitable Fund, Inc. ("Charitable Fund"). The Charitable Fund was created by Carol Woods as a Supporting Corporation, whose purpose is to support Carol Woods in its charitable mission. The full Board of the Charitable Fund is appointed by the Board of Carol Woods, and at least half of the Charitable Fund Board is comprised of current members of the Carol Woods Board, as well as Carol Woods' President/CEO and Vice President of Finance/CFO. The Charitable Fund has no responsibility for the financial and contractual obligations of this Agreement. Carol Woods is solely responsible for the financial and contractual obligations of this Agreement.
- L. **Notice Provisions.** Any notices, consents, or other communications to Carol Woods hereunder (collectively "notices") will be in writing and addressed as follows:
- The Chapel Hill Residential Retirement Center, Inc.
750 Weaver Dairy Road
Chapel Hill, North Carolina 27514-1502
- Your address for the purpose of giving notice is the address appearing after Your signature below.

XI. Mediation and Binding Arbitration of Disputes

Initials

- A. **Mediation.** You and Carol Woods hereby agree that any claim or dispute relating to this Agreement, or any other matters, disputes, or claims between the two parties shall be subject to non-binding mediation within thirty (30) days of either party making a request in writing to the other. The mediation sessions shall be held at a place agreed upon by both parties, or in the absence of such agreement, at Carol Woods, and shall be conducted according to the mediation rules of the National Arbitration Forum. This Section XI.A. shall survive termination of this Agreement.
- B. **Arbitration.** You and Carol Woods hereby agree that to the extent permitted by North Carolina law, whether or not mediation is requested

by either party, any dispute, claim or controversy, including any that remains unresolved 120 days after an agreement for mediation, arising from or relating to this Agreement, including any dispute arising out of the diagnosis, treatment, or care provided to You, shall be resolved by binding arbitration by an arbitrator agreed upon by both parties. This agreement to arbitrate will be governed by the Federal Arbitration Act. Information may be obtained and claims may be filed at any office of the National Arbitration Forum, at www.arbitration-forum.com or at P.O. Box 50191, Minneapolis, MN 55405.

This agreement binds all parties whose claims may arise out of or relate to this Agreement or services rendered hereunder, including Your spouse or heirs.

The parties agree and understand that the result of this arbitration agreement is that claims submitted to arbitration, including malpractice claims that You may have against Carol Woods, employees or agents, cannot be brought as a lawsuit in court before a judge or jury, and agree that all such claims will be resolved as described in this section.

You also understand that nothing in this agreement prevents you from contacting regulatory or administrative agencies in relation to services provided by Carol Woods.

The parties agree that costs of arbitration, or of any related litigation, including reasonable attorney's fees of the prevailing party, shall be paid by the other party.

The arbitrators shall have no authority to make legal determinations which are, or are based on, material errors of law, to award punitive damages, or to add to, modify or refuse to enforce any valid and enforceable agreement(s) between the parties. The arbitrator shall make findings of fact and conclusions of law and shall have no authority to make any award that could not have been made by a court of law or that would cause any party to be in violation of any governmental law or regulation. Nothing herein shall prohibit a party to dispute, controversy or claim from seeking equitable relief in a court of law to remain the status quo while a mediation or arbitration is pending.

This Section XI.B. shall survive the termination of this Agreement.

I hereby acknowledge the receipt of the Carol Woods Retirement Community's Disclosure Statement dated _____. I acknowledge that the Disclosure Statement was received prior to the execution of this contract and the payment of the Entry Fee to Carol Woods.

IN WITNESS WHEREOF, Carol Woods has executed this Agreement and You have read and understand this Agreement and have executed this Agreement.

Witness

Resident

Witness

Resident

Your Address

Street Address

City, State & Zip Code

Date

The Chapel Hill Residential Retirement Center, Inc.

Signature, President & CEO

Date

**EARLY ACCEPTANCE AGREEMENT
CAROL WOODS RETIREMENT COMMUNITY
CHAPEL HILL, NORTH CAROLINA**

This Early Acceptance Agreement (referred to as the "Agreement") is made this _____ day of _____, 2_____ between The Chapel Hill Residential Retirement Center, Inc., d/b/a Carol Woods (referred to as "Carol Woods" or "We, Our or "Us"), a North Carolina non-profit corporation and _____ (referred to as "You" or "Your"). If two persons sign this Agreement as Residents, the words, "You" and "Your" apply to both persons unless the context requires otherwise. You agree to take financial responsibility for this Agreement on the above date (the "Date of Early Acceptance")

WHEREAS, Carol Woods owns and operates a retirement community located at 750 Weaver Dairy Road, Chapel Hill, North Carolina; and

WHEREAS, the retirement community (referred to as the Community) consists of independent living apartments in mid-rise buildings, single-story garden cottages, and two-story townhomes, a Community Center with common areas and amenities, and on-campus Health Centers providing facilities for outpatient services, assisted living and skilled nursing care; and

WHEREAS, You desire to enter into this Agreement for acceptance in the Community, and whereas You have applied for admission to Carol Woods and Your application has been accepted; and

WHEREAS, You desire to enter into this Agreement as a resident of the Community ("Resident") without lodging to access some of the services provided by Carol Woods until a residence becomes available to You;

NOW THEREFORE, subject to the terms and conditions set forth in this Agreement, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, You and Carol Woods agree as follows:

I. EARLY ACCEPTANCE AS CAROL WOODS RESIDENT

- A. General.** You have gone through the admission process, and Carol Woods has accepted You as a Resident of Carol Woods. As a Resident of Carol Woods, you are hereby entitled to the general services provided on the Carol Woods campus, as outlined in this Agreement. If there is a fee related to particular services provided to You as a Resident, You will be charged the fee that corresponds to being a Resident of Carol Woods rather than a guest.

During the time that You are a Carol Woods Resident, but not yet residing on campus, Carol Woods will provide an opportunity for an annual check-in with Carol Woods staff either on campus or in your

home. If more frequent in-home visits are required of Carol Woods' staff, those visits will be provided to You on a fee-for-service basis.

As a Resident of Carol Woods, You will remain on Our Priority List. Your Priority List Date will remain _____, which is the date on which You joined Our Priority List originally. As a member of Our Priority List, You will have the same rights as other members of Our Priority List and will be offered on-campus accommodations as described in the then current Carol Woods' Priority List Policy.

At the time You choose to reserve an apartment, cottage, or townhome on Carol Woods' campus, having already been accepted as a Carol Woods Resident, You will not have to repeat an admission process. Since time will have passed since the date of Your original acceptance, Carol Woods reserves the right to seek updated medical and financial information in order to determine Your ability to live independently and to afford the additional entry fee and higher monthly service fees required for residency in the particular reserved unit. Your acceptance as a Carol Woods Resident, however, will continue in full force.

- B. Execution of the Residence and Services Agreement Following Early Acceptance.** Prior to taking occupancy and financial responsibility for a particular residential unit on Carol Woods' campus, You agree to execute the Residence and Services Agreement Following Early Acceptance then in effect. Your occupancy of a residence shall be expressly conditioned upon your execution of such agreement. The executed Residence and Services Agreement Following Early Acceptance shall supersede and replace this Agreement in its entirety.

If the Residence and Services Agreement Following Early Acceptance is subsequently terminated, as outlined in that Agreement, this Early Acceptance Agreement may be re-executed, allowing You to remain a Resident of Carol Woods who does not reside on campus -- as long as the reason for termination of the Residence and Services Agreement Following Early Acceptance does not preclude continuation of a contractual relationship.

II. GENERAL SERVICES PROVIDED ON CAMPUS

- A. **Community Common Areas and Amenities.** We will provide common areas and amenities for the use and benefit of all Residents. These facilities currently include the main dining room, private dining rooms, lobbies, assembly hall, library, social, and recreational facilities (indoor and outdoor), and craft facilities. Some common areas may require advance reservation. All common areas are smoke free environments.
- B. **Health Center.** Carol Woods will provide or arrange admission to the facilities necessary for the medical care and services specified in this Agreement. In this Agreement, the term "Health Center" includes the facilities for outpatient services, assisted living care ("Assisted Living"), and skilled nursing care. A restraint-free policy is upheld in Carol Wood's facilities.
- C. **Parking.** Carol Woods will provide and maintain unassigned parking areas for Residents and guests.
- D. **Activities.** Social, recreational, educational, and cultural activities are provided through an active Resident-directed program.
- E. **Meals.** You may eat in the Carol Woods dining rooms, and be charged the prevailing Resident additional meal charge and be billed monthly.
- F. **Security.** We will use reasonable care in providing security on the premises of Carol Woods. Carol Woods will provide twenty-four (24) hour security staffing on-site in the Community. You are responsible for taking appropriate security measures to protect yourself and your personal property at the Community. We are not responsible to provide security to You in Your lodging nor for loss or damage to your personal property.

III. MEDICAL AND OTHER HEALTH CARE SERVICES PROVIDED OR COORDINATED BY CAROL WOODS

- A. **General.** You hereby acknowledge and agree that Carol Woods is not responsible for furnishing You or causing to be furnished to You medical services in your home. Carol Woods will furnish or cause to be furnished the following medical and health care services at the Community that you may choose to receive:
 - 1) Medical services provided by primary care physicians who are part of Carol Woods' group practice, and who see You at the Carol Woods' on-site clinic;
 - 2) Medical and surgical services provided by specialty care physicians who have established relationships with Carol Woods, and to whom

- one of Carol Woods primary care physicians has referred You, in advance, for the specialty care;
- 3) Hospital acute care and outpatient care services in hospitals which have an established relationship with Carol Woods, when one of Carol Woods' primary care physicians has referred You, in advance, for the necessary care;
 - 4) General nursing and personal care provided in Carol Woods' inpatient health center levels of care;
 - 5) General nursing and personal care provided in a similarly licensed nursing facility when space is not available at Carol Woods, and when coordinated by Carol Woods' medical and other care management staff;
 - 6) Physical, Occupational, and Speech Therapy when ordered by Carol Woods' physicians and provided at Carol Woods Outpatient Rehabilitation department or in an inpatient setting in the Health Center.

For those services provided by Carol Woods that are covered by Medicare, We will accept Medicare Assignment, billing Medicare first and accepting Medicare's allowable reimbursement rates as payment in full. You shall be responsible for amounts allowed by Medicare that are treated as deductibles, co-payments or other cost-sharing amounts imposed by Medicare or Your supplemental insurance.

- B. Community's Physicians.** Carol Woods will appoint a Medical Director and physicians as needed. They will be responsible for Your medical care, including office visits, medical review, Health Center visits, hospital attendance, and referral to specialists, if You choose to use them.
- C. Hospitalization.** When one of Carol Woods' physicians determines that it has become necessary to hospitalize You, the Physician will have the authority to arrange such hospitalization. When the conditions necessitating such hospitalization no longer exist, the Physician will have the authority to arrange for Your discharge and transfer or return to Your home, or to the Health Center at Carol Woods if that is needed.
- D. Medical Referrals.** Carol Woods will be responsible for coordinating and following Your medical, surgical and other health care services when such services either (i) are provided by Carol Woods, or (ii) are provided by licensed outside providers to whom You have been referred in writing by one of Carol Woods physicians for treatment or consultation. Such responsibility will be limited to the specific condition for which referral was made. Carol Woods will not be responsible for secondary referrals or for follow-up visits unless approved in advance by one of Carol Woods' physicians.

Carol Woods cannot be responsible for filing for insurance reimbursement for services provided by other Providers of Your choice. However, Carol Woods will supply the referral provider with Your policy

information upon request, and will assist You in overseeing that other Providers are filing with Your insurance diligently, in order to help maximize Your Medicare and supplemental insurance benefits.

E. Care Management for Transfer to Assisted Living, the Health Center, a Special Service Facility, or a Hospital.

Initials

Carol Woods shall furnish Care Management services to You by qualified staff to assist in decisions related to transfers to Assisted Living, the Health Center, a Special Service Facility, or a Hospital. Staff members may assist with (i) assessing your needs; (ii) developing a plan of care with You to address needs that are identified; (iii) helping identify reputable providers in the area to whom You can be referred for services to meet those needs; and (iv) following up to ensure that those services are meeting Your needs and the goals of Your care plan.

You hereby acknowledge and agree that Carol Woods is not responsible for furnishing You or causing to be furnished to You medical or other personal care services in your home.. All decisions regarding Your Care Management plan, including the prospect of Your need for support services in Your home, temporary or permanent transfer to Assisted Living or Health Center, a special service facility, or to a hospital will be made after consultation with You and, when appropriate, with Your family or designee.

If it is determined by Carol Woods' staff that Your needs require temporary or permanent transfer to Carol Woods' Assisted Living or Health Center facilities, and if You choose not to make the move to those facilities, then You must agree to sufficient services to provide for appropriate care and safety in Your home. If, in Our sole judgment, the services You elect to receive are insufficient for appropriate care and safety in Your home, You must move to an appropriate care level at Carol Woods, or We will have the right to terminate this Agreement. Carol Woods' decision will be binding.

No Entry Fee adjustment is made with permanent transfer from Your Home to Carol Woods' Assisted Living or Health Center facilities or to another special service facility. If You are a member of a couple, and the other Resident remains in Your home, the Monthly Fee for the Resident remaining in the home will continue to reflect the single rate, and the Monthly Fee for the Resident making the permanent move shall reflect the prevailing 1st Person Monthly Fee for Residents who have made a permanent move to Assisted Living or the Health Center. For single Residents, or when both members of a couple make a permanent transfer, the Monthly Fee shall be charged at the prevailing rate comparable to other singles or couples who have made such a permanent transfer. The new Monthly Fee takes effect on the date that You make such a permanent transfer.

- F. Health Care Insurance Requirements.** You shall be responsible for carrying both Medicare Part A and Medicare Part B insurance coverage, or a substitute policy approved in writing by Carol Woods. You shall also carry a supplemental insurance policy, approved in writing by Carol Woods, which adequately covers the hospital, medical, and skilled nursing deductibles and co-payments required of Your primary insurance plan. Both Your primary and supplemental health insurance policies must recognize Carol Woods as a health care provider; or You assume the financial responsibility for services provided that otherwise could be covered.

You shall be responsible for ensuring that the health insurance coverage that was approved does not lapse, and You shall provide Carol Woods with evidence of such coverage upon request. If Your health insurance coverage should lapse, Carol Woods may require that You reapply for suitable coverage. If You are unable to obtain adequate new coverage, Carol Woods shall charge You for any costs of medical and other health care services provided to You that otherwise would have been covered by an approved policy.

- G. Carol Woods' Filing for and Rights to Insurance Benefits.** Carol Woods shall be responsible for filing for reimbursement from Your Medicare and supplemental health insurance plans for covered medical, nursing, and outpatient therapy services when provided by Carol Woods. Carol Woods has a right to the benefits payable under the insurance You carry for services provided by Carol Woods as required in this Agreement, except where costs of care were borne solely by You and not Carol Woods. You hereby authorize Carol Woods to file claims for benefits to which You are entitled under this Agreement and to execute all documents necessary to enable Carol Woods to collect or enforce such claims. If, for any reason, Carol Woods cannot apply directly for benefits payable under insurance required by this Agreement, You agree to make such application and to pay Carol Woods the proceeds received that are due for services provided by Carol Woods.

- H. Automobile Accident Insurance.** If You are a licensed driver, You are responsible for maintaining automobile accident insurance to cover medical costs from automobile accidents causing injury.

- I. Carol Woods' Rights in Case of Injury Caused by a Third Party.** In the event Carol Woods has incurred costs, expenses and damages on Your behalf relating to injuries or illnesses caused to You by a third party (including, but not limited to, reasonable costs of care Carol Woods may furnish You because of such accident or injury), You hereby agree that any amount recovered by You or on Your behalf from any and all sources relating to Your injuries or illnesses shall first be paid to Carol Woods in an amount to reimburse Carol Woods for its costs, expenses and damages incurred, with the balance of any amount recovered then

paid to You or credited to Your account, or, in the event of Your death, paid to Your estate.

IV. MEDICAL, HEALTHCARE, AND OTHER SERVICES EXCLUDED IN THIS AGREEMENT

- A. Use of Medical Practitioners and Facilities Not Referred by Carol Woods.** You may engage the services of primary care physicians other than those who are part of the Carol Woods practice, and seek care at other hospital, specialty medical, surgical or allied health services with whom Carol Woods' does not have referral relationships. However, if You do so, it is at Your own expense. Further, Carol Woods will not be liable for any subsequent expenses resulting from such care including, but not limited to, the cost of medical, surgical, hospital or nursing care provided, ordered, prescribed or occasioned by any such practitioner or such facilities. If a healthcare provider should seek payment for such services from Carol Woods, You will hold Carol Woods harmless from all loss or liability arising from such claims for payment.

In situations when Carol Woods' medical staff is not involved in the referral to a physician or other health care provider from whom You seek services, it is Your responsibility to require those providers to furnish Carol Woods, promptly in writing and in confidence, with medical information regarding Your condition, diagnosis, medications, and treatment.

You may not engage third parties for medical or other health-related services to be rendered at Carol Woods without prior notification to and written authorization by Carol Woods' management.

- B. Psychiatric Illness, Dangerous Communicable Disease, Drug or Alcohol Abuse.** The Community's facilities and services are not designed to care for persons who have an active psychiatric illness, who have a dangerous communicable disease or who are involved with drug or alcohol abuse. Should Carol Woods determine that Your physical or psychiatric illness, or that Your condition as a result of drug or alcohol abuse, is such that Your continued stay in Your home or use of the Community facilities is either dangerous or detrimental to Your life, health, safety or peace, or the life, health, safety, or peace of others in Your home or in the Community, then Carol Woods may transfer You to another facility of Your choosing. Carol Woods may terminate this Agreement if You refuse to make the recommended transfer. You will continue to be responsible for payment of the Monthly Fee as if You were at home. You will also be responsible for payment of any additional amount needed for Your care at any other such facility. Carol Woods will pay a portion of the cost of Your care in that facility up to an amount equal to Your Monthly Fee. You must pay Your Monthly Fee

each month before Carol Woods will take responsibility for its share of the costs of Your care in the other facility.

- C. **Transportation.** Carol Woods will not be responsible for providing any type of transportation to You during this Agreement, including but not limited to any transportation to or from the Carol Woods campus and emergency transportation to any hospital or other health care facility.
- D. **Security.** Carol Woods will not be responsible for providing any type of security, staff emergency response, emergency call devices, smoke detectors or the like to Your home or personal residence during this Agreement.
- E. **Housekeeping and Grounds Keeping.** Carol Woods will not be responsible for providing any type of laundry or housekeeping services to Your home or personal residence during this Agreement. Carol Woods will not be responsible for providing any type of grounds keeping care to Your home or personal residence during this Agreement.
- F. **Utilities.** Carol Woods will not be responsible for furnishing any type of utilities, including but not limited to heating, air conditioning, water, electricity and/or gas, sewage disposal, trash removal, television service, internet service and telephone service, to You during this Agreement.
- G. **Taxes.** Carol Woods will not be responsible for paying any taxes owed by you, including, without limitation, any income taxes or personal or real property taxes assessed on Your personal or real property during this Agreement. You are solely responsible for all taxes, owed by you, including, without limitation, all personal income taxes and all taxes assessed on Your personal and real property.
- H. **Other Excluded Services.** Carol Woods will not be responsible for payment for any services not described in paragraph III.A. These excluded services include, but are not limited to prescription and non-prescription medications, refractions, eye-glasses, contact lenses, audiological tests, hearing aids, dentistry, dentures, dental inlays, incontinent and other personal hygiene supplies, orthopedic appliances, podiatry, chiropractic services, organ transplants, renal dialysis, treatment for alcohol and drug abuse, and diagnosis and therapy for psychiatric disorders.
- I. **Illness or Accident.** If You have an accident or if You are ill, We will have no responsibility to pay for costs resulting from such accident or illness until You become subject to the care of one of Carol Woods' physicians.

V. **TERMS OF BEING A CAROL WOODS RESIDENT**

- A. **Rights of Resident.** As a Resident, You have the right to use and enjoy the common areas, amenities, programs, and services of Carol Woods, as provided in this Agreement, during Your lifetime unless this Agreement is 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 Carol Woods other than the rights and privileges as described in this Agreement.
- B. **Policies and Procedures.** You will abide by Carol Woods' policies and procedures and such amendments, modifications, and changes of the policies and procedures as may hereafter be adopted by Carol Woods.
- C. **Relationships Between Residents and Staff.** Carol Woods is built on mutual respect and instructs its staff to be cordial and helpful to You. The relationship is to remain professional. Employees 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 employees or employees' families is not permitted. You will not employ Carol Woods' employees nor hire former Carol Woods' employees without the prior written consent of the management of Carol Woods.
- D. **Loss of Property.** Carol Woods will not be responsible for the loss of or damage to any property belonging to You due to theft, mysterious disappearance, fire, employee accident, or any other cause. It is understood that You have the responsibility of providing any desired insurance protection covering any such loss.
- E. **Representations.** You affirm that the representations made in the Application for Admission, Personal Health History, and Confidential Financial Statement are true and correct and may be relied upon by Carol Woods as the basis for entering into this Agreement. You agree to provide updates of this information in a timely way to Us. As one of those representations, You affirm that You are at least 65 years old and that your spouse, if a party to this Agreement, is at least 55 years old.

VI. FINANCIAL ARRANGEMENTS

A. **Entry Fee.** You agree to pay Carol Woods an entry fee in the amount of \$_____ as a condition for becoming a Resident. The Entry Fee is a lump sum payment and will not be increased or changed during the term of this Agreement, except for changes required by state or federal programs, execution of a subsequent Residence and Services Agreement Following Early Acceptance should you move to Carol Woods some time in the future, marriage, or acceptance of another Resident as party to this Agreement.

B. **Monthly Fee and Other Charges.** You agree to pay a Monthly Fee during the term of this Agreement. This fee will be payable before the fifth day of each month or within Five (5) Days of the date monthly statements are distributed. The current Monthly Fee associated with this Agreement is \$_____ per month and an additional \$_____per month if a second person becomes a party to this Agreement. The Monthly Fee will commence at the Date of Early Acceptance. It will be paid on a prorated basis for any partial month.

You will be invoiced monthly for services and supplies which may be provided for You beyond that which is included in the Monthly Fee, and those invoices are to be paid by the fifth day of the month or within Five (5) Days of the date monthly statements are distributed.

If You fail to make payment within Thirty (30) Days after receiving the monthly statement, Carol Woods may give You written notice that You must make payment within Fifteen (15) Days after receiving such notice. If You fail to comply, We may terminate this Agreement. Carol Woods reserves the right to apply late fees up to the then current legal maximum for any late payment.

C. **Assisted Living or Health Center Charges.** If You need care in Carol Woods' Assisted Living or Health Center facilities, You will be charged an additional daily fee based on the particular level of care and type of accommodation. This fee is in addition to the Monthly Fee, which You will continue to be charged. The daily charge to You, however, will be discounted significantly to reflect Your prepayment of health care costs in Your Entry Fee and Monthly Fees.

As part of the Entry Fee and Monthly Fee, each resident receives Fifteen (15) "Free Days" each year for care in the Assisted Living or Health Care facilities, which may be used to cover the additional, discounted per diem rate charged to You at either the semi-private or private rate, depending upon Your particular accommodation at the time. Unused Free Days may accumulate over time, with no limit. No credit, however, is provided for Free Days that are never used; nor can Free Days be transferred to another resident.

- D. **Adjustments in the Monthly Fee and Other Charges.** Carol Woods may adjust the Monthly Fee, Assisted Living, Health Center, and other charges from time to time on the basis of experience or to reflect changes in the cost of achieving the mission or purposes of Carol Woods. Carol Woods agrees that, in the exercise of its discretion, which will be binding on You, Carol Woods will endeavor to maintain all fees and charges at the lowest feasible amounts which, in the judgment of the Board of Directors of Carol Woods, is consistent with sound financial operation and maintenance of the quality of facility, program and service provided.

VII. **FINANCIAL ASSISTANCE**

- A. **Carol Woods' Policy.** Carol Woods' policy is that, if the sole reason for non-payment of Your financial obligations to Carol Woods is insufficient funds or other circumstances beyond Your control, Carol Woods will review the matter with You, provided, however, this policy shall not change the right of Carol Woods to expect payment from You or to terminate this Agreement for Your failure to pay, under the terms of this Agreement.

If special financial consideration is determined by Carol Woods to be necessary, Carol Woods may, in its sole discretion, partly or wholly subsidize Your fees provided that such subsidy will not impair Carol Woods' sound financial operation and maintenance of the quality of service provided. Carol Woods may request that You make every effort to obtain assistance from all available resources both private and public.

All determinations regarding financial assistance will be final and binding on You and will be handled as a confidential transaction except for reports required to financial institutions lending moneys to Carol Woods or to regulatory or governmental bodies.

- B. **Transfer of Property.** You hereby represent that You have not made and will not make any gift or other transfer of money or personal property, nor pledge Your money or personal property as collateral for another who is not party to this Agreement, to the degree to which the amount transferred or pledged would impair Your ability to satisfy financial obligations under this Agreement. If Your fees are subsidized by Carol Woods, You may not sell or otherwise transfer or pledge property without Carol Woods' prior written consent. Carol Woods may request updated financial information from time to time and/or copies of Your tax returns.
- C. **Recovery of Subsidies Provided by Carol Woods.** When You die, if Your fees have been subsidized wholly or partly by Us, Your estate, if any, will be liable to Carol Woods for the full amount of the subsidy You received for the entire time of this Agreement. This Agreement will

operate as a lifetime assignment, transfer, and conveyance to Carol Woods of so much of Your property as is necessary to cover such liability. Any amount due Carol Woods under this paragraph may be deducted from any refund payable to You or to Your estate.

VIII. TERMINATION AND REFUNDS

- A. Voluntary Termination After Date of Early Acceptance.** This Agreement may be terminated by You at any time by providing Carol Woods sixty (60) days advanced written notice of such termination. You may be entitled to a prorated refund of the Entry Fee pursuant to Paragraph VIII.E.
- B. Termination Upon Death.** In the event of Your death at any time after the Date of Early Acceptance, this Agreement will terminate upon the date of death. Your estate may be entitled to a Pro-rated Refund of the Entry Fee pursuant to Paragraph VIII.E.
- C. Termination by Carol Woods.** Carol Woods may terminate this Agreement at any time (i) pursuant to Section III.E or to Section IV.B. of this Agreement, (ii) if there has been any material misrepresentation or omission made by You in the application forms, (iii) if You fail to make payment to Carol Woods and Carol Woods gives notice provided for in Paragraph VI. B., (iv) if You fail to abide by Carol Woods' policies and procedures, or (v) if You breach the terms of this Agreement. In such events, You may be entitled to a Pro-rated Refund of the Entry Fee pursuant to Paragraph VIII.E. Carol Woods will provide timely advance written notice of termination that is in compliance with prevailing laws, regulations and Carol Woods' policies.
- D. Termination by One of Two Residents to the Agreement.** In the event that two (2) individuals are party to the terms of this Agreement, upon the termination of this Agreement for any reason with respect to one (1) of the individuals, the Agreement will continue in effect as to the remaining individual, there will be no refund of any portion of the Entry Fee and the remaining individual will pay the single Monthly Fee.
- E. Calculation for Pro-Rated Refunds.** If termination of this Agreement occurs during the first Twenty-Five (25) Months of this Agreement, You or Your estate will be entitled to a partial refund of the Entry Fee. You will receive a refund in the amount equal to: (i) the Entry Fee; less (ii) Four Percent (4%) for each month that this Agreement has been in effect for up to Twenty-Five (25) Months; less (iii) any amounts due to Carol Woods. After Twenty-Five (25) Months there is no refund of the Entry Fee. The Twenty-Five (25) Month period begins with the Date of Early Acceptance. Payment, if any, shall be made within Sixty (60) Days of written notice of termination.

IX. RIGHT OF RESCISSION

Notwithstanding anything herein to the contrary, this Agreement may be rescinded by You giving written notice of such rescission to Carol Woods 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, if it is conditioned by a change in Your health status, You will receive a full refund of the Entry Fee, less the Application Fee. If the rescission is for a reason other than change in Your health status, You will receive a refund of the Entry Fee less an "Acceptance Fee" equal to two percent (2%) of the Entry Fee, which will be retained to cover the costs to Carol Woods of Your rescission following acceptance. Any such refund will be paid by Carol Woods within Sixty (60) Days following receipt of written notice of rescission pursuant to this Paragraph.

X. GENERAL

- A. **Assignment.** The rights and privileges for You under this Agreement to the common areas, amenities, and services and programs of Carol Woods are personal to You and may not be transferred or otherwise assigned by You.
- B. **Management of the Community.** The absolute rights of management are reserved by Carol Woods and its Board of Directors. Carol Woods reserves the right to accept or reject any person as a Resident. Residents do not have the right to determine admission or terms of acceptance of any other Resident.
- C. **Entire Agreement.** This Agreement constitutes the entire Agreement between Carol Woods and You. Carol Woods will not be liable or bound in any manner by any statements, representations, or promises made by any person representing or claiming to represent Carol Woods, unless such statements, representations, or promises are set forth in this Agreement.
- D. **Successors and Assigns.** Except as set forth herein, this Agreement will bind and inure to the benefit of the successors and assigns of Carol Woods and Your heirs, executors, administrators, and assigns.
- E. **Rights Subordinate to Mortgage.** Pursuant to the requirements of any lender, You agree that Your rights under this Agreement are subordinate to the right of the lender under any mortgage executed now or in the future by The Chapel Hill Residential Retirement Center, Inc.
- F. **Durable Power of Attorney, Will, Living Will, and Health Care Power of Attorney.** You agree to execute a Durable Power of Attorney designating some competent person as attorney-in-fact. You agree to execute a Will, Living Will, and designate a Durable Health Care Power

Initials

of Attorney. Within ninety (90) days of the Date of Early Acceptance, You will provide Carol Woods with copies of Your Durable Power of Attorney, Living Will, and Health Care Power of Attorney as well as the location of Your executed Will.

- G. Uncontrollable Interruption of Services.** No breach of Carol Woods' obligations under this Agreement and no liability for injury to Resident or Resident's property shall result from an interruption of, or failure to provide, contracted services due to an act of God or other cause beyond the reasonable control of Carol Woods, specifically including strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood, earthquakes, inclement weather or acts of the Resident. Carol Woods shall make every effort to continue to provide the usual services in such event.
- H. Confidentiality.** Carol Woods has the responsibility to keep all of the personal, medical and financial information You have supplied confidential. You agree that Carol Woods can disclose such information to those who have a need, in Our judgment, or right to know (e.g., to provide information for transfer to a hospital).
- I. Indemnity.** You agree to indemnify, defend and hold Carol Woods 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 private duty nurses or any other third party service contracted by You. This Section X.I. shall survive termination of this Agreement.
- J. Affiliated Corporation.** In compliance with N.C.G.S. § 58-64-25(b)(8), Carol Woods hereby discloses that it has a close affiliation with The Carol Woods Charitable Fund, Inc. ("Charitable Fund"). The Charitable Fund was created by Carol Woods as a Supporting Corporation, whose purpose is to support Carol Woods in its charitable mission. The full Board of the Charitable Fund is appointed by the Board of Carol Woods, and at least half of the Charitable Fund Board is comprised of current members of the Carol Woods Board, as well as Carol Woods' President/CEO and Vice President of Finance/CFO. The Charitable Fund has no responsibility for the financial and contractual obligations of this Agreement. Carol Woods is solely responsible for the financial and contractual obligations of this Agreement
- K. Notice Provisions.** Any notices, consents, or other communications to Carol Woods hereunder (collectively "notices") will be in writing and addressed as follows:

The Chapel Hill Residential Retirement Center, Inc.
750 Weaver Dairy Road

Chapel Hill, North Carolina 27514-1502

Your address for the purpose of giving notice is the address appearing after Your signature below.

- L. **No Guarantee of Residence.** Carol Woods' execution of this Agreement does not guarantee that any apartment or cottage will become available for Your occupancy during Your lifetime or prior to the termination of this Agreement for any reason.

XI. MEDIATION AND BINDING ARBITRATION OF DISPUTES

Initials A. **Mediation.** You and Carol Woods hereby agree that any claim or dispute relating to this Agreement, or any other matters, disputes, or claims between the two parties shall be subject to non-binding mediation within thirty (30) days of either party making a request in writing to the other. The mediation sessions shall be held at a place agreed upon by both parties, or in the absence of such agreement, at Carol Woods, and shall be conducted according to the mediation rules of the National Arbitration Forum. This Section XI.A. shall survive termination of this Agreement.

- B. **Arbitration.** You and Carol Woods hereby agree that to the extent permitted by North Carolina law, whether or not mediation is requested by either party, any dispute, claim or controversy, including any that remains unresolved 120 days after an agreement for mediation, arising from or relating to this Agreement, including any dispute arising out of the diagnosis, treatment, or care provided to You, shall be resolved by binding arbitration by an arbitrator agreed upon by both parties. This agreement to arbitrate will be governed by the Federal Arbitration Act. Information may be obtained and claims may be filed at any office of the National Arbitration Forum, at www.arbitration-forum.com or at P.O. Box 50191, Minneapolis, MN 55405.

This Agreement binds all parties whose claims may arise out of or relate to this Agreement or services rendered hereunder, including Your spouse or heirs.

The parties agree and understand that the result of this arbitration agreement is that claims submitted to arbitration, including malpractice claims that You may have against Carol Woods, employees or agents, can not be brought as a lawsuit in court before a judge or jury, and agree that all such claims will be resolved as described in this section.

You also understand that nothing in this agreement prevents you from contacting regulatory or administrative agencies in relation to services provided by Carol Woods.

The parties agree that costs of arbitration, or of any related litigation, including reasonable attorney's fees of the prevailing party, shall be paid by the other party.

The arbitrators shall have no authority to make legal determinations which are, or are based on, material errors of law, to award punitive damages, or to add to, modify or refuse to enforce any valid and enforceable agreement(s) between the parties. The arbitrator shall make findings of fact and conclusions of law and shall have no authority to make any award that could not have been made by a court of law or that would cause any party to be in violation of any governmental law or regulation. Nothing herein shall prohibit a party to a dispute, controversy or claim from seeking equitable relief in a court of law to maintain the status quo while a mediation or arbitration is pending.

This Section XI.B. shall survive termination of this Agreement.

I hereby acknowledge the receipt of the Carol Woods Retirement Community's Disclosure Statement dated _____. I acknowledge that the Disclosure Statement was received prior to the execution of this contract and the payment of the Entry Fee to Carol Woods.

IN WITNESS WHEREOF, Carol Woods has executed this Agreement and You have read and understand this Agreement and have executed this Agreement.

Witness

Resident

Witness

Resident

Your Address

Street Address

City, State & Zip Code

Date

The Chapel Hill Residential Retirement Center, Inc.

Signature, President & CEO

Date

**RESIDENCE AND SERVICES AGREEMENT
FOLLOWING EARLY ACCEPTANCE
CAROL WOODS RETIREMENT COMMUNITY
CHAPEL HILL, NORTH CAROLINA**

This Residence and Services Agreement Following Early Acceptance (referred to as the "Agreement") is made this _____ day of _____, 2____ between The Chapel Hill Residential Retirement Center, Inc., d/b/a Carol Woods (referred to as "Carol Woods" or "We, Our or "Us"), a North Carolina non-profit corporation and _____ (referred to as "You" or "Your"). If two persons sign this Agreement as Residents, the words, "You" and "Your" apply to both persons unless the context requires otherwise. You agree to take financial responsibility for Your residence on the _____ day of _____, 2____ (the "Date of Financial Responsibility").

WHEREAS, Carol Woods owns and operates a retirement community located at 750 Weaver Dairy Road, Chapel Hill, North Carolina; and

WHEREAS, the retirement community (referred to as the Community) consists of independent living apartments in mid-rise buildings, single-story garden cottages, two-story townhomes, a Community Center with common areas and amenities, and on-campus Health Centers providing facilities for outpatient services, assisted living and skilled nursing care; and

WHEREAS, prior to entering into this Agreement, You and Carol Woods were a party to that certain Early Acceptance Agreement dated _____, 2____ (the "Early Acceptance Agreement"), pursuant to which you were a resident of the Community without lodging with access to some of the services provided by Carol Woods; and

WHEREAS, You desire to enter into this Agreement for residence in and to be a resident ("Resident") of the Community, and whereas You have applied for admission to Carol Woods and Your application has been accepted; and

WHEREAS, this Agreement shall supersede the Early Acceptance Agreement;

NOW THEREFORE, subject to the terms and conditions set forth in this Agreement, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, You and Carol Woods agree as follows:

I. RESIDENCE, COMMON AREAS, AND GENERAL SERVICES:

- A. Residence.** Subject to the terms and conditions set forth in this Agreement, Carol Woods agrees to provide You a personal, exclusive, non-transferable right to reside, use, and enjoy residence number _____ a _____ type of residence located within Carol Woods, or

such other residence or accommodation within Carol Woods to which You may be transferred in accordance with this Agreement (referred to as the "Residence").

- B. **Furnishings.** Carol Woods will provide floor covering, window coverings, kitchen and laundry appliances and other furnishings as described in the current literature. You will provide all other furnishings and decorations, which shall be maintained by you at your risk.
- C. **Maintenance and Repair Service.** Carol Woods will perform and provide repairs, maintenance, and replacement of property and equipment owned by Carol Woods. The maintenance, repair, and replacement of Your personal property is Your responsibility. Any change or replacement by You of the property or equipment provided by Carol Woods in Your Residence gives title to Carol Woods unless otherwise agreed to in writing in advance. Carol Woods may decline to repair, maintain, or replace any property or equipment that You change, modify, or replace. You will be responsible for the cost of repairing any damage to property of Carol Woods caused by Your negligence and/or that of any guest of Yours, ordinary wear and tear excepted.
- D. **Grounds.** Carol Woods will furnish basic grounds keeping care, including lawn service and snow removal. With Carol Woods' approval, You may elect to plant and maintain a specifically defined area adjacent to Your Residence. Title to such plantings is vested in Carol Woods unless otherwise agreed to in writing.
- E. **Meals.** Carol Woods will offer three (3) meals a day, with a selective menu, in the dining rooms. Meal credits equal to the number of days in the month are included in Your basic monthly fee.

For an additional charge, optional meal plans for double or triple the number of monthly meal credits may be arranged for in full calendar month increments, and must be made in advance. Residents who exhaust their monthly meal credits may purchase additional meals, which shall be billed on a monthly basis at prevailing resident additional meal charges. Guests are welcome in the dining room. Guest meals may be charged to You at guest meal rates or You may purchase a meal ticket at the reception desk.

- F. **Tray Service.** Tray service will be provided during short-term illness, when ordered by one of Carol Woods' authorized health service personnel. Tray service includes the delivery and pick-up of a selected meal to You at the Residence.
- G. **Community Common Areas and Amenities.** We will provide common areas and amenities for the use and benefit of all Residents. These facilities currently include the main dining room, private dining rooms,

lobbies, assembly hall, library, social, and recreational facilities (indoor and outdoor), and craft facilities. Some common areas may require advance reservation. All common areas are tobacco free environments.

- H. **Health Center.** Carol Woods will provide or arrange transfer to the facilities necessary for the medical care and services specified in this Agreement. In this Agreement, the term "Health Center" includes the facilities for outpatient services, assisted living care, and skilled nursing care. A restraint free policy is upheld at all times in Carol Wood's facilities.
- I. **Security.** We will use reasonable care in providing security on the premises of Carol Woods. Carol Woods will provide twenty-four (24) hour security staffing on-site, in the community, as well as emergency call devices and smoke detectors in each residence. You are responsible for locking your Residence and taking appropriate security measures to protect yourself and your personal property. We are not responsible for loss or damage to Your personal property.
- J. **Parking.** Carol Woods will provide and maintain parking areas for Residents and guests. Parking areas will be unassigned except for those for the townhomes.
- K. **Linens.** Carol Woods will furnish and launder bed and bath linens on a regular basis. Carol Woods will also provide washers and dryers for Your personal laundry in each residence or apartment building as well as common laundry facilities in the Health Center and Assisted Living.
- L. **Housekeeping.** Carol Woods will provide housekeeping services on a regular basis to each residence.

You must maintain Your Residence in a clean, safe and sanitary condition. If not, Carol Woods, after notice to You, will maintain the Residence and charge such cost to You.
- M. **Utilities.** Carol Woods will furnish heating, air conditioning, water, electricity and/or gas, as appropriate, sewage disposal, and garbage and trash removal from collection points. Carol Woods provides local telephone service and supplies connection for standard television service. You will be responsible for the cost of long distance telephone calls, which will be billed to You on a monthly basis. If You choose to arrange other television, internet or telephone services beyond what is provided, You may do so at Your own expense and receive no credit.
- N. **Local Transportation.** Carol Woods will provide limited local, scheduled transportation for Residents.

- O. **Taxes.** Carol Woods will pay all real estate taxes assessed on Carol Woods' real property. You will be responsible for all taxes owed by you, including, without limitation, all personal income taxes and taxes assessed on Your personal property.
- P. **Storage.** Additional storage space is provided for each apartment in the central apartment buildings. Garden cottages and townhomes include additional storage areas inside and/or outside of each unit.
- Q. **Activities.** Social, recreational, educational, and cultural activities are provided through an active Resident-directed program.
- R. **Other Services Provided.** You may not engage third parties, including private duty nurses and companions, for services to be rendered within Carol Woods without prior notification to and written authorization by Carol Woods' management. At any point in time, Carol Woods may revoke its authorization for other services provided should Carol Woods determine such third party poses a risk to You or other residents, or such third party fails to comply with any applicable rule or policy issued by Carol Woods. Such revocation shall be in writing and effective immediately or as specified in the writing.

II. **MEDICAL AND OTHER HEALTH CARE SERVICES PROVIDED OR COORDINATED BY CAROL WOODS**

- A. **General.** Carol Woods will furnish or cause to be furnished the following medical and health care services:
 - 1) Medical services provided by primary care physicians who are part of Carol Woods' group practice, and who see You at the Carol Woods' on-site clinic;
 - 2) Medical and surgical services provided by specialty care physicians who have established relationships with Carol Woods, and to whom one of Carol Woods primary care physicians has referred You, in advance, for the specialty care;
 - 3) Hospital acute care and outpatient care services in hospitals which have an established relationship with Carol Woods, when one of Carol Woods' primary care physicians has referred You, in advance, for the necessary care;
 - 4) General nursing and personal care provided in Carol Woods' inpatient health center levels of care;
 - 5) General nursing and personal care provided in a similarly licensed nursing facility when space is not available at Carol Woods, and when coordinated by Carol Woods' medical and nursing staff;
 - 6) Physical, Occupational, and Speech Therapy when ordered by Carol Woods' physicians and provided at Carol Woods Outpatient

Rehabilitation department or in an inpatient setting in the Health Center.

For those services provided by Carol Woods that are covered by Medicare, We will accept Medicare Assignment, billing Medicare first and accepting Medicare's allowable reimbursement rates as payment in full. You shall be responsible for amounts allowed by Medicare that are treated as deductibles, co-payments or other cost-sharing amounts imposed by Medicare or Your supplemental insurance.

- B. **Community's Physicians.** Carol Woods will appoint a Medical Director and physicians as needed. They will be responsible for Your medical care, including office visits, medical review, Health Center visits, hospital attendance, and referral to specialists.
- C. **Hospitalization.** When one of Carol Woods' physicians determines that it has become necessary to hospitalize You, the Physician will have the authority to arrange such hospitalization. When the conditions necessitating such hospitalization no longer exist, the Physician will have the authority to arrange for Your discharge and transfer or return to Carol Woods.
- D. **Medical Referrals.** Carol Woods will be responsible for coordinating and following Your medical, surgical and other health care services when such services either (i) are provided by Carol Woods, or (ii) are provided by licensed outside providers to whom You have been referred in writing by one of Carol Woods' physicians for treatment or consultation. Such responsibility will be limited to the specific condition for which referral was made. Carol Woods will not be responsible for secondary referrals or for follow-up visits unless approved in advance by one of Carol Woods' physicians.

Carol Woods cannot be responsible for filing for insurance reimbursement for services provided by other Providers of Your choice. However, Carol Woods will supply the referral provider with Your policy information upon request, and will assist You in overseeing that other Providers are filing with Your insurance diligently, in order to help maximize Your Medicare and supplemental insurance benefits.

- E. **Health Care Insurance Requirements.** You shall be responsible for carrying both Medicare Part A and Medicare Part B insurance coverage, or a substitute policy approved in writing by Carol Woods. You shall also carry a supplemental insurance policy, approved in writing by Carol Woods, which adequately covers the hospital, medical, and skilled nursing deductibles and co-payments required of Your primary insurance plan. Both Your primary and supplemental health insurance policies must recognize Carol Woods as a health care provider; or You assume

the financial responsibility for services provided that otherwise could be covered.

You shall be responsible for ensuring that the health insurance coverage that was approved does not lapse, and You shall provide Carol Woods with evidence of such coverage upon request. If Your health insurance coverage should lapse, Carol Woods may require that You reapply for suitable coverage. If You are unable to obtain adequate new coverage, Carol Woods shall charge You for any costs of medical and other health care services provided that otherwise would have been covered by an approved policy.

- F. Carol Woods' Filing for and Rights to Insurance Benefits.** Carol Woods shall be responsible for filing for reimbursement from Your Medicare and supplemental health insurance plans for covered medical, nursing, and outpatient therapy services when provided by Carol Woods. Carol Woods has a right to the benefits payable under the insurance You carry for services provided by Carol Woods as required in this Agreement, except where costs of care were borne solely by You and not Carol Woods. You hereby authorize Carol Woods to file claims for benefits to which You are entitled under this Agreement and to execute all documents necessary to enable Carol Woods to collect or enforce such claims. If, for any reason, Carol Woods cannot apply directly for benefits payable under insurance required by this Agreement, You agree to make such application and to pay Carol Woods the proceeds received that are due for services provided by Carol Woods.
- G. Automobile Accident Insurance.** If You are a licensed driver, You are responsible for maintaining automobile accident insurance to cover medical costs from automobile accidents causing injury.
- H. Carol Woods' Rights in Case of Injury Caused by a Third Party.** You hereby grant Carol Woods an irrevocable power of attorney to act in Your behalf to recover any claims for compensation from injuries caused to You by a third party.

After Carol Woods has been reimbursed for all costs, expenses, and damages incurred by Carol Woods on Your behalf (including reasonable costs of care Carol Woods may furnish You because of such accident or injury), the balance of any amount recovered on Your behalf from all sources will be paid to You or credited to Your account, or, in the event of Your death, will be paid to Your estate.

III. MEDICAL AND OTHER HEALTHCARE SERVICES EXCLUDED IN THIS AGREEMENT

- A. Use of Medical Practitioners and Facilities Not Referred by Carol Woods. You may engage the services of primary care physicians other than those who are part of the Carol Woods practice, and seek care at other hospital, specialty medical, surgical or allied health services with whom Carol Woods' does not have referral relationships. However, if You do so, it is at Your own expense. Further, Carol Woods will not be liable for any subsequent expenses resulting from such care including, but not limited to, the cost of medical, surgical, hospital or nursing care provided, ordered, prescribed or occasioned by any such practitioner or such facilities.

In situations when Carol Woods medical staff is not involved in the referral to a physician or other health care provider from whom You seek services, it is Your responsibility to require those providers to furnish Carol Woods, promptly in writing and in confidence, with medical information regarding Your condition, diagnosis, medications, and treatment.

You may not engage third parties for medical or other health-related services to be rendered at Carol Woods without prior notification to and written authorization by Carol Woods' management.

- B. Psychiatric Illness, Dangerous Communicable Disease, Drug or Alcohol Abuse. The Community is not designed to care for persons who have an active psychiatric illness, who have a dangerous communicable disease or who are involved with drug or alcohol abuse. Should Carol Woods 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 Carol Woods may transfer You to another facility more suitable.

You will continue to be responsible for payment of the Monthly Fee as if You were at Carol Woods. You will also be responsible for payment of any additional amount needed for Your care at any other such facility. Carol Woods will pay a portion of the cost of Your care in that facility up to an amount equal to Your Monthly Fee. You must pay Your Monthly Fee each month before Carol Woods will take any responsibility for its share of the costs of Your care in the other facility.

- C. Other Excluded Services. Carol Woods will not be responsible for any services not described in paragraph II.A. These excluded services include, but are not limited to payment for prescription and non-prescription medications, refractions, eye-glasses, contact lenses,

audiological tests, hearing aids, dentistry, dentures, dental inlays, incontinent and other personal hygiene supplies, orthopedic appliances, podiatry, chiropractic services, organ transplants, renal dialysis, treatment for alcohol and drug abuse, and diagnosis and therapy for psychiatric disorders.

- D. **Illness or Accident Away from the Community.** If You have an accident or are ill while You are away from Carol Woods, We will have no responsibility to pay for costs resulting from such accident or illness until You return to Carol Woods and become subject to the care of one of Carol Woods' physicians.

IV. **TERMS OF RESIDENCY**

- A. **Rights of Resident.** If You are 65 years of age and Your spouse is at least 55 years of age, You have the right to occupy, use, and enjoy the Residence, common areas, amenities, programs, and services of Carol Woods, as provided in this Agreement, during Your lifetime unless this Agreement is 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 Carol Woods other than the rights and privileges as described in this Agreement.
- B. **Policies and Procedures.** You will abide by Carol Woods' policies and procedures and such amendments, modifications, and changes of the policies and procedures as may hereafter be adopted by Carol Woods.
- C. **Relationships Between Residents and Staff.** Carol Woods is built on mutual respect and instructs its staff to be cordial and helpful to You. The relationship is to remain professional. Employees 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 employees or employees' families is not permitted. You will not employ Carol Woods' employees nor hire former Carol Woods' employees without the prior written consent of management.
- D. **Modifications to Residence.** Modifications to any Residence by You will require prior written approval by Carol Woods of both the plans for the modifications and the firm or individual retained to make such modifications. The firm or individual retained to make the modifications shall be licensed appropriately, and shall carry insurance that adequately protects Carol Woods against the risks of injury or liability occasioned by the work being done on Carol Woods' property. Such modifications will be at Your expense. Approval of such modifications may be conditioned upon Your payment to Carol Woods of a sum sufficient to restore the Residence to its original condition.

- E. **Changes in the Residence.** Carol Woods has the right to change the Residence to meet requirements of any applicable statutes, law, regulation or ordinance. The Residence may not be used in any manner that violates any zoning ordinances or other governmental law or regulation.
- F. **Visitors.** Except for short-term guests, no person other than You may reside in the Residence without the prior approval of Carol Woods.
- G. **Loss of Property.** Carol Woods will not be responsible for the loss of or damage to any property belonging to You due to theft, mysterious disappearance, fire, employee accident, or any other cause. It is understood that You have the responsibility of providing any desired insurance protection covering any such loss.
- H. **Right of Entry.** You hereby authorize employees or agents of Carol Woods to enter the Residence for the purposes of housekeeping, repairs, maintenance, inspection, and in the event of an emergency.
- I. **Representations.** You affirm that the representations made in the Application for Admission, Personal Health History, and Confidential Financial Statement are true and correct and may be relied upon by Carol Woods as the basis for entering into this Agreement. You agree to provide updates of this information in a timely way to Us.

V. **FINANCIAL ARRANGEMENTS**

- A. **Entry Fee.** You agree to pay Carol Woods an entry fee in the amount of \$ _____ as a condition for occupying the Residence (the "Additional Entry Fee"). The Entry Fee is in addition to the entry fee of \$ _____ that You paid under the Early Acceptance Agreement (the "Initial Entry Fee"). Together, (i) the remaining balance after any amortization of the Initial Entry Fee under the Early Acceptance Agreement and (ii) the Additional Entry Fee equal the prevailing entry fee ("Entry Fee") for Your Residence. The Entry Fee is a lump sum payment and will not be increased or changed during the term of this Agreement, except for changes required by state or federal law or regulation, or upon transfer to a larger residence, marriage, or entry of another resident to share the Residence. Your right to a refund of any portion of this Entry Fee is outlined in Section VIII.H. of this Agreement.
- B. **Monthly Fee and Other Charges.** You agree to pay a Monthly Fee for the term of this Agreement. This fee will be payable before the fifth day of each month or within Five (5) Days of the date monthly statements are distributed. The current Monthly Fee associated with the Residence is \$ _____ per month and an additional \$ _____ per month

Initials

Initials

6/1/2011

if a second person occupies the Residence. The Monthly Fee will commence at the Date of Financial Responsibility. It will be paid on a prorated basis for any partial month.

You will be invoiced monthly for services and supplies which may be provided for You beyond that which is included in the Monthly Fee, and those invoices are to be paid by the fifth of the month or within Five (5) Days of the date monthly statements are distributed.

If You fail to make payment within Thirty (30) Days after receiving the monthly statement, Carol Woods may give You written notice that You must make payment within Fifteen (15) Days after receiving such notice. If You fail to comply, We may terminate this Agreement. Carol Woods reserves the right to apply late fees up to the then current legal maximum for any late payment.

- C. Assisted Living or Health Center Charges.** If You need care in Carol Woods' Assisted Living or Health Center facilities, You will be charged an additional daily fee based on the particular level of care and the type of accommodation. This fee is in addition to the Monthly Fee, which You will continue to be charged. The daily charge to You, however, will be discounted significantly to reflect Your prepayment of health care costs in Your Entry Fee and Monthly Fees.

As part of the Entry Fee and Monthly Fee, each Resident receives Fifteen (15) "Free Days" each year, which may be used to cover the additional, discounted per diem charged to You; at either the semi-private or private rate, depending upon Your particular accommodation at the time. Unused Free Days may accumulate over time, with no limit. No credit, however, is provided for Free Days that are never used; nor can Free Days be transferred to another resident. Any Free Days You accumulated while an Early Acceptance Resident will be carried over.

- D. Adjustments in the Monthly Fee and Other Charges.** Carol Woods may adjust the Monthly Fee, Assisted Living, Health Center, and other charges from time to time on the basis of experience or to reflect changes in the cost of achieving the mission or purposes of Carol Woods. Carol Woods agrees that, in the exercise of its discretion, which will be binding on You, Carol Woods will endeavor to maintain all fees and charges at the lowest feasible amounts which, in the judgment of the Board of Directors of Carol Woods, is consistent with sound financial operation and maintenance of the quality of facility, program and service provided.

VI. TRANSFERS, MOVES, RELOCATION, AND CHANGES IN RESIDENCE

- A. **Transfers.** All transfers or moves between Residences are at Carol Woods' sole discretion. Transfers are subject to availability and legal requirements. The terms of payment for refunds resulting from such transfers or moves are described in Paragraph VIII.H.
- B. **Refurbishing Expenses.** If You make a preference move as defined in paragraph VI.E. from one Residence to another, You will be responsible for the cost of refurbishing the Residence vacated. If you make a need-based move or if You move permanently to Assisted Living, the Health Center, an outside facility under III. B., or the hospital, You are only responsible for reversal of Residence Modifications made under IV.D.
- C. **Transfer to a Larger Residence.** If You move to a larger Residence, You will pay an additional Entry Fee amount based on the difference between the Entry Fee of the Residence You are leaving and the Entry Fee of the one into which You are moving. The Entry Fees used in the calculations will be the ones in effect at the time of Your move to the larger Residence. Either the Single or Two person Entry Fees will be applied in the calculations depending upon the number of people that are party to this Agreement at the date of Your move. You will pay the applicable Monthly Fee for the new Residence effective the date of Your move.
- D. **Transfer to a Smaller Residence.** If You move to a smaller Residence, You may receive a refund of a portion of Your Entry Fee. The current Entry Fee of the smaller residence will be amortized in accordance with VIII.H.1. The Entry Fee that was in effect at the date You occupied the Residence You are leaving will be amortized in the same manner. You will be refunded the difference between the two unamortized balances in accordance with VIII.H.2. You will pay the applicable Monthly Fee for the new Residence effective upon the date of Your move.
- E. **Preference Versus Need-Based Moves.** Carol Woods considers a move as "need-based" if the move is conditioned by a change in Your health status or marital status, permanent transfer of a spouse to a higher level of care, or by financial need. If the move is made to another Residence for any other reason, it is considered a "preference move." For any preference move, when occupancy has been 5 years or less, not only will Your Monthly Fee will be adjusted effective the date of the move to the new Residence as outlined in Sections VI.C. and VI.D., but You will also be charged an additional amount equal to three (3) months' Monthly Fee for the residence being vacated to cover partially the costs to Carol Woods of the preference move.
- F. **Sharing Occupancy With a New Resident.** If a non-resident is joining You as a Resident, the additional Entry Fee due is the difference in the

amount actually paid by You for the current Residence and the total Entry Fee due for the same Residence at the double occupancy rate effective at the time double occupancy commences.

A non-resident must apply for admission as a Resident and be approved. If the non-resident is not approved as a Resident, Carol Woods may grant admission with limited rights.

G. Permanent Transfer to Assisted Living, the Health Center, a Special Service Facility, or a Hospital.

Initials

All decisions regarding Your permanent transfer to Assisted Living, Health Center, a special service facility, or to a hospital will be made after consultation with You and, when appropriate, with Your family or designee. Carol Woods' decision will be binding. No Entry Fee adjustment is made with these types of transfers. If You are a member of a couple, and the other person remains in Your Independent Residence, the Monthly Fee will continue to reflect the two-person rate of the Independent Residence. For single residents, or when both members of a couple make a permanent transfer, the Month Fee shall be reduced to the prevailing rate comparable to other singles or couples who have made such a permanent transfer. The lower Monthly Fee takes effect on the date that You release Your previous Residence to Carol Woods for remarketing.

You will remove all personal belongings from the Independent Residence within Thirty (30) Days of transfer and within Two (2) Days of transfer from an Assisted Living or Health Center residence. If You or Your designee is unable to arrange for the removal, Carol Woods has the authority to make the necessary arrangements, place belongings in storage and bill all costs related to such a move to You or Your estate.

If Carol Woods subsequently determines that You can resume occupancy in an Independent Residence or accommodations comparable to those occupied by You prior to such transfer, You will have priority to such accommodations as soon as they become available.

VII. FINANCIAL ASSISTANCE

- A. Carol Woods' Policy.** Carol Woods' policy is that, if the sole reason for non-payment of Your financial obligations to Carol Woods is insufficient funds or other circumstances beyond Your control, Carol Woods will review the matter with You, provided, however, this policy shall not change the right of Carol Woods to expect payment from You or to terminate this Agreement for Your failure to pay, under the terms of this Agreement.

If special financial consideration is determined by Carol Woods to be necessary, Carol Woods may, in its sole discretion, partly or wholly subsidize Your fees provided that such subsidy will not impair Carol Woods' sound financial operation and maintenance of the quality of service provided. Carol Woods may request that You make every effort to obtain assistance from all available resources both private and public.

All determinations regarding financial assistance will be final and binding on You and will be handled as a confidential transaction except for reports required to financial institutions lending moneys to Carol Woods or to regulatory or governmental bodies.

- B. Transfer of Property.** You hereby represent that You have not made and will not make any gift or other transfer of money or personal property, nor pledge Your money or personal property as collateral for another who is not party to this Agreement, to the degree to which the amount transferred or pledged would impair Your ability or Your estate's ability to satisfy financial obligations under this Agreement. If Your fees are subsidized by Carol Woods, You may not sell or otherwise transfer or pledge property without Carol Woods' written consent. Carol Woods may request updated financial information from time to time and/or copies of Your tax returns.
- C. Recovery of Subsidies Provided by Carol Woods.** When You die, if Your fees have been subsidized wholly or partly by Us, Your estate, if any, will be liable to Carol Woods for the full amount of the subsidy You receive for the entire time of residency. This paragraph will apply whether or not You are in residence at the Community at the time of Your death. This Agreement will operate as a lifetime assignment, transfer, and conveyance to Carol Woods of so much of Your property as is necessary to cover such liability. Any amount due Carol Woods under this paragraph may be deducted from any refund payable to You or to Your estate.

VIII. TERMINATION AND REFUNDS

- A. Termination by Resident Prior to Occupancy.** This Agreement may be terminated by You for any reason prior to The Date of Financial Responsibility by giving written notice to Carol Woods. In the event such termination is conditioned by a change in Your health status, You will receive a full refund of the Entry Fee paid less the Administrative Fee (as defined in Your Priority Agreement) and any nonstandard costs that have been incurred by Carol Woods at Your request. If You terminate the Agreement for any reason other than a change in health status, You will receive refund of the Entry Fee, less an acceptance fee equal to 2% of the Entry Fee (the "2% Acceptance Fee") which shall be retained by Carol Woods to cover the costs of the termination.

If You die before occupying Your unit, or if illness, injury, incapacity, or change in marital status occur prior to taking occupancy of Your unit, this Agreement shall be cancelled automatically, and You or Your estate shall receive a full refund of the Entry Fee that You have paid.

- B. Trial Period.** The first Ninety (90) Days of residency at Carol Woods will be considered to be on a trial basis. During this Ninety (90) Day period, You will have the right to terminate this Agreement by serving Carol Woods with written notice. If the termination is conditioned by a change in Your health status, You will receive a full refund of the current Entry Fee paid less the Administrative Fee and any nonstandard costs that have been incurred by Carol Woods at Your request. If You terminate the Agreement for any reason other than a change in health status, You will receive a refund of the Entry Fee less the 2% Acceptance Fee which shall be retained by Carol Woods to cover the costs of the termination.

During the same Ninety (90) Day Trial Period, Carol Woods also has the right to terminate this Agreement based on its judgment that Your physical condition or emotional adjustment will not permit adaptation to Carol Woods' lifestyle. In such event, Carol Woods will refund the full Entry Fee following termination during the Ninety (90) Day trial period. The refund will be made within Thirty (30) Days after the residence is vacated. The Ninety (90) Day Trial Period begins with the Date of Financial Responsibility.

- C. Voluntary Termination After Occupancy.** After the Trial Period, this Agreement may be terminated by You at any time by serving Carol Woods Sixty (60) Days advanced written notice of such termination. You may be entitled to a Pro-rated Refund of the Entry Fee pursuant to Paragraph VIII.H.

If this Agreement is terminated voluntarily, You and Carol Woods may reinstate the Early Acceptance Agreement that had been in effect prior to the Your move to campus upon the mutual written consent of You and

Carol Woods, unless the reason for terminating this Agreement is due to factors that would preclude You from returning to an Early Acceptance relationship with Carol Woods.

- D. Termination Upon Death.** In the event of Your death at any time after occupancy, this Agreement will terminate upon the date of death or the date Your Residence is vacated, whichever is later. Your estate may be entitled to a Pro-rated Refund of the Entry Fee pursuant to Paragraph VIII.H.
- E. Termination by Carol Woods.** Carol Woods may terminate this Agreement at any time if there has been any material misrepresentation or omission made by You in the application forms; if a material change in Your health takes place before the Date of Financial Responsibility; or if You fail to make payment to Carol Woods and Carol Woods gives notice provided for in Paragraph V. B. In such events, You may be entitled to a Pro-rated Refund of the Entry Fee pursuant to Paragraph VIII. H. Carol Woods also reserves the right to terminate the Agreement if You fail to abide by Carol Woods' policies and procedures, breach the terms of this Agreement, or if Your continued presence is considered by Carol Woods to be a serious disruption or threat to the life, health or safety of others. Carol Woods will provide timely advance written notice of termination that is in compliance with prevailing laws, regulations and Carol Woods' policies.
- F. Termination by One of Two Residents Sharing a Residence.** In the event that two (2) Residents occupy a Residence under the terms of this Agreement, upon the permanent transfer to a Health Center or the death of one (1) of such Residents, or in the event of the termination of this Agreement with respect to one (1) of such Residents, the Agreement will continue in effect as to the remaining or surviving Resident and there will be no refund of any portion of the Entry Fee. In the event of one or both Residents transferring to a Health Center, the monthly fee continues to reflect the double occupancy rate. Upon death of one (1) Resident, the surviving Resident will pay the single occupancy rate of the associated residence.
- G. Condition of Residence.** Upon termination of this Agreement, You will vacate the Residence and will leave it in good condition except for normal wear and tear. You or Your estate will be liable to Carol Woods for any cost incurred in restoring the Residence to good condition except for normal wear and tear.
- H. Calculation for Prorated Refunds.**
- 1. Calculation of Refund.** Between the entry fee that You paid when You first became a Carol Woods Resident under the Early Acceptance Agreement, and the additional entry fee that You are

Initials

paying as part of this Residence and Services Agreement Following Early Acceptance, Carol Woods wants to ensure that You receive a full Fifty (50) Months during which you are entitled to refund of a portion of Your entry fees paid. Exhibit A to this Agreement (which is incorporated into and made a part of this Agreement) outlines the specific dates of the applicable agreements, the entry fees paid, the amount of Your entry fees that are currently refundable, and the number of months, rate per month, and amount per month that Your entry fees will decline in refundability hereafter, as of the Date of this Agreement.

2. **Payment.** Payment of any refund due of an Entry Fee may be made only when a new Entry Fee has been paid for Your Residence by a subsequent resident.

IX. RIGHT OF RESCISSION

Notwithstanding anything herein to the contrary, this Agreement may be rescinded by You giving written notice of such rescission to Carol Woods 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, if it is conditioned by a change in Your health status, You will receive a full refund of the Entry Fee, less the Administration Fee. If the rescission is for a reason other than change in Your health status, You will receive a refund of the Entry Fee less the 2% Acceptance Fee which will be retained to cover the costs to Carol Woods of Your rescission following acceptance. You will not be required to move to Carol Woods before the expiration of such Thirty (30) Day period. Any such refund will be paid by Carol Woods within Sixty (60) Days following receipt of written notice of rescission pursuant to this Paragraph.

X. **GENERAL**

- A. **Assignment.** The rights and privileges for You under this Agreement to the Residence, common areas and amenities, and services and programs of Carol Woods are personal to You and may not be transferred or otherwise assigned by You.
- B. **Management of the Community.** The absolute rights of management are reserved by Carol Woods and its Board of Directors. Carol Woods reserves the right to accept or reject any person for residency. Residents do not have the right to determine admission or terms of admission of any Resident.
- C. **Entire Agreement.** This Agreement constitutes the entire Agreement between Carol Woods and You. Carol Woods will not be liable or bound in any manner by any statements, representations, or promises made by any person representing or claiming to represent Carol Woods, unless such statements, representations, or promises are set forth in this Agreement.

This Agreement supersedes all prior and contemporaneous agreements and understandings between You and Carol Woods with respect to such subject matter hereof including, without limitation, the Early Acceptance Agreement.

- D. **Successors and Assigns.** Except as set forth herein, this Agreement will bind and inure to the benefit of the successors and assigns of Carol Woods and Your heirs, executors, administrators, and assigns.
- E. **Rights Subordinate to Mortgage.** Pursuant to the requirements of any lender, You agree that Your rights under this Agreement are subordinate to the right of the lender under any mortgage executed now or in the future by The Chapel Hill Residential Retirement Center, Inc.
- F. **Durable Power of Attorney, Will, Living Will, and Health Care Power of Attorney.** You agree to execute a Durable Power of Attorney designating some competent person as attorney-in-fact. You agree to execute a Will, Living Will, and designate a Durable Health Care Power of Attorney. You will provide Carol Woods with copies of Durable Power of Attorney, Living Will, and Health Care Power of Attorney as well as the location of Your Will upon execution, and within ninety (90) days of assuming financial responsibility.
- G. **Resident Contracted Employees.** If you wish to privately employ outside assistance for any reason, You must obtain the prior written approval of Carol Woods to hire such individual and Your contracted employee must adhere to all Carol Woods policies.. You agree to hold Carol Woods harmless for any claim, damages or other harm arising out

Initials

of Resident's private employment or contracting with any individual(s) or otherwise related to the provisions of such outside services. Carol Woods has the right to require that the Resident immediately terminate the employment or contract with such a person at any time upon written notice to Resident.

- H. **Uncontrollable Interruption of Services.** No breach of Carol Woods' obligations under this Agreement and no liability for injury to Resident or Resident's property shall result from an interruption of, or failure to provide, contracted services due to an act of God or other cause beyond the reasonable control of Carol Woods, specifically including strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood, earthquakes, inclement weather or acts of the Resident. Carol Woods shall make every effort to continue to provide the usual services in such event.
- I. **Confidentiality.** Carol Woods has the responsibility to keep all of the personal, medical and financial information You have supplied to it confidential. You agree that Carol Woods 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).
- J. **Indemnity.** You agree to indemnify, defend and hold Carol Woods 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 private duty nurses. This Section X.J. shall survive the termination of this Agreement.
- K. **Affiliated Corporation.** In compliance with N.C.G.S. § 58-64-25(b)(8), Carol Woods hereby discloses that it has a close affiliation with The Carol Woods Charitable Fund, Inc. ("Charitable Fund"). The Charitable Fund was created by Carol Woods as a Supporting Corporation, whose purpose is to support Carol Woods in its charitable mission. The full Board of the Charitable Fund is appointed by the Board of Carol Woods, and at least half of the Charitable Fund Board is comprised of current members of the Carol Woods Board, as well as Carol Woods' President/CEO and Vice President of Finance/CFO. The Charitable Fund has no responsibility for the financial and contractual obligations of this Agreement. Carol Woods is solely responsible for the financial and contractual obligations of this Agreement.

- L. **Notice Provisions.** Any notices, consents, or other communications to Carol Woods hereunder (collectively "notices") will be in writing and addressed as follows:

The Chapel Hill Residential Retirement Center, Inc.
750 Weaver Dairy Road
Chapel Hill, North Carolina 27514-1502

Your address for the purpose of giving notice is the address appearing after Your signature below.

XI. **MEDIATION AND BINDING ARBITRATION OF DISPUTES**

- A. **Mediation.** You and Carol Woods hereby agree that any claim or dispute relating to this Agreement, or any other matters, disputes, or claims between the two parties shall be subject to non-binding mediation within thirty (30) days of either party making a request in writing to the other. The mediation sessions shall be held at a place agreed upon by both parties, or in the absence of such agreement, at Carol Woods, and shall be conducted according to the mediation rules of the National Arbitration Forum. This Section XI.A. shall survive termination of this Agreement.

Initials

- B. **Arbitration.** You and Carol Woods hereby agree that to the extent permitted by North Carolina law, whether or not mediation is requested by either party, any dispute, claim or controversy, including any that remains unresolved 120 days after an agreement for mediation, arising from or relating to this Agreement, including any dispute arising out of the diagnosis, treatment, or care provided to You, shall be resolved by binding arbitration by an arbitrator agreed upon by both parties. This agreement to arbitrate will be governed by the Federal Arbitration Act. Information may be obtained and claims may be filed at any office of the National Arbitration Forum, at www.arbitration-forum.com or at P.O. Box 50191, Minneapolis, MN 55405.

This Agreement binds all parties whose claims may arise out of or relate to this Agreement or services rendered hereunder, including Your spouse or heirs.

The parties agree and understand that the result of this arbitration agreement is that claims submitted to arbitration, including malpractice claims that You may have against Carol Woods, employees or agents, cannot be brought as a lawsuit in court before a judge or jury, and agree that all such claims will be resolved as described in this section.

You also understand that nothing in this agreement prevents you from contacting regulatory or administrative agencies in relation to services provided by Carol Woods.

The parties agree that costs of arbitration, or of any related litigation, including reasonable attorney's fees of the prevailing party, shall be paid by the other party.

The arbitrators shall have no authority to make legal determinations which are, or are based on, material errors of law, to award punitive damages, or to add to, modify or refuse to enforce any valid and enforceable agreement(s) between the parties. The arbitrator shall make findings of fact and conclusions of law and shall have no authority to make any award that could not have been made by a court of law or that would cause any party to be in violation of any governmental law or regulation. Nothing herein shall prohibit a party to dispute, controversy or claim from seeking equitable relief in a court of law to remain the status quo while a mediation or arbitration is pending.

This Section XI.B. shall survive the termination of this Agreement.

I hereby acknowledge the receipt of the Carol Woods Retirement Community's Disclosure Statement dated _____. I acknowledge that the Disclosure Statement was received prior to the execution of this contract and the payment of the Entry Fee to Carol Woods.

IN WITNESS WHEREOF, Carol Woods has executed this Agreement and You have read and understand this Agreement and have executed this Agreement.

Witness

Resident

Witness

Resident

Your Address

Street Address

City, State & Zip Code

Date

The Chapel Hill Residential Retirement Center, Inc.

Signature, President & CEO

Date

APPENDIX D

The following presents Carol Woods' Interim Financial Statements for the period ending March 31, 2018

CAROL WOODS
CONSOLIDATED STATEMENT OF ACTIVITIES (INCOME STATEMENT) - UNAUDITED
For the Month Ending March 31, 2018

	March			YTD			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Actual	Budget	Variance	Actual	Budget	Variance	% Var
<u>Operating Revenue</u>							
(1) Net Monthly Service Fees - Early Acceptance	107,991	103,376	4,615	314,037	310,128	3,909	1%
(2) Net Monthly Service Fees - CW Campus	1,503,691	1,489,647	14,044	4,518,612	4,465,746	52,866	1%
(3) Entry Fee Amortization - Early Acceptance	15,874	13,865	2,009	47,622	42,163	5,459	13%
(4) Entry Fee Amortization - CW Campus	412,234	317,700	94,534	1,020,183	949,179	71,004	8%
(5) Tertiary Medical Insurance W/O's	(8,228)	(6,183)	(2,045)	(20,641)	(19,089)	(1,552)	8%
(6) Net In-Home Services / Private Duty	67,312	3,548	63,764	108,129	16,191	91,938	568%
(7) Net Revenue in Bldgs 4, 5, 6 & 7	306,153	307,483	(1,330)	774,495	794,067	(19,572)	(3%)
(8) Net Clinic / Rehab Revenue	39,427	55,997	(16,570)	104,899	125,458	(20,559)	(16%)
(9) Dining Services Revenue	24,864	15,780	9,084	51,322	56,430	(5,108)	(9%)
(10) Guest House Revenue	6,664	6,360	304	14,834	14,750	84	1%
(11) Other / Miscellaneous Revenue	25,847	21,755	4,092	92,468	65,517	26,951	41%
(12) Investment Dividends & Interest	127,874	102,367	25,507	328,790	279,762	49,028	18%
(13) Restricted Assets Released for Operations	60,073	36,757	23,316	124,327	110,271	14,056	13%
Total Operating Revenue	2,689,776	2,468,452	221,324	7,479,077	7,210,573	268,504	4%
<u>Operating Expenses</u>							
(1) Early Acceptance	7,839	7,504	(335)	23,249	22,512	(737)	(3%)
(2) In-Home Services / Privaty Duty	39,799	15,341	(24,458)	93,995	51,992	(42,003)	(81%)
(3) Bldgs 4, 5, 6 & 7 (24/7 Facilities)	440,072	434,920	(5,152)	1,353,636	1,319,872	(33,764)	(3%)
(4) Clinic, Rehab & Well-Being	158,398	153,003	(5,395)	481,527	486,740	5,213	1%
(5) Dining Services	406,999	351,900	(55,099)	1,027,421	983,219	(44,202)	(5%)
(6) Housekeeping & Laundry	124,448	116,590	(7,858)	375,537	370,137	(5,400)	(2%)
(7) Maint & Engineering, Grounds, Security/Transport	353,260	363,343	10,083	1,001,482	1,101,323	99,841	9%
(8) Administration	363,444	308,238	(55,206)	1,020,520	1,010,242	(10,278)	(1%)
(9) Directed Charitable & Community Benefit	73,544	71,557	(1,987)	208,978	235,667	26,689	11%
(10) Investment Management Fees & Bank Charges	3,518	3,936	418	91,491	69,470	(22,021)	(32%)
(11) Contingency	0	0	0	8,769	0	(8,769)	100%
(12) LT Debt Expense, Including Net Swap	182,035	154,415	(27,620)	488,207	463,245	(24,962)	(5%)
(13) Depreciation	302,462	306,100	3,638	896,124	916,008	19,884	2%
Total Operating Expenses	2,455,818	2,286,847	(168,971)	7,070,936	7,030,427	(40,509)	(1%)
Net Operating Revenue / (Loss)	233,958	181,605	52,353	408,141	180,146	227,995	127%
<u>Non-Operating Revenue</u>							
(1) Realized Gains/(Losses) on Investments	254,231	61,833	192,398	861,251	185,499	675,752	364%
(2) Undesignated Gift Revenue	95	0	95	31,655	0	31,655	100%
(3) Unrealized Gains/(Losses) on Investments	(743,181)	61,833	(805,014)	(1,676,368)	185,499	(1,861,867)	(1,004%)
(4) Unrealized Gains/(Losses) on Swaps	(114,991)	34,710	(149,701)	909,028	104,135	804,893	773%
(5) Gain/(Loss) on Retirement of Fixed Assets	(95,681)	(25,000)	(70,681)	404,558	(75,000)	479,558	(639%)
(6) CW Charitable Fund Revenue	12,554	15,000	(2,446)	25,156	15,000	10,156	68%
Other Non-Operating Revenue	(686,973)	148,376	(835,349)	555,280	415,133	140,147	34%
<u>Non-Operating Expenses</u>							
(1) CW Charitable Fund Expenses	12,628	17,400	(12,501)	25,128	17,400	(12,501)	(72%)
Total Non-Operating Expenses	12,628	17,400	(12,501)	25,128	17,400	(12,501)	(72%)
Net Non-Operating Revenue / (Loss)	(699,601)	130,976	(830,577)	530,152	397,733	132,419	33%
TOTAL NET REVENUE / (LOSS)	(465,643)	312,581	(778,224)	938,293	577,879	360,414	62%

CAROL WOODS
CONSOLIDATED STATEMENT OF POSITION (BALANCE SHEET) - UNAUDITED
For the Month Ending March 31, 2018

	Carol Woods Retirement Community	Carol Woods Charitable Fund	3/31/2018 Consolidated	12/31/17 Comparison
<u>ASSETS</u>				
<u>Current Assets</u>				
(1) Cash - Operating Funds	237,437	1,687,824	1,925,261	1,984,546
(2) Bond Trustee Funds	2,203,366		2,203,366	1,652,963
(3) Resident Receivables	525,290		525,290	516,093
(4) 3rd Party Receivables	1,284,165		1,284,165	1,159,634
(5) PrePaid Expenses, Inventory & Other	501,813		501,813	527,169
Total Current Assets	4,752,071	1,687,824	6,439,895	5,840,405
Long-Term Investments	64,483,830	0	64,483,830	65,097,315
<u>Property and Equipment</u>				
(1) Land & Land Improvements	6,188,990		6,188,990	6,188,990
(2) Buildings & Building Improvements	78,706,431		78,706,431	78,519,696
(3) Furniture, Furnishings & Equipment	10,138,908		10,138,908	9,637,660
(4) Construction-in-Process	2,300,435		2,300,435	1,798,227
(5) LESS: Accumulated Depreciation	(42,637,543)		(42,637,543)	(41,864,266)
Total Net Property & Equipment	54,697,221	0	54,697,221	54,280,307
<u>Other Long Term Assets</u>				
(1) Other Long Term Assets	118,800		118,800	129,600
TOTAL ASSETS	124,051,922	1,687,824	125,739,746	125,347,627
<u>LIABILITIES</u>				
<u>Current Liabilities</u>				
(1) Vendor Accounts Payable	828,195		828,195	650,267
(2) Accrued Payroll Expenses	1,222,886		1,222,886	1,234,731
(3) Bond Interest Payable	159,870		159,870	150,423
(4) Other Accrued Expenses	471,757		471,757	773,669
(5) Revolving Line of Credit	268,072		268,072	304,555
(6) Current Maturities on Long-Term Debt	2,190,000		2,190,000	2,190,000
Total Current Liabilities	5,140,780	0	5,140,780	5,303,645
<u>Long-Term Liabilities</u>				
(1) Long-Term Debt, Less Current Maturities	39,570,000		39,570,000	39,570,000
(2) LESS: Bond Issuance Costs	(544,716)		(544,716)	(554,588)
Long Term Debt, Net of Issuance Costs	39,025,284	0	39,025,284	39,015,412
(3) Interest Rate Swap Mark-to-Market Value	4,253,661		4,253,661	5,162,689
(4) Deferred Revenue from Entry Fees - Early Acceptance	3,268,310		3,268,310	3,043,932
(5) Deferred Revenue from Entry Fees - On Campus	43,191,801		43,191,801	42,780,515
(6) Other Deferred Revenue & LT Liabilities	1,308,032		1,308,032	1,352,763
TOTAL LIABILITIES	96,187,868	0	96,187,868	96,658,956
<u>NET ASSETS</u>				
<u>UnRestricted Net Assets</u>				
(1) UnDesignated Net Assets	26,109,938	852,616	26,962,554	26,024,260
(2) Board Designated-Resident Assistance	308,876		308,876	308,876
(4) Board Designated-Mission Development	1,316,044		1,316,044	1,316,044
Total UnRestricted Net Assets	27,734,858	852,616	28,587,474	27,649,180
<u>Temporarily Restricted Net Assets</u>				
(1) Temporarily Restricted-Resident Assistance	74,757	338,225	412,982	506,852
(2) Other Temporarily Restricted Net Assets	54,439	496,983	551,422	532,639
Total Temporarily Restricted Net Assets	129,196	835,208	964,404	1,039,491
TOTAL NET ASSETS	27,864,054	1,687,824	29,551,878	28,688,671
TOTAL LIABILITIES AND NET ASSETS	124,051,922	1,687,824	125,739,746	125,347,627

CAROL WOODS
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the Month Ending March 31, 2018

Carol Woods
Retirement Community
& Charitable Fund

Cash Flows from Operations

YTD Increase (Decrease) in Net Assets	938,293
Change in Temporarily Restricted Net Assets	(75,087)

Adjustments to Reconcile Change in Net Assets
To Net Cash from Operations:

ADD: Entry Fee Proceeds	1,723,100
ADD: Depreciation Expense	896,125
LESS: Entry Fee Amortization Revenue	(1,067,805)
ADD: Amortization of Deferred Costs	9,873
Realized (Gain) / Loss on Investments	(861,252)
(Gain) / Loss on Disposal of Property	105,097
Unrealized (Gain) / Loss on Investments	1,676,369
Unrealized (Gain) / Loss on Interest Rate Swaps	(909,029)

(Increase) / Decrease in Current Assets:	
Accounts Receivable	(133,728)
Prepaid Expenses & Inventory	36,156

Increase / (Decrease) in Current Liabilities:	
Accounts Payable	175,530
Accrued Expenses	(301,912)
Other Deferrals	(44,730)

Net Cash from Operations	2,167,000
---------------------------------	------------------

Cash Flows from Investing Activities

Proceeds from Sale of Property & Equipment	509,654
Purchase of Property & Equipment	(1,419,107)
Proceeds from Sale of Investments	3,277,548
Purchase of Investments	(3,987,861)

Net Cash in Investing Activities	(1,619,766)
---	--------------------

Cash Flows from Financing Activities

Principal Payments on LT Debt	0
Escrows to Bond Sinking Funds	(550,404)
Increase / (Decrease) in Revolving Line of Credit	(36,483)
Refund of Entry Fees	(19,632)

Net Cash in Financing Activities	(606,519)
---	------------------

Net Increase / (Decrease) in Cash	(59,285)
--	-----------------

Cash at Beginning of Period	1,984,546
------------------------------------	------------------

Cash at End of Period	1,925,261
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CAROL WOODS
Interim Monthly Financial Statements
As Presented to the Board of Directors
Admission and Census Notes
For the Period Ending 03-31-2018

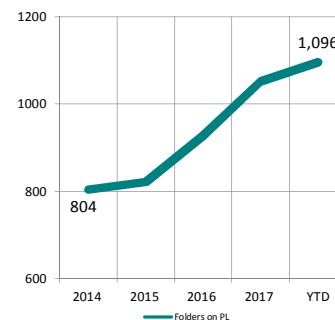
I. Admissions, Deaths and Census Statistics

Since census is a major determinant of monthly service fee revenue as well as revenue in CW's 24/7 health care continuum, the following tables present pertinent year-to-date admissions, deaths and budget-to-actual average census statistics:

A. CCRC Admission & Death Statistics	1st Persons	2nd Persons	Total Persons
Early Acceptance Moves to Campus, Year-to-Date:	0	0	0
New Residents on Campus, Year-to-Date:	6	2	8
New Early Acceptance Residents, Year-to-Date:	5	4	9
Total New Carol Woods Residents, Year-to-Date:	11	6	17
Deaths / Withdrawals, Year-to-Date:	5	4	9
B. Admissions Activity-in-Process:			
Residents <u>Accepted</u> -- Move to Campus is In-Process:	4	1	5
Persons Who Have <u>Reserved</u> Units for On-Campus Admission:	6	2	8
Residents Who Have Reserved Units for Internal Moves:	0	0	0
Early Acceptance Slots <u>Reserved</u> for Admission to EA:	1	1	2

C. Status of Independent Living Units:	Number of Units	Percent Occupancy
Total Number of Independent Living Units:	313	
Number of Independent Living Units Currently Occupied:	301	96.2%
Number of Units Reserved, Pending Admission:	10	
Number of Units Occupied and Reserved:	311	99.4%
D. Status of Priority List (PL):		
YTD Number of New Deposits / (Deposit Refunds):	64	(10)
Number of Folders on Priority List (<u>Including</u> Early Acceptance):	1,096	

Folders on PL



	Current Census as of: 3/31/2018	Actual Average Year-to-Date		Budgeted Average Year-To-Date	
		Average # Residents Per Day	Average Percent Occupancy	Average # Residents Per Day	Average Percent Occupancy
No. of Residents in Apartments / Cottages:	406	415	97.1%	412	95.8%
No. of Residents <u>Permanently</u> in Health Ctr / Assisted Living:	85	79		76	
Total CW Residents on Campus:	491	494		488	
No. of Residents in Early Acceptance:	117	114		112	
Total CW Residents:	608	608		600	
No. of Couples on Campus:	116	118		117	
Occupancy in Assisted Living & Nursing Facilities (Bldgs 4-7):	99	97	81.3%	93	77.8%
		YTD Actual		YTD Budget	
Free Days Used by Carol Woods' Residents:		1,587		1,851	264
Free Day CCRC Contractual Write Offs:		(\$158,076)		(\$189,899)	\$31,823

CAROL WOODS
Interim Monthly Financial Statements
As Presented to the Board of Directors
Revenue and Expense Notes
For the Period Ending 03-31-2018

II. Revenue Notes

A. Monthly Service Fee Revenue		Actual	Budgeted	Difference		NOTES
Net Monthly Service Fee Revenue	4,832,649	4,775,874	56,775	1.2%		
<u>Average</u> Number of Residents on Campus	494	488	6	1.2%		5 scheduled to move to campus in next 3 to 4 months
<u>Average</u> Number of Residents -- Early Acceptance	114	112	2	1.8%		117 Early Acceptance residents + 3 reservations vs. 112 budgeted
B. Entry Fee Amortization Income		Actual	Budgeted	Difference		NOTES
On-Campus Entry Fee Amortization (Year-to-Date)	854,941	806,178	48,763	6.0%		Prorated YTD Amortization of entry fees of <u>491</u> current residents.
Early Acceptance Entry Fee Amortization (YTD)	47,622	42,163	5,459	12.9%		Prorated YTD Amortization of entry fees of <u>117</u> current EA residents.
Entry Fee Income from Contract Termination	<u>165,242</u>	<u>143,001</u>	<u>22,241</u>	15.6%		<u>04</u> actual contract terminations YTD vs. <u>22</u> budgeted for full year.
Total Revenue from Amortization	1,067,805	991,342	76,463	7.7%		\$32,781 / Termination Actual vs. \$26,000 / Termination Budgeted
C. Health Center Revenue, Net of Expenses		Actual	Budgeted	Difference		NOTES
Revenue in Higher Levels of Service, <u>Net</u> of Expenses	(579,141)	(525,805)	(53,336)	-10.1%		Under CCRC Type B Contract monthly fees & entry fees help support direct costs of higher levels of service.
D. Investments & Investment Income		Actual	Budgeted	Difference		NOTES
Portfolio Value, January 1st	65,097,315	61,826,000	3,271,315	5.3%		
Current Portfolio Value	64,483,830	62,630,000	1,853,830	3.0%		-0.9% Actual returns YTD vs. 1.3% YTD Budget **
Dividends & Interest	328,790	279,762	49,028	17.5%		** <u>5.0%</u> annual return is CW's <u>long-term</u> benchmark.

III. Expense Notes

A. Selected Operating Expenses, YTD		Actual	Budgeted	Difference		NOTES
Total Regular / Overtime Wages Paid	2,604,000	2,514,179	(89,821)	-3.6%		Wages & Benefits represent over 50% of CW's total costs (Wages YTD reflective of <u>06</u> of 26 Pay Periods)
Total Paid Time Off (PTO) & Holiday Benefits Paid	237,705	261,949	24,244	9.3%		Includes -\$24,473 Sick / Funeral Pay negative variance
Payroll Taxes & Employee Benefits	828,592	793,714	(34,878)	-4.4%		Includes employer FICA, group insurance (medical, dental, LT disability, life) & 401(a) retirement accrual
Utilities, Including Telephone & Cable	332,960	312,978	(19,982)	-6.4%		
Insurance- Property, Liability, Auto, Workers Comp	83,571	96,861	13,290	13.7%		
Building & Equipment Refurbishment & Repair	221,863	365,915	144,052	39.4%		
Food & Beverages <u>Net</u> of Dining Revenue	384,183	348,240	(35,943)	-10.3%		
Depreciation Expense	896,124	916,008	19,884	2.2%		
Other Operating Expenses (excluding debt & deprec)	993,731	957,338	(36,393)	-3.8%		
B. LT Debt		Actual	Budgeted	Difference		NOTES
(1) Outstanding Balance on 2010 & 2012 Bonds	41,760,000	41,760,000	0	0.0%		\$2,190,000 in Bonds to be redeemed on 4/1/2018
(2) Bond Interest, Net Swaps, Bond Fees & Bond Amort	488,207	463,245	(24,962)	-5.4%		Includes Bond Amortization expense and bond fees
(3) YTD Interest Rate, Annualized (plus fees & amort)	4.68%	4.44%	-0.24%			LT debt expense in Line B(3), annualized, and divided by <u>average</u> outstanding debt throughout the year.

CAROL WOODS
Interim Monthly Financial Statements
As Presented to the Board of Directors
Balance Sheet, Cash Flow and Summary Notes
For the Period Ending 03-31-2018

IV. Notes to Balance Sheet & Cash Flow Statement

A. Key Cash Flow Measures

To the degree to which CW can apply new entry fees to operations and debt payments, and otherwise manage its day-to-day cash flow, it enables dividends and interest from investments to be reinvested. The tables below present some key cash flow statistics, and indicate that Carol Woods has not had to withdraw any funds from its investment portfolio; covering cash flow needs with cash flows from operations.

YTD Operating Cash Flows	In Flows	(Out Flows)
Net New Entry Fees Received / (Refunded)	1,723,100	(19,632)
Additional Capital Expenditures		(1,419,107)
Net Borrowing / (Repayment) of ST Credit		(36,483)
Principal Payments on LT Debt (Escrowed)		(547,500)
Net Cash Flows through Operations	(299,622)	

YTD Investment Cash Flows	In Flows	(Out Flows)
Interest & Dividends, Reinvested	328,790	
Investment Fees		(127,159)
Transfers To / (From) Investments		
Realized & Unrealized Gain / (Loss)	(815,117)	
Net Change in Investments	(613,486)	

B. Other Balance Sheet Notes	3/31/2018	12/31/2017	Change		NOTES
2009 Swap Mark-to-Market (MTM) Valuation	(1,853,807)	(2,301,548)	447,740	19.5%	Swap pays 3.153% fixed; receives 68% of 1-month LIBOR variable
2005 Swap Mark-to-Market (MTM) Valuation	<u>(2,399,853)</u>	<u>(2,861,142)</u>	461,289	16.1%	Swap pays 3.48% fixed; receives 65% of 1-month LIBOR variable
Total Swap Mark-to-Market Valuations	(4,253,660)	(5,162,689)	909,029	17.6%	Historically low LIBOR rates result in swaps valued "underwater"
1-Month LIBOR:	1.80%	1.49%	0.31%	20.8%	1-month LIBOR is above 10-Year rolling average of <u>0.55%</u>

V. Summary

- (1) **Net Operating Revenue.** Operationally, through 3 months, CW shows a net operating gain of \$408,141 against a budgeted gain of \$180,146. Operating revenue, including investment dividends & interest, shows a positive variance of \$268,504 (3.7%). Operating expenses show a negative variance of -\$40,509 (-0.6%).
- (2) **Non-Operating Revenue & Total Net Revenue.** The investment portfolio YTD shows realized gains of \$861,251 but unrealized losses of -\$1,676,368. The investment portfolio has lost -0.9% YTD. YTD CW shows an unrealized gain on its 2 interest rate swaps of \$909,028, reflective of prevailing interest rates.
- (3) **Assets.** CW's Total Assets have increased YTD by \$392,119 (0.3%). Investments decreased -\$613,485. The only withdrawals from the portfolio to date have been to pay investment management fees. Net property and equipment has increased \$416,914 (0.8%). CW has invested \$1,419,107 in capital improvements, while existing fixed assets have been depreciated by \$896,124.
- (4) **Liabilities.** CW's outstanding long-term debt is scheduled to decreased by -\$2,190,000 on 4/1/2018 as \$1,095,000 of both series of bonds are redeemed. Deferred Revenue from Entry Fees has increased \$635,664 (1.4%). \$1,723,100 in net new entry fees received have been offset by \$1,067,805 in entry fees amortized to revenue. \$19,632 of previous entry fees received have been refunded. The outstanding balance on CW's \$3 MM short-term line of credit was \$268,072. CW uses its line of credit to cover short term fluctuations in operational cash flow.
- (5) **Net Assets.** Over the course of the year, CW's net assets have increased by \$863,207 (3.0%). Assets have increased \$392,119, and liabilities have decreased by -\$471,088.

APPENDIX E

The following presents Carol Woods' accreditation and licenses, including:

- (1) 2017 Annual Filing Acknowledgement from NC Department of Insurance
- (2) 2013through 2018 CARF-CCAC Accreditation Certification
- (3) 2018 Combination Nursing Facility and Adult Care Home License for Building 4 and Building 5
- (4) 2018 Adult Care Home License for 12-Unit Building 6
- (5) 2018 Adult Care Home License for 1-Unit Building 7
- (6) 2018 Home Care License for Canopy of Carol Woods, LLC



MIKE CAUSEY • COMMISSIONER

ALTERNATIVE MARKETS | SPECIAL ENTITIES

Tel 919.807.6140 Fax 919.807.6638

June 22, 2017

Ms. Patricia Sprigg
President/CEO
Carol Woods
750 Weaver Dairy Road
Chapel Hill, NC 27514-1438

Re: Carol Woods – 2016 Annual Filing Requirements Met

Dear Ms. Sprigg:

This letter shall serve as notification that:

1. The annual disclosure statement filing for Carol Woods has been received by the North Carolina Department of Insurance; and
2. Carol Woods has met the annual filing requirements as set forth in GS § 58-64-5(f) and GS § 58-64-30.

Please contact me at 919-807-6614, or via e-mail at Steve.Johnson@ncdoi.gov should you have any questions.

Sincerely,

Steve Johnson
Manager - Special Entities
Alternative Markets Division
North Carolina Department of Insurance

cc: Mr. Kenneth C. Reeb, Vice President of Finance/CFO-Carol Woods

carf INTERNATIONAL

*Carol Woods Retirement Community
Chapel Hill, North Carolina*

*has earned accreditation as a
Continuing Care Retirement Community*

*This accreditation is valid through
December 2018*

*The accreditation seals in place below signify that the organization has met annual
conformance requirements for quality standards that enhance the lives of persons served.*



This accreditation certificate is granted by authority of:

Kayda Johnson
Chair
CARF International Board of Directors

Brian J. Boon, Ph.D.
President/CEO
CARF International

carf

carfccac

carf CANADA

State of North Carolina

Department of Health and Human Services Division of Health Service Regulation

Effective January 01, 2018, this license is issued to

The Chapel Hill Residential Retirement Center Inc

to operate a nursing facility known as

Carol Woods

located in Chapel Hill, Orange County

*This license is issued subject to the statutes of the
State of North Carolina, is not transferable and shall expire
midnight December 31, 2018.*

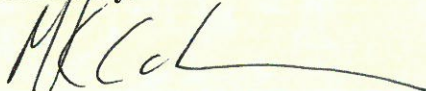
Facility ID: 923061

License Number: NH0258

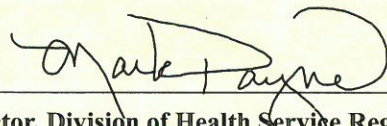
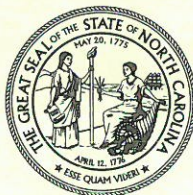
Bed Capacity: 95

Nursing Facility Beds 30 / Adult Care Home Beds 65

Authorized by:



**Secretary, N.C. Department of Health and
Human Services**



Director, Division of Health Service Regulation

State of North Carolina

Department of Health and Human Services Division of Health Service Regulation

Effective January 1, 2018, this license is issued to

Chapel Hill Residential Retirement Center Inc

to operate an Adult Care Home known as

The Carol Woods Retirement Community - Building 6

*located at 750 Weaver Dairy Road
Chapel Hill, NC, Orange County.*

*This license is issued subject to the statutes of the State of North
Carolina, is not transferable and shall expire
December 31, 2018.*

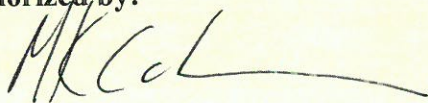
License Number: HAL-068-020

**** This home serves only elderly persons. ****

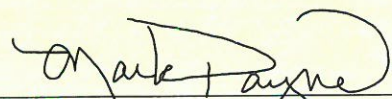
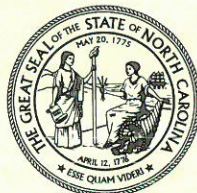
Capacity: 12

Special Care Units: ☐ Yes ☒ No

Authorized by:



Secretary, N.C. Department of Health and
Human Services



Director, Division of Health Service Regulation

State of North Carolina

Department of Health and Human Services Division of Health Service Regulation

Effective January 1, 2018, this license is issued to

Chapel Hill Resident Retirement Center, Inc

to operate an Adult Care Home known as

Carol Woods Retirement Community - Building 7

located at 750 Weaver Dairy Road

Chapel Hill, NC, Orange County.

*This license is issued subject to the statutes of the State of North
Carolina, is not transferable and shall expire*

December 31, 2018.

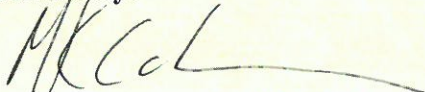
License Number: HAL-068-021

**** This home serves only elderly persons. ****

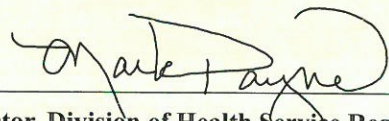
Capacity: 12

Special Care Units: ☐ Yes ☒ No

Authorized by:



Secretary, N.C. Department of Health and
Human Services



Director, Division of Health Service Regulation

State of North Carolina

Department of Health and Human Services Division of Health Service Regulation

Effective February 01, 2018, this license is issued to

Canopy of Carol Woods, LLC

to operate an agency known as

Home Care of Canopy

located at 750 Weaver Dairy Road

City of Chapel Hill, North Carolina.


*This license is issued subject to the statutes of the
State of North Carolina, is not transferable and shall expire
midnight December 31, 2018.*

Facility ID: 110559

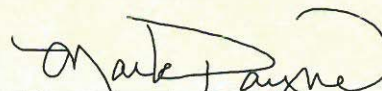
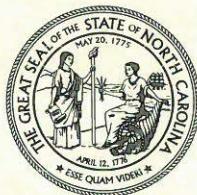
License Number: HC4428

Home Care Services: In-home Aide , Companion, Sitter, Respite

Authorized by:



Secretary, N.C. Department of Health and
Human Services



Director, Division of Health Service Regulation

APPENDIX F

The following presents Carol Woods' Philosophy Statement, and Statement of Mission, and Value Statement

THE CAROL WOODS PHILOSOPHY

Revised by the Board of Directors - September 27, 2011

Carol Woods values individual and community well-being, defined as a sense of life satisfaction, meaning and purpose. Success is measured by the quality of life achieved by residents. Personal autonomy and dignity are honored in a safe and secure community conscious of its generous but limited resources.

Carol Woods' approach to well-being, which includes health care, is holistic, proactive and collaborative, integrating a broad array of traditional and emerging modalities and interventions tailored to the unique needs of each person. Each person's life experiences, capabilities and goals are respected and honored. Carol Woods is restraint-free and supports individual choices in end-of-life decisions.

The partnership between staff and residents is fundamental to successful well-being. Mutual respect between residents and staff fosters a natural sense of cooperation and caring. Staff supports residents in making decisions about individual services, healthcare and transitions. Carol Woods encourages open communication and partnership in planning, implementing, and evaluating community initiatives. Open and honest interaction builds relationships of appreciation and trust among residents, families, staff, administration, and the board of directors.

Staff members are supported personally and professionally through high quality education and training to gain a thorough understanding of the aging process and the latest developments on resident focused services to support the community's philosophy.

Carol Woods' commitment to these values builds a strong community that is responsive to changes and extends beyond its own members. Research, education and community service further quality of life for elders in the wider world.

CAROL WOODS STATEMENT OF MISSION

Mission

Carol Woods shall be a charitable, not-for-profit corporation meeting the needs of older adults for housing, health, well-being, and protection of financial security.

The mission of Carol Woods shall be to provide a safe, healthful, and secure environment for persons throughout their later years, as well as to engage in cooperative research, development, and education in areas encompassed by the mission. High quality residential living and health services shall be provided according to individual needs. Residents' ongoing needs to maintain and promote health and well-being shall be supported through the provision of appropriate resources. Carol Woods shall encourage diversity, residents' leadership, participation in and service to Carol Woods and the larger community. Carol Woods shall also foster a high quality work experience for staff and facilitate staff development that embodies the values of the organization.

Intent

To that end, Carol Woods shall:

- a) Obtain, manage, and apply assets and income exclusively for the benefit of older adults, subject to the restrictions and limitations as set forth in its Articles of Incorporation;
- b) Supply for older adults residential facilities and programs that are specifically designed and staffed to support health, well-being and autonomy
- c) Provide, by itself or through continuing arrangements with other organizations, facilities, personnel, and/or services designed to enhance the physical and emotional well-being of older adults;
- d) Continue to maintain in residence any persons who become unable to pay their regular charges due to circumstances beyond their control in accordance with the provisions of the Residence and Service Agreements;
- e) Provide high quality services at the lowest feasible costs; maintain resources of Carol Woods, taking into consideration the payment of indebtedness, maintenance of reserves adequate to ensure the life care of each resident, and to provide physical expansion commensurate with the corporate needs;
- f) Engage in cooperative research, development, and education in areas encompassed by this mission;
- g) Foster a high quality work experience for staff and provide programs that support staff's professional and personal growth as they embody the values and fulfill the mission of the organization;
- h) Engage in providing community leadership and services appropriate to our mission.

VALUE STATEMENT

CHRRC/CAROL WOODS

MISSION

The Chapel Hill Residential Retirement Center (Carol Woods) shall be a charitable, not-for-profit corporation meeting the needs of older adults for housing, health, socialization, and protection of financial security.

The mission of Carol Woods shall be to provide a safe, healthful, and secure environment for persons throughout their later years, as well as to engage in cooperative research, development, and training in areas encompassed by the mission. High quality residential living and health services shall be provided according to individual needs. Residents' ongoing needs for social, cultural, intellectual, emotional, recreational, and spiritual enrichment shall be supported through the provision of appropriate resources, encouragement of residents' leadership, participation in and service to Carol Woods and the larger community.

VISION

The Chapel Hill Residential Retirement Center (CHRRC) strives to serve as a national model for continuing care communities and to be a leader in promoting successful aging throughout the state and the nation.

VALUES

We promote individual growth and fulfillment for both residents and staff through education, research, and recognition of each person's unique contribution. We value social accountability, while maintaining financial and organizational strength of the Carol Woods' community. We embrace collaborative planning among our board, residents, and staff. We strive for a comfortable, relaxed, versatile environment that respects diversity of lifestyles, self-determination, and personal dignity.

We take pride in the shared responsibility of residents and staff in nurturing our community and believe in individual and collective contributions. We value optimal independence and security, a meaningful lifestyle, and the highest quality of health care for every resident. We seek to provide research and education that will enhance the health and care of older adults.

We value excellence, effectiveness, efficiency, and human caring in our employees and affiliated professionals. We embrace initiative, innovation, teamwork, and mutual respect. We seek to keep lines of communication open and to nurture ties outside Carol Woods, enabling contributions to the larger community.

APPENDIX G

The following presents Carol Woods' Board Policy Governing the
Evaluation and Disclosure of Potential Conflicts of Interest

Carol Woods Board of Directors Conduct Policy Statement (Conflict of Interest Policy)

Adopted by the Carol Woods Board of Directors, November 24, 1998

I. Disclosure and Conflict of Interest

Chapel Hill Residential Retirement Center Inc., doing business as Carol Woods, is licensed as a Continuing Care Retirement Center under North Carolina law. The Department of Insurance is responsible for its regulation and the enforcement of relevant state laws.

The law requires that the disclosure statement which Carol Woods files with the Department and provides to prospective residents include information about any business relationships Directors have with residents and with companies doing business with Carol Woods. Additional details of disclosure requirements are outlined in Appendix I. The North Carolina Statute defining Director Conflict of Interest is Appendix II.

It is the policy of Carol Woods that Carol Woods Directors not hold directorships, employment, or other affiliation with any organization whose mission may be in conflict or competition with that of Carol Woods or that threatens the autonomy of Carol Woods.

Residents may have business relationships with Directors or with organizations that Directors may control, be employed by, and/or are otherwise affiliated with. Carol Woods does not endorse or encourage residents to do business with such Directors or organizations and is not involved in establishing continuing relationships between residents and Directors.

No Director shall engage in any activity in relation to Carol Woods that is likely to be materially beneficial to that person without prior knowledge of the Executive Committee of the Board of Directors. Any Director who provides goods or services to a resident of Carol Woods should inform the Executive Committee of the Board of Directors of that fact.

It is the policy of Carol Woods that if a possible conflict of interest is identified by any Director, he or she will not participate in discussion nor vote on that particular issue.

The resolution of any apparent conflict of interest shall be reached by consensus among the Directors. If consensus cannot be reached the procedure in the N. C. Statute 55A-8-31 will be applied. (See Appendix II)

2. Confidentiality and General Conduct

No Director shall disclose any confidential information about Carol Woods.

No present or former Director shall ask or expect special favors or consideration from the President/CEO or any staff member by virtue of present or prior Board membership.

No Director shall ever instruct a staff member in the performance of his or her duties. Any advice of that sort should be directed to the President/CEO. Directors should address all questions about operations only to the President/CEO.

This policy shall be discussed with Director candidates before the Nominating Committee presents them for the Carol Woods Board of Directors.

The policies in this statement shall also apply to immediate family members of Directors. (See Appendix III)

This policy shall be reviewed annually. Each Director will be asked to update any information as necessary. This statement will include disclosure of any organizational relationship or other activity or interest that might possibly constitute a conflict of interest. (See Appendix IV)

Appendix I

Disclosure Requirements

Board of Directors

Management

- a. A description of the business experience of this person, if any, in the operation or management of similar facilities;
- b. The name and address of any professional service firm, association, trust, partnership, or corporation in which this person has, or which has in this person, a ten percent (10%) or greater interest and which it is now intended shall currently or in the future provide goods, leases, or services to the facility, or to residents of the facility, of an aggregate value of five hundred dollars (\$500.00) or more within any year, including a description of the goods, leases, or services and the probably or anticipated cost thereof to the facility, provider, or residents or a statement that the cost cannot now be estimated; and
- c. A description of any matter in which the person (I) has been convicted of a felony or pleaded nolo contendere to a felony charge, or been held liable or enjoined in a civil action by final judgment, if the felony or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property; or (II) is subject to a currently effective injunctive or restrictive court order, or within the past five years, had any State or federal license or permit suspended or revoked as a result of an action 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 facility subject to this Article or a similar law in another state.

Appendix II

North Carolina Statute

§55A-8-31. Director conflict of interest.

(a) A conflict of interest transaction is a transaction with the corporation in which a director of the corporation has a direct or indirect interest. A conflict of interest transaction is not voidable by the corporation solely because of the director's interest in the transaction if any one of the following is true:

- (1) The material facts of the transaction and the director's interest were disclosed or known to the board of directors or a committee of the board and the board or committee authorized, approved, or ratified the transaction;
- (2) The material facts of the transaction and director's interest were disclosed or known to the members entitled to vote and they authorized, approved, or ratified the transaction; or
- (3) The transaction was fair to the corporation.

(b) For purposes of this section, a director of the corporation has an indirect interest in a transaction if:

- (1) Another entity in which he has a material financial interest or in which he is a general partner is a party to the transaction; or
- (2) Another entity of which he is a director, officer, or trustee is a party to the transaction and the transaction is or should be considered by the board of directors of the corporation.

(c) For purposes of subdivision (a)(1) of this section, a conflict of interest transaction is authorized, approved, or ratified if it receives the affirmative vote of a majority of the directors on the board of directors (or on the committee) who have no direct or indirect interest in the transaction, but a transaction shall not be authorized, approved, or ratified under this section by a single director. If a majority of the directors who have no direct or indirect interest in the transaction vote to authorize, approve, or ratify the transaction, a quorum is present for the purpose of taking action under this section. The presence of, or a vote cast by, a director with a direct or indirect interest in the transaction does not affect the validity of any action taken under subdivision (a)(1) of this section if the transaction is otherwise authorized, approved, or ratified as provided in that subdivision.

(d) For purposes of subdivision (a)(2) of this section, a conflict of interest transaction is authorized, approved, or ratified by the members if it receives a majority of the votes entitled to be counted under this subsection. Votes cast by or voted under the control of a director who has a direct or indirect interest in the transaction, and votes cast by or voted under the control of an entity described in subdivision (b)(1) of this section, shall not be counted in a vote of members to determine whether to authorize, approve, or ratify a conflict of interest transaction under subdivision (a)(2) of this section. The vote of these members, however, is counted in determining whether the transaction is approved under other sections of this Chapter. A majority of the votes, whether

or not present, that are entitled to be cast in a vote on the transaction under this subsection constitutes a quorum for the purpose of taking action under this section.

(e) The articles of incorporation, bylaws, or a resolution of the board may impose additional requirements on conflict of interest transactions. (1985 (Reg. Sess., 1986), c. 801, s.26; 1993, c. 398, s. 1.)

Appendix III

Immediate family includes spouse, children, parents, grandparents, grandchild, brother, sister, step and adoptive relatives and spouses of each.

Appendix IV

Carol Woods Board of Directors

Statement of Conflict of Interest

I acknowledge receipt of a copy of the Carol Woods policy concerning Conflict of Interest.

As a part of the annual disclosure procedure, I list the following business or organizational affiliations or other activity or interest which might possibly constitute conflict of interest. Note "none" if applicable.

Signed: _____

Date: _____