

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

750 Weaver Dairy Road
Chapel Hill, NC 27514



Disclosure Statement
May 1, 2023

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 26, 2024;**
- **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 nor representative to ensure accuracy or completeness of the information set out. (North Carolina statutes do not provide for such governmental approval.)**

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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 non-profit corporation. The community includes a single campus located at 750 Weaver Dairy Road in Chapel Hill, North Carolina. The corporation generally uses the registered 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' Statement of Mission, Vision, Values and Philosophy is 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 designated 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 residences and supportive services for elderly persons.

The Charitable Fund can accept charitable donations for which the donor may receive a tax deduction. 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. This structure ensures cohesion between the two organizations.

The financial statements of the Charitable Fund 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). The Charitable Fund is not 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.

Carol Woods is also a voting member of Unity Senior Care Group, LLC. (Unity Senior Care). Unity Senior Care is a limited liability corporation created to help financially strong, like-minded non-profit Continuing Care Retirement Communities in North Carolina and South Carolina renew insurance policies as a bigger group, and share risk management best practices. Currently Unity Senior Care has 18 CCRC members.

Pursuant to NCGS §58-64-20(a)(4), aside from its affiliation with the Carol Woods Charitable Fund, and its membership in Unity Senior Care -- 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 (CARF). 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, 2013, and most recently in 2019. Each 5-year reaccreditation involves an intensive evaluation process and an on-site visit conducted by a team of experienced 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 2023).

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 – referred to collectively as its Higher Levels of Support).

Carol Woods also carries a home care license from the North Carolina Division of Health Service Regulation. Between its own home care license, and its referral relationship with other local home care providers, 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 to participate in the Medicare program, as are Carol Woods' primary care medical clinic and outpatient rehabilitation department.

F. Credit Rating

Since 2000, Carol Woods has maintained a credit rating from Standard & Poors (S&P). Between 2000 and 2019 its rating was A. In 2019, S&P upgraded Carol Woods' rating to A+. Carol Woods is among only a handful of retirement communities that have a rating of "A+" or better. S&P reviews Carol Woods' financial position every year, taking into consideration such factors as strength of Board and senior management, market conditions, and financial projections. Its A+ rating was reaffirmed most recently in March 2023.

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 315 residential living units on campus, comprised of the following:

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

There is a 60-residence health center on site and 3 adult care home facilities with licensed capacity for 59; collectively referred to as Higher Levels of Support (HLOS).

As of March 31, 2023 Carol Woods had 485 residents living on campus, and 117 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 / business center, craft rooms / craft shop) and offices. The campus is accessed by vehicle 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 (EA) 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 Carol Woods Board determines the total number of persons accepted to the Early Acceptance program, guided by the numbers of residents living on campus and the projected actuarial capacity of Carol Woods' Higher Levels of Support facilities. Sections III, IV and V of this Disclosure Statement describe in more detail the Early Acceptance program. The 5-year financial projections in Appendix B present assumptions about average census in the Early Acceptance program over the next five years, and the financial implications.

B. Board of Directors

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

There are 17 voting Board members and 3 non-voting ex-officio members -- of whom one is the President / CEO, and two are members of the elected Council of the Residents Association. The Board nominates and elects voting members 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.

Richard Blankenship (Chair)

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 previously completed two consecutive terms on the Board that ended in 2014, including service on the Finance Committee and as Board Chair.

Per NCGS §58-64-20(a)(3)(b) the firm in which Mr. Blankenship is a partner, Franklin Street Partners, at the above address, may provide services to residents of Carol Woods, the anticipated cost of which cannot be estimated.

Jess Aylor (Vice Chair)

104 Palomar Point
Chapel Hill, NC 27516

Education: Master of Public Administration, University of North Carolina at Chapel Hill, Bachelor of Arts from University of Virginia. Jess Aylor is an independent consultant for non-profits and foundations, specializing in social impact, organizational development, and philanthropy. She was formerly Vice President of Community Engagement at Triangle Community Foundation, where she led programs and partnerships to improve the quality of life in the Triangle region, especially for marginalized residents. Jess has more than 20 years of experience in philanthropy, higher education, the arts, and community economic development in North Carolina and Virginia. She is a classical violinist and an avid community volunteer with Girl Scouts, Chapel of the Cross, and Northside Elementary. Jess has also served on numerous local non-profit boards and advisory committees, including NC Data Works, Chapel Hill Cooperative Preschool, the Institute of Political Leadership, PTA Thrift Shop, Durham Innovation Council, Triangle J Council of Governments, and Kidznotes. She is a recipient of the Triangle Business Journal's Top 40 Under 40 Award and Business Leader Magazine's Women Extraordinaire Award; and a graduate of Leadership Triangle and Leadership Chapel Hill-Carrboro. Jess is a native of North Carolina and proud to be raising two lively children in Chapel Hill with her fellow Wahoo husband David.

Larry McManus (Treasurer)

1525 East Franklin Street
1st Floor, Suite 5B
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 a financial advisor at LFM Wealth Management since 2018 and prior was one of founders/owners of TEAM Wealth Investments since 2003. Larry's work experience includes extensive international management experience in Asia, Japan and Europe including Mergers 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 has served as a Chairman of Cub Scout Pack 283, various leadership roles with Boy Scouts of America in Orange County, and has served as Stewardship Chair and on the Endowment Committee at Binkley Baptist Church.

Per NCGS §58-64-20(a)(3)(b) the firm in which Mr. McManus is a partner, LFM Wealth Management, at the above address, may provide services to residents of Carol Woods, the anticipated cost of which cannot be estimated.

Audrey Galloway (Secretary)

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 has 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 and Alpha Kappa Alpha Sorority.

William (Bill) Blackman

113 Black Oak Place
Chapel Hill, NC 27517

Education: Bachelor of Science in Accounting from the University of North Carolina at Chapel Hill. Bill Blackman is a former Certified Public Accountant, having retired from a 47-year career in 2008. Bill is a founding partner of Blackman & Sloop, CPAs, which he started in 1973 in Chapel Hill. He is an active community volunteer with more than 45 years of service in local non-profit, civic and religious organizations. Among his volunteer contributions, Bill has served in leadership positions with the NC Association of CPAs, on the Board of Directors of Orange Federal Savings and Loan, as a past president of the East Chapel Hill Rotary Club, an elder at the University Presbyterian Church, and a member of the Board of Visitors at UNC Children's Hospital. He also played an instrumental role in the establishment of SECU Family House at UNC Hospitals as a founding member of the Board of Directors, and has contributed nearly 20 years of service through various terms on the Board of Directors of Carol Woods Retirement Center. Bill is a native North Carolinian, and lives in Chapel Hill with Lee, his wife of 50 years. He is proud to claim two daughters and one granddaughter.

Per NCGS §58-64-20(a)(3)(b) the firm in which Mr. Blackman was a founding partner, Blackman & Sloop, may provide services to residents of Carol Woods, the anticipated cost of which cannot be estimated

Delores Bailey

203 North Graham Street
Chapel Hill, NC 27516

Education: BS in Behavioral Science, NC Central University. EMPOWERment Inc. is a non-profit located in Orange County, NC whose mission has been to "empower individuals and communities to determine their destiny through affordable housing, community organizing and grass roots economic development" since 1996. Delores

joined the staff as Community Organizer in 2002. She soon became Associate Director in charge of community engagement, rental properties and marketing. In May 2005 she became Executive Director. Ms. Bailey worked diligently with the Northside neighborhood of Chapel Hill, NC to create an overlay zone that addressed the concerns of gentrification in this traditional African American, low wealth neighborhood. A Conservation District was established that has been the model for several other older neighborhoods in the Chapel Hill area. Ms. Bailey was an active participant in that process. EmPOWERment Inc. operates a small business incubator that caters to minority and women owned businesses. Created in 2001, The Midway Business Center was the first small business incubator created in Orange County, NC. It has been responsible for the creation of over 400 start-up businesses. Under her oversight of EmPOWERment Inc, it has become one of the largest non-profit property owners of affordable rental units in Orange County, NC. In 2021 the rental properties grew to 64. EMPOWERment Inc. was named "Landlord of the Year" and voted "Non-Profit of the Year" by the Chapel Hill/Carrboro Chamber of Commerce. Ms. Bailey has helped develop other community focused groups such as: Orange County's Justice United, the Family Success Alliance, and the Third Sector Alliance. She is currently a board member of: The Martin Luther King Jr. University/ Community Planning Corporation, Kidzu Museum, Triangle United Way and The Chapel Hill-Carrboro NAACP.

Susan (Sue) Coppola

710 Greenwood Road
Chapel Hill, NC 27514

Education: Post-Professional Doctor of Occupational Therapy – 2017 Doctoral Project: Development of a Humanities-Informed Occupational Therapy Course on Aging Boston University, Boston, MA, Master of Science in Occupational Therapy – 1985 University of North Carolina at Chapel Hill Thesis: Current practice of occupational therapists in augmentative communication, Bachelor of Science in Education – 1979 Syracuse University, Syracuse, New York. Special Education Interrelated Program. Sue is currently Clinical Professor, Division of Occupational Science and Occupational Therapy and Director of Global Partnerships, Department of Health Sciences, UNC School of Medicine.

Stephen Elkins-Williams

100 Black Oak Place
Chapel Hill, NC 27517

Education: MDiv, Regis College, Toronto. BA, Philosophy, Gonzaga University, Washington. Mr. Elkins-Williams is retired, having been the Rector of the Chapel of the Cross, an historic Episcopal parish in Chapel Hill since 1985. During his tenure, he led the parish in extensive community outreach, including campus ministry, the Inter-Faith Council, a Habitat for Humanity Partnership, prison ministry, refugee resettlement, global mission, and a multi-year sister parish relationship with St. Paul, AME.

John P. (Jack) Evans

208 Laurel Hill Road
Chapel Hill, NC 27514

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.

Josh Gurlitz

308 West Rosemary Street, Suite 302
Chapel Hill, NC 27516

Education: Master's degree in Architecture from Syracuse University in 1976. A licensed architect and owner of JGA Architects, an Architectural firm located in Chapel Hill. He has been practicing architecture in Chapel Hill since 1979. He has been active in local government public service initiatives including: Chair of the Chapel Hill Historic District Commission; Chair of the Chapel Hill Appearance Commission; Chapel Hill Comprehensive Plan Ten Year Committee member for 1990, 2000 and 2012; Downtown Commission, Founding Member; Chair of the Mayor's Committee on the Downtown; Northside Small Area Plan committee; Chair of the Town of Chapel Hill Sustainability Committee. Freedom House Board Member and Chair; Insight-Board Member; Orange Community Housing and Land Trust, Founding Member; North Carolina State Legislature, Smart Growth Commission; Chapel Hill Museum, Board Member; Chapel Hill/Carrboro Chamber of Commerce, Board Member; EENP, Board Member and current Chair. Josh has been recognized by the American Planning Association as "Citizen Planner of the Year in North Carolina". He has been honored by the Secretary of the (former) U.S. Dept. of H.E.W. for his "Contributions to a Barrier Free Environment". This honor was in recognition of his role in developing the ANSI A117.1 publication "Making Buildings and Facilities Accessible to and Useable by the Physically Handicapped" currently the basis for ADA compliance. Mr. Gurlitz' architectural firm has successfully completed many significant projects in the Chapel Hill area. These include the Chapel Hill Public Library, the Franklin Hotel, the Fountains, Project Architect for Meadowmont, Fire Station #4 for the Town of Chapel Hill, Chapel Hill Aquatic Center, Greenbridge, the Bouncing Bulldogs, Montessori Community School, Performance Auto Mall and many others.

Per NCGS §58-64-20(a)(3)(b) the firm in which Mr. Gurlitz is a partner, JGA Architects, at the above address, may provide services to residents of Carol Woods, the anticipated cost of which cannot be estimated.

John Hawkins

312 West Franklin Street
Chapel Hill, NC 27516

Education: He is a graduate of Amherst College (1975 – CA in English Literature and Journalism), and the University of Minnesota (1980 – Bachelor of Architecture). John opened his architecture practice in downtown Chapel Hill on West Franklin St. in 1994. Since then, he has been involved in the design of a broad range of projects for primarily educational and institutional clients, including numerous renovations and building additions at several campuses in the UNC system. As an extension of his professional activities, he has contributed articles, columns, and essays to local and national publications on topics related to architecture, design and planning. He also maintained an active participation in community and university planning and preservation initiatives.

Per NCGS §58-64-20(a)(3)(b) the firm in which Mr. Hawkins is Owner, John B. Hawkins AIA Architect, may provide services to residents of Carol Woods, the anticipated cost of which cannot be estimated

Charles House

425 Westwood Drive
Chapel Hill, NC 27516

Education: Army Veteran of the Defense Intelligence Agency and Bachelor's Degree in Business Administration from the University of North Carolina at Chapel Hill. Charles is the proud business owner of University Florist, which is a local fixture since 1946, since he purchased it in 1980. He has served on the Boards of the Chamber of Commerce, Orange Federal Savings and Loan, local Royal Bank of Canada, Southern Retail Florists Association and The Interfaith Council for Social Services. Charles is a native of North Carolina, married Mary Beth in 1970, and is the proud parent of Cate and Henry who both live in Chapel Hill with their families.

Per NCGS §58-64-20(a)(3)(b) the firm in which Mr. House is a founding partner, University Florist, may provide services to residents of Carol Woods, the anticipated cost of which cannot be estimated.

Betty Hughes (Resident, Ex-Officio, Non-Voting Member)

750 Weaver Dairy Road #232
Chapel Hill, NC 27514

Education: BA from Carleton College in Northfield, MN. MA from Cornell University in Ithaca, NY. Betty has lived at Carol Woods since 2008 with her husband David. Chapel Hill has been their home since 1972. Betty grew up in Hawaii. Despite a degree in musicology, she turned to microcomputers in the mid-80s, leading workshops for educators, then teaching children at Durham Academy for fourteen years. Subsequently, she coached adults in using their personal computers. She is a member of the P.E.O. Sisterhood.

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 senior care facilities in Chapel Hill, and he serves on the Board of Directors for Chatham Hospital in Siler City.

George Lensing (Resident, Ex-Officio, Non-Voting Member)

750 Weaver Dairy Road #127
Chapel Hill, NC 27514

Education: BA from Notre Dame. MA from LSU. George Lensing is a native of Louisiana (Lake Providence). He taught for two years as a Peace Corp volunteer in Brazil before coming to Chapel Hill to teach in the UNC-CH Department of English in 1969. He retired forty-seven years later as Mann Family Distinguished Professor, after having served as Assistant Dean for Honors, Secretary of Faculty, Director of Office of Distinguished Scholarships, and assistant chair of English Department. He won three teaching awards. Serving fifty years as a board member of the Inter-Church Council Housing Corp (79 units of affordable housing in Chapel Hill), he was its president twenty-five of those years, retiring in 2022. He is on the executive committee of the Retired Faculty Association for UNC-CH. He moved to Carol Woods in 2019.

Tom Miller

6 Jordan Drive
Pittsboro, NC 27312-8480

Education: . BS in Biology, Oberlin College. MD from UNC-CH. Professor of medicine in the division of general medicine and clinical epidemiology, retired after 29 years as a UNC faculty member in December 2020. Miller joined the UNC faculty in 1991 and was appointed director of the UNC Internal Medicine Clinic in 1992 where he served until 2014. From 2009-2015, he was section chief for ambulatory education and practice in the division of general medicine. In 2007, he was appointed director of the travel clinic in the UNC Internal Medicine Clinical/ Miller graduated medical school from the UNC School of Medicine in 1977. He interned at Rochester Associated Hospitals before completing residency at NC Memorial Hospital in 1981. From 1981-1984, he was a physician at Mary Imogene Bassett Hospital in Cooperstown, NY. From 1984-1987, he was a physician at Orange Chatham Comprehensive Health (now Piedmont Health Services, Inc.). From 1987-1991, he served as medical director of Orange Chatham Comprehensive Health. In 2016, Miller was honored with the Academy of Educators “Lifetime Achievement Excellence in Teaching Award.” He previously served on the Board of Carolina Meadows twice, including as Chair.

Marianne Ratcliffe (Ex-Officio, Non-Voting Member as President/CEO)

Carol Woods
750 Weaver Dairy Road
Chapel Hill, NC 27514

Education: BA from Skidmore College in Saratoga Springs, NY in English and Spanish. MHA from the School of Public Health at UNC-CH. Marianne joined Carol Woods in August, 2021 as President and CEO. Her career includes five years in philanthropy, serving as Program Officer for The Kate B. Reynolds Charitable Trust in Winston-Salem and the Blue Cross Blue Shield NC Foundation in Durham. Since 2006 Marianne served as Executive Director of the Program for All-Inclusive Care for the Elderly (PACE) with Piedmont Health SeniorCare. She helped start the PACE program with Piedmont Health, serving a 5-county area, and opened PACE centers in Burlington and Pittsboro. PACE is a national model of community-based, interdisciplinary geriatric support serving dually eligible Medicare – Medicaid beneficiaries through a full-risk, capitated payment structure.

Margarete Sandelowski (Resident, Voting Member)

750 Weaver Dairy Road, #177
Chapel Hill, NC 27514

Education: PhD in American Studies from Case Western Reserve University; EdM in Nursing Education from Teachers College, Columbia University; MS in Nursing from Boston University; and BSN from the University of Pennsylvania. Margarete has lived in North Carolina since 1986 when she joined the faculty of the University of North Carolina at Chapel Hill (UNC-CH) School of Nursing. Ms. Sandelowski’s clinical specialty was maternity nursing. She conducted research in the areas of infertility, contraceptive and prenatal technology, and the development of research methods.

Margarete served as Visiting Professor at universities throughout the US and Canada, in addition to the United Kingdom, Ireland, Denmark, Australia, and New Zealand. She retired from full-time employment at UNC-CH in 2014 and continued part-time work in research and as a research consultant and educator until 2017. Since coming to Carol Woods in April of 2014, Margarete has served as member and chair of the Residents Association's Health & Well Being Committee; member of the Research and Dining Advisory Committees; secretary of the Residents Council; mentor in the Literacy Program; and Library volunteer.

Adam Stein (Resident, Voting Member)

750 Weaver Dairy Road, #1324
Chapel Hill, NC 27514

Education: BA from NYU and a JD from George Washington University in 1967. Adam Stein and his wife Jane have been Carol Woods' residents since 2013. Adam has had a 50-year legal career principally specializing in civil rights. It began as a law student intern in the summer of 1965 working for civil rights lawyer Julius Chambers in Charlotte. Upon graduation, he moved with wife and three children to Charlotte to practice with Chambers. They formed a law firm in 1968, Chambers Stein Ferguson and Lanning, the first racially integrated firm in NC. He practiced with that firm and its successors for more than 40 years except for a period of five years when he took leave to establish the NC Appellate Defender office, a public defender organization that represents indigent criminal defendants on appeal. He and his law firm handled many civil rights cases including some that went to the US Supreme Court resulting in leading decisions involving school desegregation, employment discrimination and voting rights. He personally argued three civil rights cases in the Supreme Court. Stein has been active in several legal organizations: President of the Orange County Bar; 15B District Bar Councilor; President NC Academy of Trial Lawyers; Board of Governors Association of Trial Lawyers of America; NC Indigent Defense Service Commission (its first Chair). Awards include Frank Porter Graham Award (ACLU, NC); Chief Justice Walter Clark Award (NC Academy of Trial Lawyers); Defender of Justice Award (NC Justice Policy Center); Tar Heel of the Week; Order of the Long Leaf Pine.

Crystal Torain

8191 Silas Drive
Snow Camp, NC 27349

Education: BS in Nursing from NC A&T University. Masters in Public Administration from DeVry University. Ms. Torain is currently employed at Piedmont Health Services as the Director of Nursing, has been with the organization for over 10 years, and has served in several key roles.

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, and the Charitable Fund corporations. All residents are members by virtue 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 purview 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.

Marianne Ratcliffe, President and CEO

See profile in Board of Directors section.

Tommy Best, Vice President of Campus Operations

Education: BS, UNC-CH in Biology and Economics with a concentration in Business. Experience in commercial banking and landscape construction and maintenance. Former Supervisor for Landscape Construction Services at NC State University. Licensed Landscape Contractor, Certified as an Arborist, Stormwater Control Measures and Project Management. Joined Carol Woods in 2019.

Nicole Cooper, Vice President of Technology and Compliance

Education: MBA, Elon University; BA, International Relations, The College of William and Mary. Licensed Nursing Home Administrator, NC. Former Administrative and Team Lead Surveyor for the Commission for the Accreditation of Rehabilitation Facilities. She joined Carol Woods in 1998.

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

Education: MSPH, (Health Care Administration) UNC-CH; BA, Economics, Carleton College. Former Administrator of Hampton Woods Senior Campus, Jackson, NC. Mr. Reeb served as Treasurer of the Board of Senior Care of Orange County, and Past 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.

Liz Tomajko, Vice President of Human Resources and Staff Development

Education: Bachelor of Professional Studies with a major in Human Resources. Professional in Human Resources Certification from HRCI since 2000. Certified Professional certification from SHRM 2015. Mrs. Tomajko has served as board member of the Chapel-Hill Carrboro Meals on Wheels and is currently also serving as Treasurer . She joined Carol Woods in 2008.

Jen Wilson, Vice President of Well-Being

Education: MPH, UNC-CH; BA, Sociology/Anthropology, Ohio Wesleyan University. Prior to Carol Woods, she coached North Carolina nursing homes through quality improvement efforts to implement person centered care and eliminate restraint use as a Project Manager with the Carolinas Center for Medical Excellence. Jen joined Carol Woods in 2008.

- 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, 1791 Woodcliffe Terrace, NE, Atlanta, GA 30324-4955

Clifton Larson Allen, PLLC

Auditors, Tax and Financial Consultants, 227 West Trade Street, Suite 800, Charlotte, NC 28202

UBS Financial Services, Inc.

Investment Advisors, 3455 Peachtree Road, NE, Suite 1700, Atlanta, GA 30326

Womble Bond Dickinson, LLP

Legal Counsel, 555 Fayetteville Street Mall, Suite 1100, Raleigh, NC 27601

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 after budget approval. Copies of annual audits, interim monthly financials, annual budgets, 5-year pro formas, resident forums, and annual Disclosure Statements 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 to report for Carol Woods at this time.

Carol Woods is initiating a master planning process for the campus in 2023, from which potential campus enhancements may emerge. Those plans will be disclosed in subsequent annual Statements once known.

Central Apartment Residence Expansions. 2022 earmarked the 20th year of a capital project to expand or combine central apartments. Central apartments were originally constructed in 1979 with galley kitchens, and with laundry facilities that 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 selected cases, adjacent studios and 1-bedroom residences were combined to achieve larger 2-bedroom and 2-bedroom with den residences. From 2003 through 2022, all but 2 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 one-story and two-story townhomes that it owns that are located immediately adjacent to its original garden cottages. These residences are 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 14 townhomes that are CCRC residences, which are included in the total of 315 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 residence, proceed through Carol Woods' admission process, take residency of the residence, 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. All Early Acceptance residents remain in their current home for the time being, while retaining their position on Carol Woods' Priority List for a potential future move to campus.

Whether living on campus or continuing to live in their current home, residents in each setting have the same financial protections and equal access to Carol Woods' Higher Levels of Support (HLOS) 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 on Carol Woods' Priority List are 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' Higher Levels of Support 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 side-by-side comparison of key policies and services, and how those apply to each program. Following each table, elements of the table are explained narratively in more detail.

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' campus.	No geographical constraint, since persons are seeking a move to Carol Woods' campus.
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 residence 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 residence.
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, Medicare Advantage, or acceptable alternative primary medical insurance and acceptable supplemental medical insurance.	Applicant must carry Medicare A and B, Medicare Advantage, 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 the date that one's original deposit was made, and offered the option of reserving the 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. 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 southern and central Orange County, NC and portions of surrounding counties that are within appropriate driving distances. Persons considering joining the Priority List and interested in Early Acceptance will be informed as to whether they live close enough to qualify for Early Acceptance so that they can factor that into their decision 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 and senior management input, 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 on-campus 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.

The Carol Woods' Admissions Committee reviews the medical information provided by the applicant and their physician, and information received in personal interviews, and makes an admission determination. All decisions by the Admissions Committee are binding.

C. Financial and Insurance Criteria

Residents must have assets and income sufficient to meet their financial obligations under the Agreement and to cover other ordinary living expenses, under foreseeable circumstances. Carol Woods requires completion of a Confidential Financial Statement 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.

The Carol Woods' VP of Finance uses the financial information provided to assess the ability of the applicant to meet their financial obligations over one's lifetime. That assessment is reviewed by the President & CEO. All financial decisions are binding.

All residents must also carry Medicare A and B, a Medicare supplemental policy, or Medicare Advantage policy that meets Carol Woods' requirements. At a minimum, Carol Woods expects that, since it participates in Medicare, neither one's Medicare, Medicare Advantage, nor one's supplemental policy would exclude Carol Woods as a health care provider. Policies also are 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, Medicare Advantage, and supplemental insurance policies for Medicare-covered services that Carol Woods provides, and will

accept as full payment the amount that Medicare or Medicare Advantage plans establish as “allowable.”

To the extent that a resident’s Medicare, Medicare Advantage, 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 the resident’s Medicare, co-insurance or Medicare Advantage plans.

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 for extenuating circumstances.

Early Acceptance Agreement. At the time that an applicant is accepted for admission under Carol Woods' Early Acceptance program, the applicant is notified in writing and has 10 days to sign an Early Acceptance Agreement and to 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 statutory **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 statutory **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. \$500 Priority List Administration Fee is forfeit.	Applicant may terminate Priority List Agreement and be removed from the Priority List. \$1,000 deposit is refunded. \$500 Priority List Administration Fee is forfeit.
2) Cancellation during Admission Process due to Change in Applicant's Health Status	Applicant or Carol Woods may terminate Early Acceptance Reservation Agreement and Priority Agreement, with full refund of \$1,000 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 \$1,000 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 Applicant's Health Status	Applicant or Carol Woods may terminate Early Acceptance Reservation Agreement and Priority Agreement, with full refund of \$1,000 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 \$1,000 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 NCGS §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 whereby Resident and Carol Woods can determine suitability of campus and communal 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 any time 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 higher levels of support 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 any time 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 higher levels of support 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	Joint Early Acceptance Agreement remains in effect for remaining Resident.	Joint 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 \$500 Priority Agreement Administration Fee (Refer to Appendix C for copies of applicable 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 \$500 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 \$500 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 applicant 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. Such a determination shall be binding. 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 \$500 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 \$500 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 \$500 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 following the Date of Financial Responsibility 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' resident community 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 \$500 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 \$500 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 residence 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 advance, 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 advance, 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 of all personal belongings and trash, 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 advance, 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 may have

already been used by the resident under the Early Acceptance Agreement. However, if the resident signed the Early Acceptance Agreement less than 25 months earlier, the remaining months from the previous 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 higher levels of support, 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 for 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 higher levels of support, 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 of 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 of all personal belongings and trash by the resident, whichever is later.

G. Moves

All moves between Carol Woods' residences are at Carol Woods' discretion. Moves are subject to availability, date at which one joined Carol Woods' Priority List, and legal requirements. All decisions regarding the resident's permanent transfer to higher levels of support, a special care facility, or to a hospital will be made in consultation with the resident and, when appropriate, the Health Care Power of Attorney. Ultimately, Carol Woods' decision is 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. • For a preference move, an EA resident is offered an available residence based upon Priority List date. 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 is offered 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 to cover 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 or permanent move of a spouse, or financial reasons, a need-based move to an available campus residence may be considered. • Need-based moves may be approved by Carol Woods if an appropriate residence is available. The resident must accept the next available residence that is offered, since the move is need-based. • If the resident requesting a need-based move is positioned relatively low on Carol Woods’ Priority List, such that the move enables them to move prematurely ahead of others, they will be limited to moves to smaller residences. Single residents will be allowed to move to units that are 860 sq ft or smaller. Couples will be allowed to move to residences that are 1,010 sq ft or smaller. • 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 or permanent move of a spouse, or financial reasons, a need-based move to another campus residence may be considered. • Need-based moves may be approved by Carol Woods if an appropriate residence is available. The resident must accept the next available residence that is offered, since the move is need-based. • If the resident requesting a need-based move is positioned relatively low on Carol Woods’ Priority List, such that the move enables them to move prematurely ahead of others, they will be limited to moves to smaller residences. Single residents will be allowed to move to units that are 860 sq ft or smaller. Couples will be allowed to move to residences that are 1,010 sq ft or smaller. • 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.

	To Campus Following Early Acceptance	On-Campus Living
3) Single Person making a permanent move directly to Higher Levels of Support (HLOS), <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 HLOS 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 HLOS. Resident pays the prevailing discounted per diem charges of a Carol Woods resident.
4) Couple, with one person making a permanent move directly to Higher Levels of Support (HLOS), 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 HLOS <u>increases</u> to the prevailing monthly fee for 1st persons living permanently in HLOS facilities on campus. Resident in HLOS 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 HLOS remains unchanged since the 2nd Person monthly fee is the same regardless of where the 2nd person resides on campus. Resident in HLOS pays the prevailing discounted per diem charges of a Carol Woods resident.
5) Couple, with <u>both</u> persons making a permanent move Higher Levels of Support (HLOS), 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 HLOS 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 HLOS facilities. Both residents pay the prevailing discounted per diem charges as Carol Woods' residents.

If a resident requests an internal move on campus, either from EA or 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.

For any move that is considered need-based, it is presumed that time is of the essence for the resident to make the move. This presumption guides the following policies:

1. If the resident requesting a need-based move is positioned relatively low on Carol Woods' Priority List, such that the move enables them to move prematurely ahead of others, they will be limited to moves to smaller residences:
 - a. Single residents will be allowed to move only to units that are 860 sq ft or smaller.
 - b. Couples will be allowed to move only to residences that are 1,010 sq ft or smaller.
2. If the resident has been on Carol Woods' Priority List long enough that they would not move prematurely ahead of others, they still will be expected to accept the next available residence for the need-based move. Waiting for particular locations, floors, or views would not be consistent with the notion of a need-based 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 minimum 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.

Preference moves are offered based solely upon a resident's position on the Carol Woods Priority List. If one's position on the Priority List would allow Carol Woods to offer the residence while adhering to its Priority List sequencing procedures, the resident can accept the offer as a preference move. Conversely, if a resident requests a need-based move independent of Priority List position, the resident must accept the first available residence that is offered by Carol Woods. Need-based moves imply a sense of urgency. Declining the offered residence indicates that the desired move is de facto not need-based.

Except in special circumstances, residents transferring between independent living residences will vacate their previous residence within ten (10) days, and when moving permanently to higher levels of support will vacate their previous residence within thirty (30) days of the move. For transfers between rooms in higher levels of support, 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 Higher Levels of Support from an On-Campus Residence. In the event that one member of a couple transfers to higher levels of support, 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 support, 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 Higher Levels of Support 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 higher levels of support, the Monthly Service Fee of the individual who is making the move to the higher level 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 both transfer to higher levels of support, 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 Occupants

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 first must apply and be approved for acceptance as a resident. The new person seeking to live at Carol Woods must meet Carol Woods' health care criteria, and must have sufficient financial resources to afford to live at Carol Woods. If approved, an additional Entry Fee is 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. Carol Woods, however, is under no obligation to accept a new occupant simply because they wish to live with a current Carol Woods resident.

If one Carol Woods resident marries another Carol Woods resident 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 the residence in which each 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 subsidize the fees partially or wholly, provided such subsidy will not impair Carol Woods' sound financial position and maintenance of the quality of services 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, Carol Woods will make a claim on the resident's estate for the full amount of the subsidy provided by Carol Woods, and seek written attestation from the estate executor if the estate is unable to repay the amount subsidized in full.

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 spirit of full disclosure, the following sections help outline the terms of those contracts.

A. Standard Carol Woods Services Available

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: 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	✓ ✓ ✓ ✓ ✓ ✓	✓ ✓ ✓ ✓ ✓
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 Fees 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 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) Trash 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 Clinic Authorized 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 also are 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) Higher Levels of Support “Free Days” which, when used, make the applicable health care per diem charge \$0	Accrue 15 days per person per year. Accumulate unused days over time	Accrue 15 days per person per year. Accumulate unused days over time
2) Deep daily discounts on prevailing per diem charges in Higher Levels of Support	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 support 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, Medicare Advantage, 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' staff. They 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 the 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	Not available from Carol Woods	Available from Carol Woods staff at Extra Charge
6) Special requests for landscaping services around resident's residence.	Not available from Carol Woods	Available from Carol Woods staff at Extra Charge
7) Special modifications made to resident's residence.	Not available from Carol Woods	Available from Carol Woods staff at Extra Charge
8) Concierge and other Home Services, such as Private Duty Gardening, Closet Reorganizing, Deep Cleaning, Pet Sitting, IT Support, etc.	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 higher levels of support 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 Higher Levels of Support	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 support	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 support; but Medical Accompaniment is charged separately.	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).	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), Companionship Services (1-on-1 Services in higher levels of support)	Carol Woods may provide, or refer to another provider when appropriate	Carol Woods may provide, 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
8) Concierge Services (personal shopping, pet sitting, plant watering, decluttering, etc.)	Not Available	Available for 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 \$1,500. \$500 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 to withdraw from the Priority 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 the amount 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 the amount 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. Potential refund 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 is the amount 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. Potential refund 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, 2023.

4/1/2023 Entry Fees for Singles and Couples by Type of Unit

Type of Unit		Number of Units	Approximate Square Footage ⁽¹⁾	1st Person Entry Fees ⁽²⁾	2nd Person Entry Fees ⁽²⁾
Early Acceptance					
Each Person			N/A	\$40,700	\$40,700
Central Apartments					
Studio, Expanded	C-SE	15	507	\$106,000	N/A
1-Bedroom, Small Expanded	C-1SE	7	671	\$171,900	\$40,700
1-Bedroom Expanded	C-1E	65	695	\$181,500	\$40,700
1-Bedroom Large	C-1L	3	758	\$203,000	\$40,700
2-Bedroom, Expanded	C-2E	35	1,160	\$250,000	\$40,700
2-Bedroom Large	C-2L	3	910	\$290,700	\$40,700
2-Bedroom Extra Large	C-2XL	6	1,042	\$318,600	\$40,700
2-Bedroom & Den	C-2D	12	1,160	\$363,300	\$40,700
2-Bedroom & Den Large	C-2DL	2	1,292	\$372,300	\$40,700
2-Bedroom & Den Extra Large	C-2DXL	1	1,345	\$384,800	\$40,700
Apartment Totals / Weighted Averages		149	814	\$216,300	\$40,700
Garden Cottages ⁽²⁾					
1-Bedroom	G-1	14	678	\$177,200	\$40,700
1-Bedroom & Den	G-1D	22	801	\$215,400	\$40,700
2-Bedroom	G-2	18	957	\$259,800	\$40,700
1-Bedroom, Den & Carolina Room	G-1DC	5	1,006	\$271,600	\$40,700
2-Bedroom & Den	G-2D	12	1,078	\$295,300	\$40,700
2-Bedroom & Carolina Room	G-2C	7	1,149	\$313,100	\$40,700
2-Bedroom, Den & Carolina Room	G-2DC	12	1,280	\$351,600	\$40,700
1-Bedroom Duplex	G-1DXL	16	1,343	\$367,500	\$40,700
2-Bedroom Duplex	G-2DXL	34	1,538	\$427,600	\$40,700
2-Bedroom Duplex & Sunroom	G-2DXS	12	1,855	\$519,500	\$40,700
Cottage Totals / Weighted Averages		152	1,196	\$328,000	\$40,700
⁽³⁾ Cottage Expansion (60 to 119 Sq Ft)				\$18,900	
⁽³⁾ Cottage Expansion (120 to 179 Sq Ft)				\$31,400	
⁽³⁾ Cottage Expansion (180 to 240 Sq Ft)				\$43,900	
Townhomes (Average) ⁽⁴⁾		14	1,638	\$456,500	\$40,700
ILU Totals / Weighted Averages		315	1,035	\$277,900	\$40,700

The following notes relate to the entry fee table on the previous page:

- 1) Square footage figures are approximate based upon each general floor plan. Actual square footage of particular residences may vary.
- 2) The entry fee pricing took effect on April 1, 2023.
- 3) Cottages with an expansion to the base unit have an additional entrance fee charged based upon the expansion square footage.
- 4) 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, including a significant amount of future healthcare services (i.e., discounts on per diems in higher levels of support, free days in higher levels of support, and health promotion / prevention services). An explanation of how Carol Woods accounts for Entry Fees and the future obligations that they represent is provided in the Reserves, Escrows and Trusts section of this Disclosure Statement.

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, 2023. Future potential increases over the next five years are disclosed in a later section of this disclosure statement.

1/1/2023 Monthly Service Fees for Singles and Couples by Type of Unit

					Independent Living Monthly Fees		Higher Levels of Support Monthly Fees ⁽³⁾	
Type of Unit		Number of Units	Approximate Square Footage ⁽¹⁾	1st Person Monthly Fees	2nd Person Monthly Fees	1st Person Monthly Fees ⁽³⁾	2nd Person Monthly Fees ⁽³⁾	
Early Acceptance								
Each Person			N/A	\$1,044	\$1,044	\$2,522	\$1,369	
Central Apartments								
Studio, Expanded	C-SE	15	507	\$2,577	\$1,369	\$2,522	\$1,369	
1-Bedroom, Small Expanded	C-1SE	7	671	\$3,384	\$1,369	\$2,522	\$1,369	
1-Bedroom Expanded	C-1E	65	695	\$3,544	\$1,369	\$2,522	\$1,369	
1-Bedroom Large	C-1L	3	758	\$3,668	\$1,369	\$2,522	\$1,369	
2-Bedroom, Expanded	C-2E	35	910	\$4,451	\$1,369	\$2,522	\$1,369	
2-Bedroom Large	C-2L	3	1,042	\$4,716	\$1,369	\$2,522	\$1,369	
2-Bedroom Extra Large	C-2XL	6	1,160	\$4,912	\$1,369	\$2,522	\$1,369	
2-Bedroom & Den	C-2D	12	1,292	\$5,198	\$1,369	\$2,522	\$1,369	
2-Bedroom & Den Large	C-2DL	2	1,345	\$5,333	\$1,369	\$2,522	\$1,369	
2-Bedroom & Den Extra Large	C-2DXL	1	1,390	\$5,404	\$1,369	\$2,522	\$1,369	
Apartment Totals / Weighted Averages		149	814	\$3,903	\$1,369	\$2,522	\$1,369	
Garden Cottages ⁽²⁾								
1-Bedroom	G-1	14	678	\$3,490	\$1,369	\$2,522	\$1,369	
1-Bedroom & Den	G-1D	22	801	\$3,806	\$1,369	\$2,522	\$1,369	
2-Bedroom	G-2	18	957	\$4,384	\$1,369	\$2,522	\$1,369	
1-Bedroom, Den & Carolina Room	G-1DC	5	1,006	\$4,608	\$1,369	\$2,522	\$1,369	
2-Bedroom & Den	G-2D	12	1,078	\$4,783	\$1,369	\$2,522	\$1,369	
2-Bedroom & Carolina Room	G-2C	7	1,149	\$4,883	\$1,369	\$2,522	\$1,369	
2-Bedroom, Den & Carolina Room	G-2DC	12	1,280	\$5,131	\$1,369	\$2,522	\$1,369	
1-Bedroom Duplex	G-1DXL	16	1,343	\$5,255	\$1,369	\$2,522	\$1,369	
2-Bedroom Duplex	G-2DXL	34	1,538	\$5,505	\$1,369	\$2,522	\$1,369	
2-Bedroom Duplex & Sunroom	G-2DXS	12	1,855	\$5,953	\$1,369	\$2,522	\$1,369	
Cottage Totals / Weighted Averages		152	1,196	\$4,805	\$1,369	\$2,522	\$1,369	
⁽²⁾ Cottage Expansion (60 to 119 Sq Ft)				\$178				
⁽²⁾ Cottage Expansion (120 to 179 Sq Ft)				\$297				
⁽²⁾ Cottage Expansion (180 to 240 Sq Ft)				\$417				
Townhomes (Average)		14	1,638	\$5,574	\$1,369	\$2,522	\$1,369	
ILU Totals / Weighted Averages		315	1,035	\$4,394	\$1,369	\$2,522	\$1,369	

The following notes relate to the monthly service fees table on the previous page:

- 1) Square footage figures are approximate based upon each general floor plan. Actual square footage of particular residences may vary.
- 2) Cottages with an expansion to the base unit, such as a sunroom, have the additional monthly fee based upon expansion square footage.
- 3) When a single person or couple moves from independent living into higher levels of support, the single / 1st person monthly fee is changed to the prevailing monthly fee which is the same for every single or 1st person living in HLOS, and lower than the monthly fee paid when one was living in an independent living residence. The monthly fees are in addition to the resident's discounted per diem fees outlined below.

D. Fees in Higher Levels of Support

When a CW resident vacates their independent living resident to move permanently to higher levels of support, their monthly service fee decreases to \$2,522 (refer to monthly service fee schedule on the previous page).

In addition to the lower monthly service fee, the CW resident is charged a per diem that is discounted from the prevailing "market" per diem.

Each CW resident also accrues Free Days at a rate of 15 per year, which they can accumulate over time to apply to the discounted per diem. When a CW resident uses a Free Day, the discounted per diem is written off to \$0, leaving only the monthly service fee.

The following two tables show monthly service fees and daily room charges for higher levels of support (HLOS) effective January 1, 2023. Daily charges are in addition to Monthly Service Fees. HLOS daily fees are charged only for those days that a person occupies a room in an applicable level of support; while monthly fees are charged for the full month. Future potential increases over the next five years are disclosed in a later section of this disclosure statement.

1/1/2023 Per Diem Fees by Type of Unit

Type of Unit		Number of Beds	Monthly Fee per Day for CW Residents in Higher Levels ⁽¹⁾ \$2,522	Discounted Per Diem Fees for Carol Woods' Residents ⁽²⁾	Per Diem Fees for Outside Referral Residents ⁽³⁾
Assisted Living (AL)					
Central Assisted Living	Type 1	1	\$83.00	\$85.00	\$233.00
Central Assisted Living	Type 2	5	\$83.00	\$87.00	\$233.00
Central Assisted Living	Type 3	19	\$83.00	\$91.00	\$233.00
Central Assisted Living	Type 4	8	\$83.00	\$95.00	\$233.00
Central Assisted Living	Type 5	2	\$83.00	\$97.00	\$233.00
2nd Person in Type 4/5			\$83.00	\$91.00	\$233.00
Garden Assisted Living		12	\$83.00	\$91.00	\$233.00
AL Totals / Weighted Averages		47	\$83.00	\$91.00	\$233.00
Assisted Nursing (ANF) & Skilled Nursing (SNF)					
Central Assisted Nursing	Semi-Private	8	\$83.00	\$101.00	\$332.00
Central Assisted Nursing	Private	22	\$83.00	\$111.00	\$347.00
Garden Assisted Nursing	Private	12	\$83.00	\$111.00	\$347.00
Skilled Nursing	Semi-Private	8	\$83.00	\$111.00	\$370.00
Skilled Nursing	Private	22	\$83.00	\$121.00	\$385.00
ANF & SNF Totals / Weighted Averages		72	\$83.00	\$113.00	\$360.00
Totals / Weighted Averages		119	\$83.00	\$104.00	\$310.00

NOTES:

- (1) CW residents who move to higher levels of support continue to pay a monthly fee, but it is lower than the monthly fees of all IL residences on campus. This column shows the 2023 monthly fee translated into a daily equivalent.
- (2) In addition to the monthly service fee, Carol Woods' residents are charged a per diem, which under the Type B contract is significantly discounted from prevailing private per diems across all higher levels of support.
- (3) This column presents the non-discounted per diem charges for comparison to Carol Woods' discounted daily charges.

1/1/2023 Carol Woods' Type B Contract Per Diem and Free Day Discounts by Type of Unit

Type of Unit		Carol Woods' Resident Daily Fee <u>Without</u> a Free Day ⁽¹⁾	Percentage Discount <u>Without</u> a Free Day ⁽³⁾	Carol Woods' Resident Daily Fee <u>With</u> a Free Day ⁽²⁾	Percentage Discount <u>With</u> a Free Day ⁽³⁾	Per Diem Fees for Outside Referral Residents
Assisted Living (AL)						
Central Assisted Living	Type 1	\$168.00		\$83.00		\$233.00
Central Assisted Living	Type 2	\$170.00		\$83.00		\$233.00
Central Assisted Living	Type 3	\$174.00		\$83.00		\$233.00
Central Assisted Living	Type 4	\$178.00		\$83.00		\$233.00
Central Assisted Living	Type 5	\$180.00		\$83.00		\$233.00
2nd Person in Type 4/5		\$174.00		\$83.00		\$233.00
Garden Assisted Living		\$174.00		\$83.00		\$233.00
AL Totals / Weighted Averages		\$174.00	25%	\$83.00	64%	\$233.00
Assisted Nursing (ANF) & Skilled Nursing (SNF)						
Central Assisted Nursing	Semi-Private	\$184.00		\$83.00		\$332.00
Central Assisted Nursing	Private	\$194.00		\$83.00		\$347.00
Garden Assisted Nursing	Private	\$194.00		\$83.00		\$347.00
Skilled Nursing	Semi-Private	\$194.00		\$83.00		\$370.00
Skilled Nursing	Private	\$204.00		\$83.00		\$385.00
ANF & SNF Totals / Weighted Averages		\$196.00	46%	\$83.00	77%	\$360.00
Totals / Weighted Averages		\$187.00	40%	\$83.00	73%	\$310.00

NOTES:

- (1) This column shows the sum of the daily equivalent of the monthly fee for CW residents who live in Higher Levels of Support **plus** the prevailing discounted per diem from the previous table.
- (2) This column shows the daily savings for CW residents when using one of their Free Day benefits, which each residents accrues at a rate of 15 per year. When a Free Day is used, it makes the prevailing discounted per diem \$0 -- leaving only the daily equivalent of the monthly fee for CW residents who live in Higher Levels of Support.
- (3) These columns show the average percentage discounts offered under Carol Woods' Type B contract. Depending upon the level of support, and whether the CW uses a Free Day, the daily discount can vary as follows:

	Discount <u>without</u> a Free Day	Discount <u>Using</u> a Free Day
Assisted Living	25%	64%
Assisted / Skilled Nursing	46%	77%

Carol Woods' residents receive a discount from per diem rates in higher levels of support 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 for all Higher Levels of Support include 3 meals per day and all the necessary nursing/personal care on a 24-hour basis appropriate for each particular level of support. 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 needs or wishes to receive 1-on-1 services for an extended period, 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 \$31 per hour in 2023. The Companionship hourly charges are in addition to the discounted per diem charge. Depending upon staff availability, services are arranged by Carol Woods may be from another local provider. The resident is billed directly from that provider, and the hourly rates may be different.

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 entry fees, monthly service fees and per diem charges 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>	<u>2018 – 2019</u>	<u>2019 – 2020</u>	<u>2020 – 2021</u>	<u>2021 – 2022</u>	<u>2022 – 2023</u>
One Occupant (per month)	\$58	\$77	\$59	\$119	\$190
Two Occupants (per month)	\$75	\$101	\$77	\$156	\$241
Approx. Percentage Increase	1.4%	2.0%	1.5%	2.9%	4.5%

Per Diem Charges in Higher Levels of Support

(Private Room at Carol Woods' Discounted Rate)

Skilled Nursing (per day)	\$5.00	\$3.00	\$0.00	\$3.00	\$4.00
Assisted Nursing (per day)	\$5.00	\$3.00	\$0.00	\$4.00	\$4.00
Approx. Percentage Increase	5.0%	2.9%	0.0%	3.2%	3.6%

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 price or wage inflation. The increases in 2023 are reflective of extremely high price inflation and wage pressures, while still showing Carol Woods' commitment to protecting the costs for residents in higher levels of support under its Type B contract.

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 2022 Audited Financial Statements
- 5-Year Financial Projections including assumptions about Early Acceptance (2023-2027)
- Most Recent Monthly Interim Financial Statements as of March 31, 2023

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 budgeting and 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. Each new Entry Fee is 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' living situations are updated annually, so that amounts amortized for each resident may be adjusted annually. The rate at which one's entry fee is amortized is sensitive to whether one is living independently, in assisted living or in nursing; and whether it is for a single person or two persons.

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 with 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 in its independent living and assisted living residences that is less than or equal to 90%, it must maintain a reserve at least equal to 50% of the projected operating expenses in any given fiscal year, less amortization and depreciation; and less debt service if covered by a Debt Service Reserve. If a CCRC has occupancy in those residences that is greater than 90%, the reserve requirement is decreased to 25% of the projected operating expenses.

Independent and assisted living occupancy at Carol Woods exceeds 90%, so that the 25% factor is applied to calculate the total reserves that are mandated statutorily.

Carol Woods' actual 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, 2022 Carol Woods must have maintained a minimum operating reserve of \$7,591,000. Clearly, Carol Woods has cash and investments that far exceed the North Carolina statutory requirements. According to the December 31, 2022 audited balance sheet, Carol Woods has total investments and assets limited to use (both current and long-term) of \$59,613,441. Of those funds, \$9,683,950 are "Limited as to Use", including required bond funds and state reserve requirements, leaving a total of \$49,929,491 in current and long-term investments that are unrestricted (Appendix A, Note 3).

By the year 2027 (see Appendix B), the 5-Year Study projects a statutory reserve requirement of 8,950,000 versus total investment reserves of \$51,201,000. 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 is scheduled to be paid each year on its Series 2018 bonds. The balance in the Bond Sinking Fund account 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, Note 7).
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 turbulent economic periods.

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 Bond 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' 2018 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 managed 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 statement (IPS) developed by the Carol Woods Board of Directors with the assistance of the UBS Prime Asset Consulting Group. The Board IPS 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 conform to the Board-adopted IPS. The current investment policy for invested funds calls for a target portfolio mix of 60% equities and 40% fixed income securities, with diversification in investment style (i.e., value, growth or core), capitalization size (i.e., large cap, mid-cap or small cap), and domestic versus international companies. 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 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 assumptions of a 405% annual 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, 2023 - 2027

		2023	2024	2025	2026	2027
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		\$1,044	\$1,091	\$1,140	\$1,191	\$1,245
Central Apartments						
Studio, Expanded	C-SE	\$2,577	\$2,693	\$2,814	\$2,941	\$3,073
1-Bedroom, Small Expanded	C-1SE	\$3,384	\$3,536	\$3,695	\$3,861	\$4,035
1-Bedroom Expanded	C-1E	\$3,544	\$3,703	\$3,870	\$4,044	\$4,226
1-Bedroom Large	C-1L	\$3,668	\$3,833	\$4,005	\$4,185	\$4,373
2-Bedroom, Expanded	C-2E	\$4,451	\$4,651	\$4,860	\$5,079	\$5,308
2-Bedroom Large	C-2L	\$4,716	\$4,928	\$5,150	\$5,382	\$5,624
2-Bedroom Extra Large	C-2XL	\$4,912	\$5,133	\$5,364	\$5,605	\$5,857
2-Bedroom & Den	C-2D	\$5,198	\$5,432	\$5,676	\$5,931	\$6,198
2-Bedroom & Den Large	C-2DL	\$5,333	\$5,573	\$5,824	\$6,086	\$6,360
2-Bedroom & Den Extra Large	C-2DXL	\$5,404	\$5,647	\$5,901	\$6,167	\$6,445
Apartment Totals / Weighted Averages		\$3,903	\$4,078	\$4,262	\$4,454	\$4,654
Garden Cottages						
1-Bedroom	G-1	\$3,490	\$3,647	\$3,811	\$3,982	\$4,161
1-Bedroom & Den	G-1D	\$3,806	\$3,977	\$4,156	\$4,343	\$4,538
2-Bedroom	G-2	\$4,384	\$4,581	\$4,787	\$5,002	\$5,227
1-Bedroom, Den & Carolina Room	G-1DC	\$4,608	\$4,815	\$5,032	\$5,258	\$5,495
2-Bedroom & Den	G-2D	\$4,783	\$4,998	\$5,223	\$5,458	\$5,704
2-Bedroom & Carolina Room	G-2C	\$4,883	\$5,103	\$5,333	\$5,573	\$5,824
2-Bedroom, Den & Carolina Room	G-2DC	\$5,131	\$5,362	\$5,603	\$5,855	\$6,118
1-Bedroom Deluxe	G-1DXL	\$5,255	\$5,491	\$5,738	\$5,996	\$6,266
2-Bedroom Deluxe	G-2DXL	\$5,505	\$5,753	\$6,012	\$6,283	\$6,566
2-Bedroom Deluxe & Sunroom	G-2DXS	\$5,953	\$6,221	\$6,501	\$6,794	\$7,100
Cottage Totals / Weighted Averages		\$4,802	\$5,018	\$5,244	\$5,480	\$5,726
Townhomes (Average)		\$5,574	\$5,825	\$6,087	\$6,361	\$6,647
ILU Totals / Weighted Averages		\$4,392	\$4,590	\$4,796	\$5,012	\$5,238
2nd Person Monthly Fees, All Units ⁽¹⁾		\$1,369	\$1,431	\$1,495	\$1,562	\$1,632
Monthly Fees for Singles / 1st Persons in HLOS ⁽²⁾		\$2,522	\$2,635	\$2,754	\$2,878	\$3,008

The following notes apply to the table on the preceding page:

- 1) 2nd persons are charged the same monthly service fee regardless of the unit type in which they reside.
- 2) For single residents, or 1st persons of couples, who move permanently to higher levels of support, their monthly service fee changes to the prevailing fee that is the same for every resident after having vacated their independent residence, and less than the lowest prevailing monthly fee for residences on campus.

Projected Discounted Per Diem Fees by Type of Unit, 2023 - 2027						
		2023	2024	2025	2026	2027
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	\$85.00	\$89.00	\$93.00	\$97.00	\$101.00
Central Assisted Living	Type 2	\$87.00	\$91.00	\$95.00	\$99.00	\$103.00
Central Assisted Living	Type 3	\$91.00	\$95.00	\$99.00	\$103.00	\$108.00
Central Assisted Living	Type 4	\$95.00	\$99.00	\$103.00	\$108.00	\$113.00
Central Assisted Living	Type 5	\$97.00	\$101.00	\$106.00	\$111.00	\$116.00
2nd Person in Type 4/5		\$91.00	\$95.00	\$99.00	\$103.00	\$108.00
Garden Assisted Living		\$91.00	\$95.00	\$99.00	\$103.00	\$108.00
AL Totals / Weighted Averages		\$91.00	\$95.00	\$99.00	\$104.00	\$109.00
Assisted Nursing (ANF) & Skilled Nursing (SNF)						
Central Assisted Nursing	Semi-Private	\$101.00	\$106.00	\$111.00	\$116.00	\$121.00
Central Assisted Nursing	Private	\$111.00	\$116.00	\$121.00	\$126.00	\$132.00
Garden Assisted Nursing	Private	\$111.00	\$116.00	\$121.00	\$126.00	\$132.00
Skilled Nursing	Semi-Private	\$111.00	\$116.00	\$121.00	\$126.00	\$132.00
Skilled Nursing	Private	\$121.00	\$126.00	\$132.00	\$138.00	\$144.00
ANF & SNF Totals / Weighted Averages		\$113.00	\$118.00	\$123.00	\$129.00	\$134.00
Totals / Weighted Averages		\$104.00	\$109.00	\$114.00	\$119.00	\$124.00

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) 2022 actual performance, as reported in the audited financial statements (Appendix A), compared to what had been projected for FY 2022 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. Variances that are greater than \$500,000 but less than 5%; or less than \$500,000 but greater than 5% may be included in the explanations if they are deemed noteworthy to prospective residents.

Although the following tables focus on actual to projected financial performance for 2022, Appendix D provides more recent financial statements that show actual to projected financial performance for the first quarter of 2023 through March 31, 2023.

Actual 2022 Revenue and Expenses Compared to Pro Forma Projections

	2022 Projected (2022 Disclosure)	2022 Audited	Variance Over (Under)	Notes
REVENUE:				
Resident Monthly Fees - On Campus	19,468,000	19,447,582	(20,418)	
Resident Monthly Fees - Early Acceptance	1,319,000	1,250,729	(68,271)	
Amortization of Advance Fees - On Campus	4,748,000	5,017,043	269,043	
Amortization of Advance Fees - Early Acceptance	284,000	333,578	49,578	
Health Services, Net of Contractual Allowances	4,430,000	3,875,057	(554,943)	(1)
Guest Meals & Lodging	229,000	162,879	(66,121)	
Investment Income	3,134,000	(12,251,048)	(15,385,048)	(2)
Miscellaneous Operating Revenue	284,000	253,640	(30,360)	
Net Assets Released from Restrictions for Operations	35,000	267,408	232,408	
Unrealized Gain (Loss) on Interest Rate Swaps	0	3,639,101	3,639,101	(3)
Other Non-Operating Loss		(100,000)	(100,000)	(4)
Total Revenue	33,931,000	21,895,969	(12,035,031)	(2, 3)
EXPENSES:				
Health Services	9,410,000	9,302,834	107,166	
Dietary Services	5,045,000	5,083,415	(38,415)	
Facility Services	6,658,000	6,667,795	(9,795)	
Early Acceptance	98,000	92,426	5,574	
Administration	6,086,000	6,335,448	(249,448)	(5)
Depreciation & Amortization	4,059,000	4,055,678	3,322	
Debt Expense	977,000	990,693	(13,693)	
Loss / (Gain) on Retirement of Fixed Assets	534,000	1,022,510	(488,510)	(6)
Total Expenses	32,867,000	33,550,799	(683,799)	(5, 6)
TOTAL NET REVENUE	1,064,000	(11,654,830)	(12,718,830)	(2, 3)

NOTES to Revenue and Expense Variances:

(1) **Health Services Revenue Net of Contractual Allowances.** This source of revenue was \$555,000 (13%) less than projected primarily due to less Medicare census days in skilled nursing than had been projected. The projections included an assumption of 6 persons per day using Medicare skilled nursing benefits @ \$500 per day (\$1,095,000). The lingering effects of Covid continued to constrain Medicare short-term referrals, resulting in an average census of 2.9 per day @ \$559 (\$592,000).

(2) **Investment Income.** For 2022, CW projected an overall annual appreciation on investments of 5.0%, net of fees; reflective of a conservative long-term rate of return, for which the portfolio is structured. The portfolio actually experienced decline of @ -17.0% net of fees; broken down as follows:

	Projected	Audited	Variance
a) Investment Yield (Dividends & Interest)	1,806,000	1,685,920	(120,080)
b) Realized Gains / (Losses) on Investments	887,000	733,758	(153,242)
c) Unrealized Gains / (Losses) on Investments	887,000	(14,670,726)	(15,557,726)

Economic conditions in 2022 (i.e., steeply rising interest rates, high inflation) caused many investment portfolios to decline significantly. Despite an overall 17% decline, CW's yield was within 7% of projections, and realized gains were within 17%. Unrealized gains bore the brunt of the negative variance. This is the primary reason for a \$12 MM variance in total revenue.

(3) **Interest Swap Agreement.** CW has an interest rate swap agreement ("swap") with the same bank that holds its variable-rate bonds. The purpose of the swap is to hedge against rising interest rates by effecting a synthetically fixed rate of 3.08%. In CW's projections no attempt is made to estimate what interest rates will do, but rather assumes that the variable interest rate (LIBOR) remains constant, and therefore the market value of the swap remains unchanged. In 2022, however, interest rates, including LIBOR, increased dramatically, causing the market value of the swap to experience an unrealized gain of \$3,639,000.

(4) **Other Non-Operating Loss.** CW had a long-term receivable of \$100,000 on its books for working capital that it had provided to another local non-profit home care provider to help increase non-profit options for seniors. In 2022 that provider had to dissolve operations unexpectedly due to Covid and labor market pressures that it experienced. CW wrote off the long-term receivable.

(5) **Administration Expense** shows a negative variance of -\$249,000. This variance is related to several factors including residual costs of Covid supplies and testing that were coded to administrative contingency, higher interest costs the variable rate line of credit, and significant cost increases in telecommunications and information technology support services.

(6) **Loss on Retirement of Fixed Assets** shows a negative variance of -\$489,000. With significantly higher capital expenditures in 2022, retirement of fixed assets that were not fully depreciated increased accordingly.

Actual 2022 Cash Flows Compared to Pro Forma Projections

	2022 Projected (2022 Disclosure)	2022 Audited	Variance Over (Under)	Notes
CASH FLOWS:				
Cash Flows from Operating Activities	6,867,000	4,847,974	(2,019,026)	
Net Proceeds from Advance Fees	6,262,000	5,838,678	(423,322)	(1)
Amortization of Advance Fees	(5,032,000)	(5,350,621)	(318,621)	(2)
Other Cash Flows from Operations	5,637,000	4,359,917	(1,277,083)	(3)
Cash Flows from Investing Activities	(3,796,000)	(7,514,376)	(3,718,376)	
Net Sale (Purchase) of Investments	6,180,000	2,695,655	(3,484,345)	(5)
Purchase of Property and Equipment	(9,976,000)	(10,210,031)	(234,031)	(4)
Cash Flows from Financing Activities	(3,071,000)	2,850,450	5,921,450	
Net Proceeds from Line of Credit	(821,000)	5,100,450	5,921,450	(5)
Principal Payments on Long-Term Debt	(2,250,000)	(2,250,000)	0	
NET CASH FLOW	0	184,048	184,048	

NOTES to Cash Flow Variances:

- (1) **Net Proceeds from Advance Fees.** In 2022 CW generated \$5,839,000 in net new entry fees, which was \$423,000 less than projected. Part of the reason for this variance is that for the year CW averaged 96.7% occupancy, with some decline in occupancy in the last quarter of 2022. The entry fees for the later vacancies will be reflected in 2023. Another factor is that new moves tended to be delayed due to supply chain delays in getting materials needed to turn over IL residences.
- (2) **Entry Fee Amortization** was \$319,000 more than projected due to the income realized when contracts terminated. When entry fees are received most of the income is deferred on the balance sheet, and amortized into revenue based upon the actuarially projected remaining life expectancy of the resident(s) under contract. When the last survivor to a contract dies or withdraws, the remaining unamortized balance of the original entry fee is booked as contract termination income. In 2022, CW had 7 more contracts terminate than had been projected, and about \$5,600 more per termination.
- (3) **Other Cash Flows from Operations.** Health services revenue, guest meals, lodging and other cash revenue continued to be impacted negatively in 2022 due to the residual effects of Covid. At the same time, CW began to experience significantly higher costs from price and wage inflation, resulting in \$1,277,000 less cash flows from operations. Compounding these factors, Carol Woods' investment portfolio declined significantly, prompting heavier reliance on its revolving line of credit to cover these cash flow shortfalls, rather than draw more funds from investments.
- (4) **Purchase of Property & Equipment.** In addition to negative pressures on operations from the residual impact of Covid and significantly higher price and wage inflation, CW invested as planned in over \$10 MM in capital improvements. This included purchase of an undeveloped parcel of land across the road from the main campus, and significant infrastructure upgrades to its original buildings.
- (5) **Cash Flows from Investments and Financing Activities.** Although the \$10 MM investment in capital improvements were anticipated, CW managed the cash flows related to those investments relying more heavily on its revolving line of credit rather than withdrawals from investments. CW withdrew \$4 MM from investments, but elected to use \$6 MM of its line of credit temporarily to see if the investments might rebound. Ultimately, the investment portfolio and line of credit are used in tandem for cash flow management.

Actual December 31, 2022 Balance Sheet Compared to Pro Forma Projections

	2022 Projected (2022 Disclosure)	2022 Audited	Variance Over (Under)	Notes
BALANCE SHEET:				
Assets Limited as to Use	8,918,000	9,683,950	765,950	
Current Assets Limited as to Use	1,763,000	2,092,950	329,950	
Long-Term Assets Limited as to Use	7,155,000	7,591,000	436,000	
Cash and Investments Not Limited as to Use	63,446,000	52,409,790	(11,036,210)	
Cash and Temporary Investments	3,692,000	3,408,413	(283,587)	
Long-Term Investments	59,754,000	49,001,377	(10,752,623)	(1)
Other Assets	60,929,000	60,820,610	(108,390)	
Property and Equipment, net	58,329,000	58,079,367	(249,633)	
Interest Rate Swap Agreement		788,348	788,348	(2)
Other Assets	2,600,000	1,952,895	(647,105)	(3)
TOTAL ASSETS	133,293,000	122,914,350	(10,378,650)	(1)
Total Liabilities	89,332,000	91,666,444	2,334,444	
Line of Credit	0	5,921,674	5,921,674	(4)
Net Long-Term Debt, including Current Maturities	30,985,000	30,984,860	(140)	
Deferred Advance Fee Revenue	49,916,000	49,174,180	(741,820)	
Interest Rate Swap Agreement	2,851,000	0	(2,851,000)	(2)
Other Current & Long-Term Liabilities	5,580,000	5,585,730	5,730	
Total Net Assets	43,961,000	31,247,906	(12,713,094)	
Net Assets Without Donor Restrictions	42,423,000	29,703,224	(12,719,776)	(1, 4)
Net Assets With Donor Restrictions	1,538,000	1,544,682	6,682	
TOTAL LIABILITIES & NET ASSETS	133,293,000	122,914,350	(10,378,650)	

NOTES to Balance Sheet Variances:

- (1) **Cash & Investments and Total Assets.** Total assets were \$10,379,000 less than projected primarily because long-term investments decreased by -\$10,753,000. CW's investment portfolio, which was projected to appreciate by 5.0% actually depreciated by -17.0%; prompted by high inflation, and rapidly rising interest rates.
- (2) **Interest Swap Agreement.** CW has an interest rate swap agreement ("swap") with the same bank that holds its variable-rate bonds. The purpose of the swap is to hedge against rising interest rates by effecting a synthetically fixed rate of 3.08%. In CW's projections no attempt is made to estimate what interest rates will do, but rather assumes that the variable interest rate (LIBOR) remains constant, and therefore the market value of the swap remains unchanged. In 2022, however, interest rates, including LIBOR, increased dramatically, causing the market value of the swap to experience an unrealized gain of \$3,639,000; flipping it from a liability of \$2,851,000 to an asset of \$788,000.
- (3) **Other Assets.** Other assets were \$647,000 less than projected. A significant portion of this variance are due to timing of such assets as prepaid expenses and accounts receivable.
- (4) **Line of Credit.** In its annual financial projections CW assumes that it pays off its revolving line of credit to a balance of \$0. In reality, the balance on the line is not always taken to \$0 at year-end, but is a balance related to operational cash flow versus withdrawals from long-term investments. CW's major cash flows in 2022 included \$10.2 MM in capital expenditures versus \$5.8 MM in net entry fee receipts. Normally with such large capital expenditures, including purchase of undeveloped nearby land, CW would have withdrawn more from investments. Instead, since investments had declined 17%, cash flow was managed with deeper reliance on the revolving line of credit. Withdrawals from investments are timed judiciously, with reliance upon temporary activity on the line of credit.
- (5) **Net Assets Without Donor Restrictions.** Unrestricted net assets were \$12,713,000 less than projected due in large part to \$10.75 MM less in long-term investments, \$5.92 MM outstanding on the revolving line of credit, and the interest rate swap which flipped from a liability of \$2,850,000 to an asset of \$788,000.

APPENDIX A

The following presents Carol Woods' 2022 Audited Financial Statements

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
DBA: CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2022 AND 2021



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**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
DBA: CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
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DECEMBER 31, 2022 AND 2021**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Chapel Hill Residential Retirement Center, Inc.
dba: Carol Woods Retirement Community
and The Carol Woods Charitable Fund, Inc.
Chapel Hill, North Carolina

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of The Chapel Hill Residential Retirement Center, Inc. dba: Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc. (collectively the Center), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, consolidated the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of December 31, 2022 and 2021, and the results of its operations, changes in net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Board of Directors
The Chapel Hill Residential Retirement Center, Inc.
dba: Carol Woods Retirement Community
and The Carol Woods Charitable Fund, Inc.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

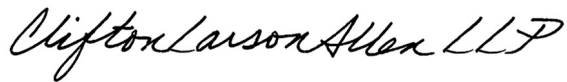
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures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

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

Board of Directors
The Chapel Hill Residential Retirement Center, Inc.
dba: Carol Woods Retirement Community
and The Carol Woods Charitable Fund, Inc.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 34-39 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and 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 audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Charlotte, North Carolina
March 20, 2023

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
DBA: CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,480,299	\$ 2,463,438
Temporary Investments	928,114	1,065,799
Assets Limited as to Use, Current Portion	2,092,950	1,925,763
Accounts Receivable, Net	1,049,591	1,198,871
Other Receivables	204,531	501,722
Prepaid Expenses and Inventory	553,084	466,352
Total Current Assets	<u>7,308,569</u>	<u>7,621,945</u>
ASSETS LIMITED AS TO USE		
Reserves Required by State Statute	7,591,000	7,155,000
Externally Restricted Under Bond Indenture Agreements	2,092,950	1,925,763
Subtotal	9,683,950	9,080,763
Less: Amounts Available for Current Liabilities	<u>(2,092,950)</u>	<u>(1,925,763)</u>
Total Assets Limited as to Use	7,591,000	7,155,000
PROPERTY AND EQUIPMENT, NET	58,079,367	52,929,461
INVESTMENTS	49,001,377	65,932,379
INTEREST RATE SWAP AGREEMENT	788,348	-
OTHER LONG-TERM ASSETS	<u>145,689</u>	<u>265,981</u>
Total Assets	<u><u>\$ 122,914,350</u></u>	<u><u>\$ 133,904,766</u></u>

See accompanying Notes to Consolidated Financial Statements.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
DBA: CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of Credit	\$ 5,921,674	\$ 821,224
Current Maturities of Long-Term Debt	2,350,000	2,250,000
Accounts Payable	1,190,176	1,148,060
Accrued Expenses	<u>2,581,264</u>	<u>2,554,487</u>
Total Current Liabilities	12,043,114	6,773,771
LONG-TERM LIABILITIES, LESS CURRENT MATURITIES	28,634,860	30,966,797
REFUNDABLE FEES	216,900	373,396
DEFERRED REVENUE FROM ADVANCE FEES	48,957,280	48,312,727
PRIORITY LIST DEPOSITS	1,814,290	1,695,770
INTEREST RATE SWAP AGREEMENT	<u>-</u>	<u>2,850,753</u>
Total Liabilities	91,666,444	90,973,214
NET ASSETS		
Without Donor Restrictions	29,703,224	41,358,054
With Donor Restrictions	<u>1,544,682</u>	<u>1,573,498</u>
Total Net Assets	<u>31,247,906</u>	<u>42,931,552</u>
Total Liabilities and Net Assets	<u><u>\$ 122,914,350</u></u>	<u><u>\$ 133,904,766</u></u>

See accompanying Notes to Consolidated Financial Statements.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
DBA: CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
REVENUE, GAINS, AND OTHER SUPPORT		
Resident Services:		
On Campus	\$ 19,447,582	\$ 19,004,052
Early Acceptance	1,250,729	1,246,480
Amortization of Advanced Fees:		
On Campus	5,017,043	4,983,155
Early Acceptance	333,578	202,563
Guests' Meals and Lodging	162,879	103,712
Health Center:		
Routine Services	3,316,781	3,089,821
Special Services	558,276	446,931
Total Resident Services	<u>30,086,868</u>	<u>29,076,714</u>
Miscellaneous	244,990	991,601
Investment Interest and Dividends	1,685,984	1,779,084
Net Assets Released from Restrictions Used for Operations	267,408	49,685
Total Revenue, Gains, and Other Support	<u>32,285,250</u>	<u>31,897,084</u>
EXPENSES		
Health Center	9,302,834	9,004,759
Dietary Services	5,083,415	4,634,078
Facility Services	6,667,795	6,049,810
Early Acceptance	92,426	92,520
Administration	6,335,448	6,286,207
Depreciation	4,037,615	3,937,795
Interest	1,008,756	1,078,249
Total Expenses	<u>32,528,289</u>	<u>31,083,418</u>
OPERATING INCOME (LOSS)	(243,039)	813,666
NONOPERATING INCOME (LOSS)		
Net Realized Gains on Sale of Investments	733,758	2,236,147
Other Loss	(100,000)	-
Net Unrealized Gains (Losses) on Investments and Assets		
Limited as to Use	(14,670,790)	2,589,782
Change in Fair Value of Interest Rate Swap Agreement	3,639,101	1,740,765
Loss on Disposal of Property and Equipment	(1,022,510)	(250,848)
Undesignated Contributions	8,650	32,290
Total Nonoperating Income (Loss)	<u>(11,411,791)</u>	<u>6,348,136</u>
EXCESS (DEFICIT) OF REVENUES, GAINS, AND OTHER SUPPORT OVER (UNDER) EXPENSES AND CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u><u>\$ (11,654,830)</u></u>	<u><u>\$ 7,161,802</u></u>

See accompanying Notes to Consolidated Financial Statements.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
DBA: CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Excess (Deficit) of Revenues, Gains, and Other Support Over (Under) Expenses and Changes in Net Assets Without Donor Restrictions	\$ (11,654,830)	\$ 7,161,802
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	238,592	317,119
Net Assets Released from Restrictions Used for Operations	<u>(267,408)</u>	<u>(49,685)</u>
Change in Net Assets With Donor Restrictions	<u>(28,816)</u>	<u>267,434</u>
CHANGE IN NET ASSETS	(11,683,646)	7,429,236
Net Assets - Beginning of Year	<u>42,931,552</u>	<u>35,502,316</u>
NET ASSETS - END OF YEAR	<u><u>\$ 31,247,906</u></u>	<u><u>\$ 42,931,552</u></u>

See accompanying Notes to Consolidated Financial Statements.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
DBA: CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022**

	Health Center	Early Acceptance	Dietary Services	Facility Services	Administration	Total
Salaries and Wages, Regular	\$ 6,749,771	\$ 92,426	\$ 2,185,887	\$ 3,013,230	\$ 1,947,192	\$ 13,988,506
Payroll Taxes and Employee Benefits	1,475,305	-	455,907	830,942	636,063	3,398,217
Retirement Benefits	206,406	-	59,255	98,514	57,506	421,681
Supplies	328,720	-	212,126	486,139	38,211	1,065,196
Purchased Services	65,316	-	1,634	257,175	134,681	458,806
Food Purchases	-	-	2,130,994	-	-	2,130,994
Professional Dues and Subscriptions	4,570	-	-	17,952	525,946	548,468
Professional and Consulting Fees	6,215	-	-	-	348,399	354,614
Maintenance and Repairs	34,100	-	-	729,240	147,145	910,485
Prescriptions	16,804	-	-	-	-	16,804
Oxygen	15,972	-	-	-	-	15,972
Equipment Purchases and Rentals	29,706	-	-	26,285	29,328	85,319
Physicians' Services	342,034	-	-	-	-	342,034
Laboratory	1,919	-	-	-	-	1,919
Property Taxes	-	-	-	-	191,234	191,234
Insurance	-	-	-	-	285,376	285,376
Telephone and Internet	-	-	-	-	295,705	295,705
Utilities	-	-	-	1,169,687	-	1,169,687
Advertising	-	-	-	-	120,102	120,102
Investment Fees	-	-	-	-	372,796	372,796
Gifts to Community	-	-	-	-	960,591	960,591
Depreciation	686,395	-	121,128	2,261,064	969,028	4,037,615
Interest	171,489	-	30,263	564,903	242,101	1,008,756
Miscellaneous	25,996	-	37,612	38,631	245,173	347,412
Total Functional Expenses	<u>\$ 10,160,718</u>	<u>\$ 92,426</u>	<u>\$ 5,234,806</u>	<u>\$ 9,493,762</u>	<u>\$ 7,546,577</u>	<u>\$ 32,528,289</u>

See accompanying Notes to Consolidated Financial Statements.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
DBA: CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021**

	Health Center	Early Acceptance	Dietary Services	Facility Services	Administration	Total
Salaries and Wages, Regular	\$ 6,253,593	\$ 92,520	\$ 1,914,566	\$ 3,025,750	\$ 2,034,238	\$ 13,320,667
Payroll Taxes and Employee Benefits	1,205,954	-	357,121	709,497	593,222	2,865,794
Retirement Benefits	212,998	-	55,223	111,335	72,610	452,166
Supplies	719,305	-	226,439	524,329	55,413	1,525,486
Purchased Services	174,482	-	18,940	285,586	72,302	551,310
Food Purchases	-	-	2,025,714	-	-	2,025,714
Professional Dues and Subscriptions	7,550	-	-	16,621	455,141	479,312
Professional and Consulting Fees	6,765	-	-	-	289,639	296,404
Maintenance and Repairs	38,446	-	-	524,130	112,882	675,458
Prescriptions	21,941	-	-	-	-	21,941
Oxygen	4,211	-	-	-	-	4,211
Equipment Purchases and Rentals	21,356	-	-	10,728	68,427	100,511
Physicians' Services	309,087	-	-	-	-	309,087
Laboratory	1,076	-	-	-	-	1,076
Property Taxes	-	-	-	-	181,199	181,199
Insurance	-	-	-	-	250,538	250,538
Telephone and Internet	-	-	-	-	537,579	537,579
Utilities	-	-	-	803,662	-	803,662
Advertising	-	-	-	-	107,501	107,501
Investment Fees	-	-	-	-	439,177	439,177
Gifts to Community	-	-	-	-	939,511	939,511
Depreciation	669,425	-	118,134	2,205,165	945,071	3,937,795
Interest	183,303	-	32,347	603,819	258,780	1,078,249
Miscellaneous	27,995	-	36,075	38,172	76,828	179,070
Total Functional Expenses	<u>\$ 9,857,487</u>	<u>\$ 92,520</u>	<u>\$ 4,784,559</u>	<u>\$ 8,858,794</u>	<u>\$ 7,490,058</u>	<u>\$ 31,083,418</u>

See accompanying Notes to Consolidated Financial Statements.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
DBA: CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (11,683,646)	\$ 7,429,236
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Proceeds from Advance Fees, Net of Refunds	5,838,678	3,889,038
Depreciation	4,037,615	3,937,795
Amortization of Advance Fees	(5,350,621)	(5,185,718)
Amortization of Deferred Costs	18,063	18,062
Realized Gains on Sale of Investments	(733,758)	(2,236,147)
Loss on Disposal of Property and Equipment	1,022,510	250,848
Net Unrealized (Gains) Losses on Investments and Assets Limited as to Use	14,670,790	(2,589,782)
Change in Fair Value of Interest Rate Swaps	(3,639,101)	(1,740,765)
Change in Assets and Liabilities:		
Accounts Receivable	149,280	60,677
Other Receivables	297,191	(334,990)
Prepaid Expenses and Inventory	33,560	(24,753)
Accounts Payable	42,116	617,005
Accrued Expenses	26,777	(314,255)
Deferred Revenue - Provider Relief Funding	-	(440,138)
Priority List Deposits	118,520	282,380
Net Cash Provided by Operating Activities	<u>4,847,974</u>	<u>3,618,493</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(10,210,031)	(4,264,887)
Proceeds of Investments and Assets Limited as to Use, Net	<u>2,695,655</u>	<u>1,656,046</u>
Net Cash Used by Investing Activities	<u>(7,514,376)</u>	<u>(2,608,841)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(2,250,000)	(2,150,000)
Proceeds from Line of Credit	26,565,397	16,804,678
Payments on Line of Credit	<u>(21,464,947)</u>	<u>(15,983,454)</u>
Net Cash Provided (Used) by Financing Activities	<u>2,850,450</u>	<u>(1,328,776)</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	184,048	(319,124)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>4,389,201</u>	<u>4,708,325</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u><u>\$ 4,573,249</u></u>	<u><u>\$ 4,389,201</u></u>

See accompanying Notes to Consolidated Financial Statements.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
DBA: CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 2,480,299	\$ 2,463,438
Restricted Cash Included in Assets Limited as to Use	<u>2,092,950</u>	<u>1,925,763</u>
Total	<u><u>\$ 4,573,249</u></u>	<u><u>\$ 4,389,201</u></u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u><u>\$ 1,014,723</u></u>	<u><u>\$ 1,083,952</u></u>

See accompanying Notes to Consolidated Financial Statements.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
DBA: CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Chapel Hill Residential Retirement Center, Inc. dba: 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, 14 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 Internal Revenue Service (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 nonprofit 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.
DBA: CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

Principles of Consolidation

The consolidated financial statements include the accounts of The Chapel Hill Residential Retirement Center, Inc. dba: Carol Woods Retirement Community 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 residents who are living on campus. North Carolina General Assembly Statute § 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 101 residents under contract in the Early Acceptance program as of December 31, 2022 and 2021, 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.

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, 2022 and 2021, a portion of these funds were in excess of federal deposit insurance limits.

Restricted cash included in assets limited as to use represents funds held by the trustee for future principal payments as required under the Center’s bond agreements.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
DBA: CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

Investments

Investments include money market funds, common stock, 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 revenue, gains, and other support and are included in operating income (loss). Net realized and unrealized gains and losses are reported as nonoperating income (loss), and are included in excess (deficit) of revenues, gains, and other support over (under) expenses. The cost of securities sold is based on the first in, first out cost method.

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.

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 25% of the current 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. At December 31, 2022 and 2021, there are no board designated assets limited as to use.

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 50 years. The costs of routine maintenance and repairs are expensed as incurred.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
DBA: CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

Property and Equipment, Net (Continued)

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, 2022 and 2021, the Center has determined that no impairment indicators exist.

Interest Rate Swap Agreements

The Center entered into an interest rate swap agreement to limit the effect of increases in the interest rates of floating rate debt. The interest rate swap agreement is reported in the accompanying consolidated balance sheets at estimated fair value at December 31, 2022 and 2021. 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.

Deferred Revenue – Provider Relief Funding

In response to the Coronavirus pandemic, the U.S. Department of Health and Human Services (HHS) made available emergency relief grant funds to health care providers through the CARES Act Provider Relief Fund (PRF). Total grant funds approved and received by the Center as of December 31, 2020, was \$699,025. No additional funds were received in 2021. The PRF's are subject to certain restrictions on eligible expenses or uses and reporting requirements.

The Center recognized \$258,887 of these funds as miscellaneous revenue in 2021 in the consolidated statements of operations and changes in net assets without donor restrictions. The Center did not recognize any such revenue in 2022 as no additional funding was received during the year. Management believes the amounts have been recognized appropriately as of December 31, 2022.

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 \$48,957,280 and \$48,312,727 for the years ended December 31, 2022 and 2021, respectively.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
DBA: CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

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, 2022 or 2021 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.

Net Assets

The Center reports net assets using the following two classes: without donor restrictions, and with donor restrictions, depending on the presence and type of donor-imposed restrictions limiting the Center's ability to use or dispose of specific contributed assets or the economic benefits embodied in those assets. Net assets without donor restrictions include those whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Net assets with donor restrictions are those 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 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 contributions without donor restrictions in the accompanying consolidated statements of operations and changes in net assets.

Net assets with donor restrictions also includes those net assets which have been restricted by donors to be maintained by the Center in perpetuity. At December 31, 2022 and 2021, the Center did not hold any net assets restricted by donors to be maintained in perpetuity.

The Center reports contributions of property and equipment (or other long-lived assets) as support without donor restrictions 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 support with donor restrictions. 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.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
DBA: CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

Excess (Deficit) of Revenues, Gains, and Other Support Over (Under) Expenses

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

Income Tax Status

Carol Woods and the Charitable Fund are nonprofit corporations exempt from federal and state income taxes under Internal Revenue Code (IRC) Section 501(c)(3). The Charitable Fund 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.

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's 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 payors. The Center has significant accounts receivable (approximately 54% and 43% in 2022 and in 2021, respectively) whose collectability or realizability is dependent upon the performance of Medicare. Management does not believe there is significant credit risks associated with Medicare.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of operations. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and interest, which are allocated on a square footage basis.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

Subsequent Events

The Center evaluated the effect subsequent events would have on the consolidated financial statements through March 20, 2023, the date the consolidated financial statements were available to be issued.

NOTE 2 RESIDENT SERVICE REVENUE

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

Performance obligations are determined based on the nature of the services provided by the Center. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Center believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facilities receiving skilled nursing services or housing residents receiving services in the facilities.

The Center considers daily services provided to residents of the skilled nursing facilities, and monthly rental for residential services as a separate performance obligation and measures this on a monthly basis, or upon move-out within the month, whichever is shorter. Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement similar to the output method. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to residents and customers in a retail setting (for example, gift shop and cafeteria meals) and the Center does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Center has elected to apply the optional exemption provided in Financial Accounting Standards Board *Accounting Standards Codification* 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
DBA: CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 RESIDENT SERVICE REVENUE (CONTINUED)

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

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

Medicare

The Center's licensed nursing facility participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). On October 1, 2019, CMS finalized the Patient Driven Payment Model (PDPM) which replaced the Medicare Prospective Payment System (PPS), a per diem price-based system. Under PDPM, therapy minutes are removed as the primary basis for payment and instead the underlying complexity and clinical needs of a patient are used as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

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

Other

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

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care.

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NOTE 2 RESIDENT SERVICE REVENUE (CONTINUED)

These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Center's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant in 2022 or 2021.

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Center estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to resident service revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended December 31, 2022 and 2021. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense.

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

The composition of resident service revenue by primary payor for the years ended December 31 is as follows:

	2022	2021
Medicare	\$ 913,112	\$ 945,985
Medicare Advantage	221,253	102,175
Private	28,952,503	28,028,554
Total	<u>\$ 30,086,868</u>	<u>\$ 29,076,714</u>

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

The composition of resident service revenue based on the Center's lines of business, method of reimbursement, and timing of revenue recognition for the years ended December 31 are as follows:

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NOTE 2 RESIDENT SERVICE REVENUE (CONTINUED)

	2022	2021
Service Lines:		
Independent Living	\$ 20,846,262	\$ 20,325,833
Assisted Living	1,135,867	1,179,274
Healthcare	2,754,118	2,385,889
Amortization of Advance Fees	5,350,621	5,185,718
Total	<u>\$ 30,086,868</u>	<u>\$ 29,076,714</u>
Method of Reimbursement:		
Monthly Service Fees	\$ 20,729,549	\$ 20,263,333
Amortization of Advance Fees	5,350,621	5,185,718
Fee for Service	4,006,698	3,627,663
Total	<u>\$ 30,086,868</u>	<u>\$ 29,076,714</u>
Timing of Revenue and Recognition:		
Health Care Services Transferred Over Time	<u>\$ 30,086,868</u>	<u>\$ 29,076,714</u>

Financing Component

The Center has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents for the effects of a significant financing component due to its expectation that the period between the time the service is provided to a resident and the time that the resident pays for that service will be one year or less. However, The Center does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

The opening and closing contract balances were as follows:

	Accounts Receivable	Deferred Revenue From Advance Fees
Balance as of December 31, 2020	\$ 1,259,548	\$ 49,679,216
Balance as of December 31, 2021	1,198,871	48,312,727
Balance as of December 31, 2022	1,049,591	48,957,280

NOTE 3 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:

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NOTE 3 INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

	2022	2021
ASSETS LIMITED AS TO USE		
Reserves Required by State Statute	\$ 7,591,000	\$ 7,155,000
Contractual Agreement, Including Current Portion	2,092,950	1,925,763
Total Assets Limited as to Use	<u>9,683,950</u>	<u>9,080,763</u>
INVESTMENTS		
Temporary Investments	928,114	1,065,799
Investments	49,001,377	65,932,379
Total	<u>\$ 59,613,441</u>	<u>\$ 76,078,941</u>

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

	2022	2021
Investments and Assets Limited as to Use:		
Cash and Short-Term Investments	\$ 2,092,950	\$ 1,925,763
Money Market Funds	928,115	1,065,799
Common Stock	26,433,189	37,485,403
Mutual Funds	15,549,234	18,704,595
Debt and Obligation Securities	14,609,953	16,897,381
Total	<u>\$ 59,613,441</u>	<u>\$ 76,078,941</u>

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

	2022	2021
Investment Interest and Dividends	\$ 1,685,984	\$ 1,779,084
Net Realized Gains on Sale of Investments	733,758	2,236,147
Net Unrealized Gains (Losses)	(14,670,790)	2,589,782
Total Investment Income (Loss)	<u>\$ (12,251,048)</u>	<u>\$ 6,605,013</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2022	2021
Land	\$ 4,453,189	\$ 833,077
Land Improvements	6,337,042	6,316,891
Buildings	87,821,367	86,244,137
Furniture and Fixtures	3,227,218	3,059,053
Equipment	10,760,571	10,204,879
Construction in Progress	2,854,990	939,125
Total	<u>115,454,377</u>	<u>107,597,162</u>
Less: Accumulated Depreciation	<u>(57,375,010)</u>	<u>(54,667,701)</u>
Property and Equipment, Net	<u>\$ 58,079,367</u>	<u>\$ 52,929,461</u>

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NOTE 4 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expense was \$4,037,615 and \$3,937,795 for the years ended December 31, 2022 and 2021, respectively. Construction in progress at December 31, 2022 and 2021 was related to apartment renovations and other general improvement projects.

NOTE 5 LONG-TERM DEBT AND LINE OF CREDIT

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

<u>Description</u>	<u>2022</u>	<u>2021</u>
2018 North Carolina Medical Care Commission Tax-Exempt Variable Rate Non-Bank-Qualified Bonds; payable on a predetermined payment schedule with payments through 2033.	\$ 31,170,000	\$ 33,420,000
Unamortized Deferred Bond Issuance Costs	(185,140)	(203,203)
Less: Current Maturities of Long-Term Debt	<u>(2,350,000)</u>	<u>(2,250,000)</u>
Long-Term Debt, Less: Current Maturities	<u><u>\$ 28,634,860</u></u>	<u><u>\$ 30,966,797</u></u>

Maturities of long-term debt computed under the 2018 Trust Agreement as of December 31, 2022 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 2,350,000
2024	2,450,000
2025	2,550,000
2026	2,650,000
2027	2,750,000
Thereafter	18,420,000
Long-Term Debt as of December 31, 2022	<u><u>\$ 31,170,000</u></u>

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NOTE 5 LONG-TERM DEBT AND LINE OF CREDIT (CONTINUED)

2018 Series Bonds

On June 1, 2018, the Center entered into a debt agreement with the North Carolina Medical Care Commission (the Commission) pursuant to the Commission's \$39,570,000 bond offering (Series 2018 Bonds) for the purpose of refinancing the \$22,470,000 outstanding Series 2010 Bonds and the \$17,100,000 outstanding Series 2012 Bonds. Proceeds from this offering were placed in trust and distributed to pay off the existing debt. The Center's 2010 and 2012 bonds were retired on June 12, 2018. The Series 2018 Bonds are held by Branch Banking & Trust Company, now Truist Bank (Truist), under a Continuing Covenants Agreement dated June 1, 2018. Since Truist holds the Series 2018 Bonds, the Bonds are not remarketed in bond markets and credit enhancement of the Series 2018 Bonds is not required. In connection with the retirement of the Series 2010 and 2012 Bonds, the Center recognized a loss on extinguishment of approximately \$538,000 in 2018 related to the write-off of certain deferred costs.

Under the Continuing Covenants 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 Truist, 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 maintaining particular 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 2018 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 2018 Bonds are scheduled to amortize over a period of 15 years through April 1, 2033. For the full fifteen years, the bonds carry a blended fixed and variable interest rate of .6478% plus 79% of one-month London Inter-Bank Offered Rate (LIBOR). The fixed portion of .6478% is fixed through April 1, 2033, which is the date when the last of the bonds will be redeemed. Since the interest paid to the bank is exempt from corporate income tax, the .6478% plus 79% of LIBOR rate was priced based upon the bank's corporate tax rate at the time of 21%. Should the corporate tax rate ever change within the 15 years of the term of the bonds, the rate is subject to change. However, the rate established with the 2018 interest rate swap, described in Note 6, would change as well, leaving the effective rate of 3.08% unchanged.

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NOTE 5 LONG-TERM DEBT AND LINE OF CREDIT (CONTINUED)

Line of Credit

On July 11, 2019, the Center entered into a revolving line of credit with a financial institution with a maximum limit of \$3,000,000 and maturity date of July 11, 2021. On June 1, 2021, this was renewed with a new maturity date of July 11, 2023. Interest is variable and calculated on a 365/360 basis, which was 1.40% as of December 31, 2021. During 2022, the revolving line of credit was amended to increase the maximum borrowing limit to \$10,000,000. No other changes were made to the terms of the agreement. The funds are used for short-term working capital needs. There was \$5,921,674 and \$821,224 outstanding on the line of credit as of December 31, 2022 and 2021, respectively.

NOTE 6 INTEREST RATE SWAP AGREEMENT

On June 12, 2018, as part of the refinancing of the Series 2010 and Series 2012 Bonds, the Center terminated its two interest rate swaps that had been in place as hedges for the 2010 and 2012 bonds. On June 13, 2018, the Center entered into a new interest swap rate agreement with Truist as a counter party to reduce the volatility of interest rates on the variable rate 2018 bonds. The rates on the 2018 bonds and 2018 swap are such that they achieve an effective rate of 3.08% for the full 15-year term of the bonds. Should the corporate income tax rate change at any time during the 15-year period, the documents of both the bonds and the swap stipulate complementary changes in the bond and swap rates, such that the effective rate of 3.08% would remain. The difference between the fixed and floating rates for the 2018 interest rate swap is accrued monthly and recorded as interest expense in the accompanying consolidated statements of operations. The fair value of the swap agreement is recorded on the consolidated balance sheets as a long-term asset and liability at December 31, 2022 and 2021, respectively.

The following schedule outlines the terms and fair market value of the derivative instrument on December 31:

	Truist Bank Swap
Notional Amount - Original	\$ 39,570,000
Notional Amount - December 31, 2022	31,170,000
Trade Date	6/12/2018
Effective Date	6/12/2018
Termination Date	4/1/2033
Fixed Rate	3.08 %
Floating Rate (Percentage of LIBOR)	79 %
Fair Value at December 31, 2020	\$ (4,591,518)
Unrealized Gains	1,740,765
Fair Value at December 31, 2021	(2,850,753)
Unrealized Gains	3,639,101
Fair Value at December 31, 2022	<u>\$ 788,348</u>

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NOTE 6 INTEREST RATE SWAP AGREEMENT (CONTINUED)

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 swap to be included within other changes in net assets without donor restrictions.

NOTE 7 NET ASSETS

Net assets with donor restrictions are available for the following purposes at December 31:

	2022	2021
Subject to Expenditure for a Specific Purpose:		
Resident Assistance	\$ 654,430	\$ 750,970
Employee Development	209,471	207,400
Resident Life	167,757	160,496
Campus Enhancement	123,514	47,255
Community Mission Development	278,150	286,066
Employee Hardship	72,856	82,805
Other	38,504	38,506
Total Net Assets With Donor Restrictions	<u>\$ 1,544,682</u>	<u>\$ 1,573,498</u>

During the years ended December 31, 2022 and 2021, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

	2022	2021
Donor Restrictions Accomplished:		
Resident Assistance	\$ 193,540	\$ -
Employee Development	3,746	2,971
Resident Life	47,000	34,500
Campus Enhancement	2,310	4,695
Employee Hardship	11,086	7,519
Community Mission Development	9,726	-
Total Net Assets Released from Restrictions	<u>\$ 267,408</u>	<u>\$ 49,685</u>

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NOTE 8 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 advance 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 \$216,900 and \$373,396 at December 31, 2022 and 2021, 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 \$10,739,569 and \$10,973,938 at December 31, 2022 and 2021, respectively, and is included in deferred revenue from advance fees on the consolidated balance sheets. There were \$83,916 and \$131,852 of refunds as of December 31, 2022 and 2021, respectively.

NOTE 9 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.

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NOTE 9 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

Fair Value Measurement (Continued)

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 agreement. 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 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, 2022 and 2021:

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NOTE 9 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

Fair Value Measurement (Continued)

	2022			
	Level 1	Level 2	Level 3	Total
ASSETS				
Common Stock:				
Large Cap	\$ 14,369,402	\$ -	\$ -	\$ 14,369,402
Mid Cap	2,276,449	-	-	2,276,449
Small Cap	3,433,588	-	-	3,433,588
International	6,353,750	-	-	6,353,750
Total Common Stock	26,433,189	-	-	26,433,189
Mutual Funds:				
Global Allocation	6,830,170	-	-	6,830,170
Fixed Income	8,719,064	-	-	8,719,064
Total Mutual Funds	15,549,234	-	-	15,549,234
Debt and Obligation Securities:				
U.S. Treasury and Government	2,627,755	-	-	2,627,755
Municipal	3,148,695	-	-	3,148,695
Corporate	4,371,261	-	-	4,371,261
Asset-Backed	4,462,242	-	-	4,462,242
Total Debt and Obligation Securities	14,609,953	-	-	14,609,953
Money Market Funds	928,115	-	-	928,115
Interest Rate Swap Agreements	-	788,348	-	788,348
Total Assets	<u>\$ 57,520,491</u>	<u>\$ 788,348</u>	<u>\$ -</u>	<u>\$ 58,308,839</u>

The Center had \$2,092,950 of cash and cash equivalents included with investments and assets limited as to use as of December 31, 2022 which are not included in the fair value hierarchy.

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NOTE 9 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

Fair Value Measurement (Continued)

	2021			
	Level 1	Level 2	Level 3	Total
ASSETS				
Common Stock:				
Large Cap	\$ 19,964,507	\$ -	\$ -	\$ 19,964,507
Mid Cap	3,846,643	-	-	3,846,643
Small Cap	3,862,117	-	-	3,862,117
International	9,812,136	-	-	9,812,136
Total Common Stock	37,485,403	-	-	37,485,403
Mutual Funds:				
Global Allocation	8,445,991	-	-	8,445,991
Fixed Income	10,258,604	-	-	10,258,604
Total Mutual Funds	18,704,595	-	-	18,704,595
Debt and Obligation Securities:				
U.S. Treasury and Government	3,866,445	-	-	3,866,445
Municipal	2,767,384	-	-	2,767,384
Corporate	6,267,371	-	-	6,267,371
Asset-Backed	3,996,181	-	-	3,996,181
Total Debt and Obligation Securities	16,897,381	-	-	16,897,381
Money Market Funds	1,065,799	-	-	1,065,799
Total Assets	<u>\$ 74,153,178</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,153,178</u>
LIABILITIES				
Interest Rate Swap Agreements	<u>\$ -</u>	<u>\$ 2,850,753</u>	<u>\$ -</u>	<u>\$ 2,850,753</u>

The Center had \$1,925,763 of cash and cash equivalents included with investments and assets limited as to use as of December 31, 2021 which are not included in the fair value hierarchy.

NOTE 10 CHARITY CARE AND COMMUNITY BENEFITS

The Center provides assistance to its residents who can no longer 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, 2022 and 2021 are as follows:

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NOTE 10 CHARITY CARE AND COMMUNITY BENEFITS (CONTINUED)

	2022	2021
Resident Assistance/Charitable Care	\$ 193,540	\$ 342,555
Community Benefits:		
Community Benefit	70,031	135,181
Charitable Donations	725,894	543,720
Donated Volunteer Services	13,262	26,255
Unreimbursed Health Care	707	-
Total Community Benefits	<u>809,894</u>	<u>705,156</u>
Total Support	<u>\$ 1,003,434</u>	<u>\$ 1,047,711</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 has resulted in unreimbursed costs averaging approximately \$400,000 annually in recent years.

NOTE 11 RETIREMENT PLANS

The Center sponsors retirement plans under IRC Section 401(a) and 403(b). The plan under IRC 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 2022 and 2021. Employees become fully vested after three years of service. Employer contributions to the plan were \$421,680 and \$452,578 for the years ended December 31, 2022 and 2021, respectively.

The plan under IRC Section 403(b) provides for employee-only contributions in accordance with IRS 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.

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NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Center, COVID-19 may impact various parts of its 2023 operations and financial results including but not limited to additional costs for emergency preparedness, disease control, and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the Center is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2022.

NOTE 13 LIQUIDITY

The Center invests cash in excess of short-term requirements in short-term investments. In addition, the Center has long-term fixed income and equity investments which are liquid within one week. In addition, the Center has an available line of credit in which funds may be drawn for general expenditures. The Center's financial assets available within one year of the consolidated balance sheet date for general expenditures are as follows:

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
DBA: CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 13 LIQUIDITY (CONTINUED)

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 2,480,299	\$ 2,463,438
Money Market Funds	928,115	1,065,799
Common Stock	26,433,189	37,485,403
Mutual Funds	15,549,234	18,704,595
Debt and Obligation Securities	<u>14,609,953</u>	<u>16,897,381</u>
Total	60,000,790	76,616,616
Accounts Receivable	1,049,591	1,198,871
Less: Net Assets With Donor Restrictions	<u>(1,544,682)</u>	<u>(1,573,498)</u>
Total Financial Assets Available to Meet Liquidity Needs	<u><u>\$ 59,505,699</u></u>	<u><u>\$ 76,241,989</u></u>

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
DBA: CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2022**

	Carol Woods Retirement Community	The Carol Woods Charitable Fund, Inc.	Eliminations	Consolidated
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 207,479	\$ 2,272,820	\$ -	\$ 2,480,299
Temporary Investments	928,114	-	-	928,114
Assets Limited as to Use, Current Portion	2,092,950	-	-	2,092,950
Accounts Receivable, Net	1,048,991	600	-	1,049,591
Other Receivables	204,531	-	-	204,531
Prepaid Expenses and Inventory	553,084	-	-	553,084
Total Current Assets	<u>5,035,149</u>	<u>2,273,420</u>	<u>-</u>	<u>7,308,569</u>
ASSETS LIMITED AS TO USE				
Reserves Required by State Statute	7,591,000	-	-	7,591,000
Externally Restricted Under Bond Indenture Agreements	<u>2,092,950</u>	<u>-</u>	<u>-</u>	<u>2,092,950</u>
Subtotal	9,683,950	-	-	9,683,950
Less: Amounts Available for Current Liabilities	<u>(2,092,950)</u>	<u>-</u>	<u>-</u>	<u>(2,092,950)</u>
Total Assets Limited as to Use	7,591,000	-	-	7,591,000
PROPERTY AND EQUIPMENT, NET	58,079,367	-	-	58,079,367
INVESTMENTS	49,001,377	-	-	49,001,377
INTEREST RATE SWAP AGREEMENT	788,348	-	-	788,348
OTHER LONG-TERM ASSETS	<u>145,689</u>	<u>-</u>	<u>-</u>	<u>145,689</u>
Total Assets	<u><u>\$ 120,640,930</u></u>	<u><u>\$ 2,273,420</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 122,914,350</u></u>

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
DBA: CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2022**

	Carol Woods Retirement Community	The Carol Woods Charitable Fund, Inc.	Eliminations	Consolidated
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Line of Credit	\$ 5,921,674	\$ -	\$ -	\$ 5,921,674
Current Maturities of Long-Term Debt	2,350,000	-	-	2,350,000
Accounts Payable	1,189,251	925	-	1,190,176
Accrued Expenses	2,581,264	-	-	2,581,264
Total Current Liabilities	12,042,189	925	-	12,043,114
LONG-TERM LIABILITIES, LESS CURRENT MATURITIES	28,634,860	-	-	28,634,860
REFUNDABLE FEES	216,900	-	-	216,900
DEFERRED REVENUE FROM ADVANCE FEES	48,957,280	-	-	48,957,280
PRIORITY LIST DEPOSITS	1,814,290	-	-	1,814,290
Total Liabilities	91,665,519	925	-	91,666,444
NET ASSETS				
Without Donor Restrictions	28,920,351	782,873	-	29,703,224
With Donor Restrictions	55,060	1,489,622	-	1,544,682
Total Net Assets	28,975,411	2,272,495	-	31,247,906
Total Liabilities and Net Assets	<u>\$ 120,640,930</u>	<u>\$ 2,273,420</u>	<u>\$ -</u>	<u>\$ 122,914,350</u>

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
DBA: 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, 2022**

	Carol Woods Retirement Community	The Carol Woods Charitable Fund, Inc.	Eliminations	Consolidated
REVENUE, GAINS, AND OTHER SUPPORT				
Resident Services:				
On Campus	\$ 19,447,582	\$ -	\$ -	\$ 19,447,582
Early Acceptance	1,250,729	-	-	1,250,729
Amortization of Advanced Fees:				
On Campus	5,017,043	-	-	5,017,043
Early Acceptance	333,578	-	-	333,578
Guests' Meals and Lodging	162,879	-	-	162,879
Health Center:				
Routine Services	3,316,781	-	-	3,316,781
Special Services	558,276	-	-	558,276
Resident Service Revenue	30,086,868	-	-	30,086,868
Miscellaneous	244,990	-	-	244,990
Investment Interest and Dividends	1,685,926	58	-	1,685,984
Net Assets Released from Restrictions				
Used for Operations	220,408	47,000	-	267,408
Total Revenue, Gains, and Other Support	32,238,192	47,058	-	32,285,250
EXPENSES				
Health Center	9,302,834	-	-	9,302,834
Dietary Services	5,083,415	-	-	5,083,415
Facility Services	6,667,795	-	-	6,667,795
Early Acceptance	92,426	-	-	92,426
Administration	6,282,020	53,428	-	6,335,448
Depreciation	4,037,615	-	-	4,037,615
Interest	1,008,756	-	-	1,008,756
Total Expenses	32,474,861	53,428	-	32,528,289
OPERATING LOSS	(236,669)	(6,370)	-	(243,039)
NONOPERATING INCOME (LOSS)				
Net Realized Gains on Sale of Investments	733,758	-	-	733,758
Other Loss	-	(100,000)	-	(100,000)
Net Unrealized Losses on Investments and Assets Limited as to Use	(14,670,790)	-	-	(14,670,790)
Change in Fair Value of Interest Rate Swap Agreement	3,639,101	-	-	3,639,101
Loss on Disposal of Property and Equipment	(1,022,510)	-	-	(1,022,510)
Undesignated Contributions	-	8,650	-	8,650
Total Nonoperating Income (Loss)	(11,320,441)	(91,350)	-	(11,411,791)
DEFICIT OF REVENUES, GAINS, AND OTHER SUPPORT UNDER EXPENSES AND CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(11,557,110)	(97,720)	-	(11,654,830)

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
DBA: CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
SCHEDULE OF PROPERTY AND EQUIPMENT
YEAR ENDED DECEMBER 31, 2022**

Assets, at Cost					
	Balance December 31, 2021	Acquisitions	Retirements	Transfers	Balance December 31, 2022
Land	\$ 833,077	\$ -	\$ -	\$ 3,620,112	\$ 4,453,189
Land Improvements	6,316,891	-	(14,851)	35,002	6,337,042
Buildings	86,244,137	-	(1,341,659)	2,918,889	87,821,367
Furniture and Fixtures	3,059,053	67,236	(258,158)	359,087	3,227,218
Equipment	10,204,879	548,185	(738,148)	745,655	10,760,571
Construction in Progress	939,125	9,594,610	-	(7,678,745)	2,854,990
Total	<u>\$ 107,597,162</u>	<u>\$ 10,210,031</u>	<u>\$ (2,352,816)</u>	<u>\$ -</u>	<u>\$ 115,454,377</u>

Accumulated Depreciation				
	Balance December 31, 2021	Depreciation	Retirements	Balance December 31, 2022
Accumulated Depreciation	<u>\$ (54,667,701)</u>	<u>\$ (4,037,615)</u>	<u>\$ 1,330,306</u>	<u>\$ (57,375,010)</u>

Depreciated
Cost
December 31,
2022

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
DBA: CAROL WOODS RETIREMENT COMMUNITY
AND THE CAROL WOODS CHARITABLE FUND, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
WITHOUT DONOR RESTRICTIONS INFORMATION (ALTERNATIVE FORMAT)
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
REVENUE		
Resident Services	\$ 20,698,311	\$ 20,250,532
Guests' Meals and Lodging	162,879	103,712
Health Center:		
Routine Services	3,316,781	3,089,821
Special Services	558,276	446,931
Total Resident Services Revenue	<u>24,736,247</u>	<u>23,890,996</u>
Miscellaneous	244,990	991,601
Investment Interest and Dividends	1,685,984	1,779,084
Net Assets Released from Restrictions Used for Operations	267,408	49,685
Total Revenue	<u>26,934,629</u>	<u>26,711,366</u>
EXPENSES		
Health Center	9,302,834	9,004,759
Dietary Services	5,083,415	4,634,078
Facility Services	6,667,795	6,049,810
Early Acceptance	92,426	92,520
Administration	6,335,448	6,286,207
Interest	1,008,756	1,078,249
Total Expenses	<u>28,490,674</u>	<u>27,145,623</u>
DECREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE AMORTIZATION OF ADVANCE FEES, INVESTMENT INCOME, DEPRECIATION, AND CHANGE IN FAIR VALUE OF INTEREST RATE SWAP AGREEMENT	(1,556,045)	(434,257)
Amortization of Advance Fees	5,350,621	5,185,718
Undesignated Contributions	8,650	32,290
Investment Income (Loss):		
Net Realized Gains on Sales of Investments	733,758	2,236,147
Net Unrealized Gains (Losses) on Investments	<u>(14,670,790)</u>	<u>2,589,782</u>
Total Investment Income (Loss)	<u>(13,937,032)</u>	<u>4,825,929</u>
Depreciation	(4,037,615)	(3,937,795)
Change in Fair Value of Interest Rate Swap Agreement	3,639,101	1,740,765
Other Loss	(100,000)	-
Loss on Disposal of Property and Equipment	<u>(1,022,510)</u>	<u>(250,848)</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ (11,654,830)</u>	<u>\$ 7,161,802</u>
SUPPLEMENTAL INFORMATION		
Entrance Fee Proceeds	<u>\$ 5,838,678</u>	<u>\$ 3,889,038</u>
Capital Expenditures	<u>\$ 10,210,031</u>	<u>\$ 4,264,887</u>

APPENDIX B

The following presents the 5-Year Projected Financial Statements for Carol Woods for the 5 years ending December 31, 2023 through December 31, 2027

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

**CONSOLIDATED FINANCIAL PROJECTION
(WITH INDEPENDENT ACCOUNTANTS' COMPILATION
REPORT THEREON)**

**FOR EACH OF THE FIVE YEARS ENDING
DECEMBER 31, 2027**



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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors
The Chapel Hill Residential Retirement Center, Inc.
Chapel Hill, North Carolina

Management is responsible for the accompanying consolidated projected balance sheets, consolidated projected statements of operations and changes in net assets, and consolidated projected 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") as of December 31, 2023 through 2027, and for each of the five years then ending (the "Projection Period"), including the related summary of significant projection assumptions and accounting policies, in accordance with the guidelines for presentation of a financial projection established by the American Institute of Certified Public Accountants ("AICPA") and the accounting principles generally accepted in the United States of America. 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 financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management ("Management"). Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these projected financial statements or the assumptions. Furthermore, even if the Center is able to achieve the hypothetical assumptions as noted in Management's Summary of Significant Projection Assumptions and Accounting Policies on page 5 (the "Hypothetical Assumptions"), the projected results may not be achieved, as 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

CliftonLarsonAllen LLP

Charlotte, North Carolina
March 31, 2023

**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)**

	2023	2024	2025	2026	2027
ASSETS					
CURRENT ASSETS					
Cash & Cash Equivalents	\$ 2,735	\$ 2,660	\$ 2,585	\$ 2,510	\$ 2,435
Temporary Investments	928	928	928	928	928
Assets Limited as to Use, Current Portion	1,838	1,913	1,988	2,063	2,138
Accounts Receivable, Net	1,256	1,342	1,400	1,453	1,521
Prepaid Expenses and Inventory	557	582	608	634	663
Total Current Assets	7,314	7,425	7,509	7,588	7,685
ASSETS LIMITED AS TO USE					
Reserves Required by State Statute	7,629	7,934	8,258	8,595	8,950
Total Assets Limited as to Use	7,629	7,934	8,258	8,595	8,950
PROPERTY AND EQUIPMENT, NET	59,818	61,418	61,524	61,692	61,935
INVESTMENTS	41,865	39,937	39,453	39,114	39,185
INTEREST RATE SWAP AGREEMENT	788	788	788	788	788
OTHER LONG-TERM ASSETS	146	145	144	143	142
Total Assets	\$ 117,560	\$ 117,647	\$ 117,676	\$ 117,920	\$ 118,685
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Current Maturities of Long-Term Debt	\$ 2,450	\$ 2,550	\$ 2,650	\$ 2,750	\$ 2,850
Accounts Payable	1,274	1,330	1,389	1,450	1,515
Accrued Expenses	2,707	2,826	2,951	3,082	3,219
Total Current Liabilities	6,431	6,706	6,990	7,282	7,584
LONG-TERM DEBT, LESS CURRENT MATURITIES	26,370	23,820	21,170	18,420	15,570
LESS: Deferred Bond Issuance Costs	(167)	(149)	(131)	(113)	(95)
Long-Term Debt, Net	26,203	23,671	21,039	18,307	15,475
REFUNDABLE FEES	128	117	123	129	130
DEFERRED REVENUE FROM ADVANCE FEES	51,391	53,336	55,348	57,834	60,774
PRIORITY LIST DEPOSITS	1,814	1,814	1,814	1,814	1,814
Total Long-Term Liabilities	79,536	78,938	78,324	78,084	78,193
Total Liabilities	85,967	85,644	85,314	85,366	85,777
NET ASSETS					
Without Donor Restrictions	30,164	30,690	31,165	31,473	31,943
With Donor Restrictions	1,429	1,313	1,197	1,081	965
Total Net Assets	31,593	32,003	32,362	32,554	32,908
Total Liabilities and Net Assets	\$ 117,560	\$ 117,647	\$ 117,676	\$ 117,920	\$ 118,685

**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)**

	2023	2024	2025	2026	2027
REVENUE, GAINS AND OTHER SUPPORT					
Resident Services					
On Campus	\$ 20,380	\$ 21,066	\$ 21,979	\$ 22,967	\$ 23,982
Early Acceptance	1,466	1,702	1,806	1,887	1,987
Amortization of Advance Fees					
On Campus	4,816	4,670	4,814	4,990	5,202
Early Acceptance	324	311	346	376	410
Guests' Meals and Lodging	183	191	200	209	218
Health Center:					
Routine Services	4,194	5,063	5,261	5,270	5,565
Special Services	781	816	853	891	931
Miscellaneous	363	380	397	415	433
Investment Interest and Dividends	1,801	1,656	1,626	1,623	1,630
Contribution / Gift Income	-	-	-	-	-
Net Assets Released from Restrictions Used for Operations	116	116	116	116	116
Total Revenue, Gains and Other Support	34,424	35,971	37,398	38,744	40,474
EXPENSES					
Health Center	10,187	10,720	11,202	11,706	12,233
Dietary Services	5,575	5,825	6,088	6,361	6,648
Housekeeping and Laundry	1,981	2,070	2,163	2,261	2,362
Plant Operations, Maintenance, Security & Transportation	4,982	5,206	5,441	5,686	5,941
Early Acceptance	114	133	141	147	155
Administration	6,251	6,413	6,680	6,959	7,261
Depreciation	4,144	4,363	4,557	4,745	4,920
Interest Expense	913	831	753	672	588
Interest Expense - Deferred Bond Issuance Costs	18	18	18	18	18
Total Operating Expenses	34,165	35,579	37,043	38,555	40,126
OPERATING INCOME	259	392	355	189	348
NONOPERATING INCOME (LOSS)					
Loss on Disposal of Property & Equipment	(638)	(638)	(638)	(638)	(638)
Net Appreciation on Investments	840	772	758	757	760
Income from Operations and Change in Net Assets Without Donor Restrictions	461	526	475	308	470
NET ASSETS WITH DONOR RESTRICTIONS					
Net Assets Released from Restrictions Used for Operations	(116)	(116)	(116)	(116)	(116)
Change in Net Assets With Donor Restrictions	(116)	(116)	(116)	(116)	(116)
CHANGE IN NET ASSETS	345	410	359	192	354
NET ASSETS					
Beginning of the Year	31,248	31,593	32,003	32,362	32,554
End of the Year	\$ 31,593	\$ 32,003	\$ 32,362	\$ 32,554	\$ 32,908

**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 CASH FLOWS ASSUMING HYPOTHETICAL
ASSUMPTIONS NOTED ON PAGE 5**

**FOR EACH OF THE FIVE YEARS ENDING DECEMBER 31,
(IN THOUSANDS OF DOLLARS)**

	2023	2024	2025	2026	2027
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in Net Assets	\$ 345	\$ 410	\$ 359	\$ 192	\$ 354
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:					
Proceeds from Advance Fees, Net of Refunds	7,485	6,915	7,178	7,858	8,553
Amortization of Advance Fees	(5,140)	(4,981)	(5,160)	(5,366)	(5,612)
Depreciation	4,144	4,363	4,557	4,745	4,920
Amortization of Deferred Bond Issuance Costs	18	18	18	18	18
Loss on Disposal of Property & Equipment	638	638	638	638	638
Change in Accounts Receivable, Prepaid Expenses, and Inventory	(6)	(111)	(84)	(79)	(97)
Change in Accounts Payable and Accrued Expenses	210	175	184	192	202
Net Cash Provided by Operating Activities	7,694	7,427	7,690	8,198	8,976
CASH FLOWS FROM INVESTING ACTIVITIES					
Net Change in Investments and Assets Limited as to Use	7,098	1,623	160	2	(426)
Purchase of Property and Equipment	(6,520)	(6,600)	(5,300)	(5,550)	(5,800)
Net Cash Provided (Used) by Investing Activities	578	(4,977)	(5,140)	(5,548)	(6,226)
CASH FLOWS FROM FINANCING ACTIVITIES					
Principal Payments on Long-Term Debt	(2,350)	(2,450)	(2,550)	(2,650)	(2,750)
Principal Payments on Line of Credit	(5,922)	-	-	-	-
Net Cash Used by Financing Activities	(8,272)	(2,450)	(2,550)	(2,650)	(2,750)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	-	-	-	-	-
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	4,573	4,573	4,573	4,573	4,573
Cash, Cash Equivalents, and Restricted Cash - End of Year	\$ 4,573	\$ 4,573	\$ 4,573	\$ 4,573	\$ 4,573
Cash and Cash Equivalents	\$ 2,735	\$ 2,660	\$ 2,585	\$ 2,510	\$ 2,435
Restricted Cash included in Assets Limited as to Use	1,838	1,913	1,988	2,063	2,138
Total	\$ 4,573	\$ 4,573	\$ 4,573	\$ 4,573	\$ 4,573

Summary of Significant Projection Assumptions and Accounting Policies

Introduction and Background Information

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"), the expected consolidated financial position, changes in net assets and cash flows of the Center as of December 31, 2023, 2024, 2025, 2026, and 2027 and for each of the five years then ending. Accordingly, the projection reflects Management's judgment of the expected conditions and its expected course of action as of March 31, 2023. 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 projection with the following hypothetical assumptions:

- The Early Acceptance program, which had 109 residents as of the end of 2022, will continue to be marketed successfully to the Center's Priority List;
- Adequate demand exists to support the projected program utilization and staffing; and
- Existing independent living units continue to be successfully marketed to sustain projected occupancy.

Summary of Significant Projection Assumptions and Accounting Policies

Introduction and Background Information (continued)

Organization – The Center provides housing, health care and other related services to residents through the operation of a retirement facility containing 315 independent living apartments, cottages and townhomes (collectively the “Existing Independent Living Units”); a 35-bed assisted living center; two 12-unit assisted living homes; and a 60-bed health center (collectively the “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.

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 nonprofit 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.

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.

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	N/A	\$ 40,700	\$ 1,044
Central Apartments					
Central Studio	C-S	2	447	N/A	\$ 2,522
Central Studio, Expanded	C-SE	13	507	\$ 106,000	\$ 2,577
Central 1-BR, Small Expanded	C-1SE	7	671	\$ 171,900	\$ 3,384
Central 1-BR Expanded	C-1E	65	695	\$ 181,500	\$ 3,544
Central 1-BR Large	C-1L	3	758	\$ 203,000	\$ 3,668
Central 2-BR, Expanded	C-2E	35	910	\$ 250,000	\$ 4,451
Central 2-BR Large	C-2L	3	1,042	\$ 290,700	\$ 4,716
Central 2-BR Extra Large	C-2XL	6	1,160	\$ 318,600	\$ 4,912
Central 2-BR & Den	C-2D	12	1,292	\$ 363,300	\$ 5,198
Central 2-BR & Den Large	C-2DL	2	1,345	\$ 372,300	\$ 5,333
Central 2-BR & Den Extra Large	C-2DXL	1	1,390	\$ 384,800	\$ 5,404
Apartment Totals / Weighted Averages		149	813	\$ 216,300	\$ 3,902
Garden Cottages					
Garden 1-BR	G-1	14	678	\$ 177,200	\$ 3,490
Garden 1-BR & Den	G-1D	22	801	\$ 215,400	\$ 3,806
Garden 2-BR	G-2	19	957	\$ 259,800	\$ 4,384
Garden 1-BR, Den & Carolina Room	G-1DC	5	1,006	\$ 271,600	\$ 4,608
Garden 2 BR & Den	G-2D	11	1,078	\$ 295,300	\$ 4,783
Garden 2-BR & Carolina Room	G-2C	6	1,149	\$ 313,100	\$ 4,883
Garden 2-BR, Den & Carolina Room	G-2DC	13	1,280	\$ 351,600	\$ 5,131
Garden 1-BR Deluxe	G-1DXL	16	1,343	\$ 367,500	\$ 5,255
Garden 2-BR Deluxe	G-2DXL	34	1,538	\$ 427,600	\$ 5,505
Garden 2-BR Deluxe & Sunroom	G-2DXS	12	1,855	\$ 519,500	\$ 5,953
Cottage Totals / Weighted Averages		152	1,196	\$ 328,100	\$ 4,804
Townhomes (Average)		14	1,638	\$ 456,000	\$ 5,574
ILU Totals / Weighted Averages		315	1,034	\$ 280,900	\$ 4,412
Cottage Sunroom Additions ⁽³⁾		19	60 to 240	\$ 31,400	\$ 297
Second Person Fees ⁽⁴⁾				\$ 40,700	\$ 1,369
1st Person Fees upon move to LTC ⁽⁵⁾					\$ 2,522

Source: Management

- (1) The Entry Fee pricing is effective April 1, 2023. Carol Woods offers only a declining refund option.
- (2) The Monthly Fee pricing is effective January 1, 2023.
- (3) There is an added Entry Fee and Monthly fee for cottage sunroom additions, depending upon square footage.
- (4) Second persons are charged the same Entry Fees and Monthly Fees regardless of where they are living.
- (5) When a single person or couple vacates an independent living residence, the single / 1st person monthly fee is reduced to \$2,522.

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⁾	Type B Contract Percentage Discount ⁽¹⁾
Assisted Living Units				
Central-Private	35	350	\$ 233	
Garden-Private ⁽²⁾	15	250	\$ 233	
Total / Weighted Averages:	50	320	\$ 233	61%
Assisted Nursing Beds				
Private ⁽²⁾	31	280	\$ 363	
Semi-Private	8	140	\$ 348	
Total / Weighted Averages:	39	251	\$ 360	70%
Skilled Nursing Beds				
Private Room	22	280	\$ 402	
Semi-Private	8	140	\$ 387	
Total / Weighted Averages:	30	243	\$ 398	70%
Total / Weighted Averages:	119	278	\$ 316	67%

Source: Management

- (1) The "Daily Fees" shown are the non-resident rates effective January 1, 2023. The Center's residents receive a life care benefit in which they pay Daily Fees that are discounted approximately 61%-70% from the non-resident rates.
- (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, 15 of the units are portrayed as private Assisted Living Units, and 9 are included in the 31 private Assisted Nursing Beds.

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Accounting Policies

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

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 and The Carol Woods Charitable Fund, Inc. Significant intercompany balances and transactions between the consolidated entities have been eliminated.

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. 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 that range from 3 to 50 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 consolidated 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.

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Accounting Policies (continued)

Deferred Bond Issuance Costs – Deferred bond issuance costs are being amortized on a straight-line basis, which approximates the effective interest method, over the life of long-term debt and other credit instruments. Deferred bond issuance costs are presented in the projected consolidated balance sheets as a deduction from the carrying amount of the related liability. Management has elected to show the interest expense – deferred bond issuance costs as its own line item on the Projected Consolidated Statements of Operations and Changes in Net Assets instead of as a component of interest expense.

Derivatives – Derivatives and hedging instruments are recorded at estimated fair value in the projected financial statements using the most recent audited valuations. The Center enters 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 remaining balance of 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 over the span of 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 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 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 2023 through 2027, the Center has projected that approximately \$116,000 of donor restricted net assets will meet its purpose or time restriction each year, as noted on the projected consolidated statements of operations and changes in net assets.

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.

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Accounting Policies (continued)

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 consolidated financial statements do not reflect a provision or liability for federal and state income taxes.

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

Performance obligations are determined based on the nature of the services provided by the Center. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Center believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facilities receiving skilled nursing services or housing residents receiving services in the facilities.

The Center considers daily services provided to residents of the skilled nursing facilities, and monthly rental for residential services as a separate performance obligation and measures this on a monthly basis, or upon move-out within the month, whichever is shorter. Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement similar to the output method. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to residents and customers in a retail setting (for example, gift shop and cafeteria meals) and the Center does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Center has elected to apply the optional exemption provided in Financial Accounting Standards Board *Accounting Standards Codification* 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

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

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

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Accounting Policies (continued)

Medicare

The Center's licensed nursing facility participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). On October 1, 2019, CMS finalized the Patient Driven Payment Model (PDPM) which replaced the Medicare Prospective Payment System (PPS), a per diem price-based system. Under PDPM, therapy minutes are removed as the primary basis for payment and instead the underlying complexity and clinical needs of a patient are used as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

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

Other

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

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care.

These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Center's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Management has projected that any adjustments arising from a change in an implicit price concession impacting transaction price will not be significant during the Projection Period.

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Center estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to resident service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense.

Financing Component

The Center has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents for the effects of a significant financing component due to its expectation that the period between the time the service is provided to a resident

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Accounting Policies (continued)

and the time that the resident pays for that service will be one year or less. However, The Center does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

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 of North Carolina 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 2022, the Center had 109 residents in 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 admissions 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. 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 North Carolina Department of Insurance. The current Entry Fees for Early Acceptance are \$40,700 per person, and the current Monthly Fees are \$1,044 per person.

Summary of Significant Projection Assumptions and Accounting Policies

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 Table 1, and 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 a lower rate.

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 PROJECTED CENSUS	
Year	Program Census
2023	126
2024	130
2025	132
2026	132
2027	133

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 PROJECTED AVERAGE CENSUS, 2023 THROUGH 2027

Type of Unit	2023		2024		2025		2026		2027	
	Units	Ave Census	Units	Ave Census	Units	Ave Census	Units	Ave Census	Units	Ave Census
Percent Occupancy - Central Apartments										
Central Studio ⁽¹⁾	C-S	2	2	1	1	0	0	0	0	0
Central Studio, Expanded ⁽¹⁾	C-SE	13	10	14	11	15	12	15	12	15
Central 1-BR, Small Expanded	C-1SE	7	7	7	7	7	7	7	7	7
Central 1-BR Expanded	C-1E	65	62	65	62	65	62	65	62	65
Central 1-BR Large	C-1L	3	3	3	3	3	3	3	3	3
Central 2-BR, Expanded	C-2E	35	34	35	34	35	34	35	34	35
Central 2-BR Large	C-2L	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
Central 2-BR & Den	C-2D	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
Central 2-BR & Den Extra Large	C-2DXL	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
Garden 1-BR & Den	G-1D	22	22	22	22	22	22	22	22	22
Garden 2-BR	G-2	19	19	19	19	19	19	19	19	19
Garden 1-BR, Den & Carolina Room	G-1DC	5	4	5	4	5	4	5	4	5
Garden 2 BR & Den	G-2D	11	10	11	10	11	10	11	10	11
Garden 2-BR & Carolina Room	G-2C	6	5	6	5	6	5	6	5	6
Garden 2-BR, Den & Carolina Room	G-2DC	13	13	13	13	13	13	13	13	13
Garden 1-BR Deluxe	G-1DXL	16	16	16	16	16	16	16	16	16
Garden 2-BR Deluxe	G-2DXL	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
Townhomes (Average)		14	14	14	14	14	14	14	14	14
Total ILU's / Average Occupancy		315	304	315	304	315	304	315	304	315
Percent Occupancy			96.5%		96.5%		96.5%		96.5%	
Cottage Sunroom Additions ⁽²⁾		19		19		19		19		19
Average Census										
Number of Persons in EA ⁽³⁾		126		130		132		132		133
Number of 1st Persons in IL		304		304		304		304		304
Number of 2nd Persons in IL		103		89		83		79		75
Number of Persons in LTC		81		87		91		95		98
Total Average Census		614		610		610		610		610

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. Currently two studio units remain unexpanded.
- (2) Selected cottages have sunroom additions for which there is an additional Monthly Fee charged based upon square footage of the sunroom addition.
- (3) The Center began accepting residents to the Early Acceptance program in late-2012, and had 109 in the program as of the end of 2022. It is assumed that others will be added to the program as needed, to maintain an overall census of 610 – on campus and Early Acceptance program combined during 2024 through 2027.

Summary of Significant Projection Assumptions and Accounting Policies

Management's Basis for Projection of Revenues, Expenses and Other Items (continued)

TABLE 5
PROJECTED HEALTH CENTER PER DIEM CHARGES, 2023 THROUGH 2027 ⁽¹⁾⁽²⁾

Type of Unit	2023		2024		2025		2026		2027	
	Private Per Diems	CCRC Per Diems	Private Per Diems	CCRC Per Diems	Private Per Diems	CCRC Per Diems	Private Per Diems	CCRC Per Diems	Private Per Diems	CCRC Per Diems
Projected Per Diem Fees										
Central Assisted Living, Private	\$ 233	\$ 91	\$ 243	\$ 95	\$ 254	\$ 99	\$ 265	\$ 103	\$ 277	\$ 108
Garden Assisted Living, Private	\$ 233	\$ 91	\$ 243	\$ 95	\$ 254	\$ 99	\$ 265	\$ 103	\$ 277	\$ 108
Assisted Nursing, Semi-Private	\$ 348	\$ 101	\$ 364	\$ 106	\$ 380	\$ 111	\$ 397	\$ 116	\$ 415	\$ 121
Assisted Nursing, Private	\$ 363	\$ 111	\$ 379	\$ 116	\$ 396	\$ 121	\$ 414	\$ 126	\$ 433	\$ 132
Skilled Nursing, Semi-Private	\$ 387	\$ 111	\$ 404	\$ 116	\$ 422	\$ 121	\$ 441	\$ 126	\$ 461	\$ 132
Skilled Nursing, Private	\$ 402	\$ 121	\$ 420	\$ 126	\$ 439	\$ 132	\$ 459	\$ 138	\$ 480	\$ 144
Skilled Nursing, Medicare ⁽³⁾	\$ 572		\$ 572		\$ 572		\$ 572		\$ 572	

Source: Management

- (1) The Center assumes 4.5% annual increases in private pay per diems, and 4.5% annual increases in CCRC per diems.
- (2) 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.
- (3) The Medicare per diem is derived using historic weighted averages of rates per day. Conservatively, Medicare rates are assumed to stay constant throughout the Projection Period.

TABLE 6
ASSISTED LIVING AND NURSING FACILITY LICENSED CAPACITY AND AVERAGE PROJECTED CENSUS, 2023 THROUGH 2027

Type of Unit	2023		2024		2025		2026		2027	
	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	34.0	35	33.5	35	33.5	35	33.5	35	33.5
		97.1%		95.7%		95.7%		95.7%		95.7%
Garden Assisted Living, Private ⁽²⁾	15	13.5	16	8.6	16	10.5	18	14.3	17	15.8
		90.0%		53.8%		65.6%		79.4%		92.9%
Assisted Nursing, Semi-Private	8	3.2	8	7.0	8	7.0	8	7.5	8	7.5
Assisted Nursing, Private	22	21.6	22	21.5	22	21.5	22	21.5	22	21.5
Garden Assisted Nursing, Private ⁽²⁾	9	9.0	8	7.0	8	7.0	6	5.0	7	5.0
		86.7%		93.4%		93.4%		94.4%		91.9%
Skilled Nursing, Semi-Private	2	0.0	1	0.0	1	0.9	1	0.1	1	0.5
Skilled Nursing, Medicare ⁽³⁾	6	6.0	7	7.0	7	7.0	7	7.0	7	7.0
Skilled Nursing, Private	22	10.4	22	9.0	22	7.0	22	8.0	22	9.0
		54.7%		53.3%		49.7%		50.3%		55.0%
Total Capacity / Average Census	119	97.7	119	93.6	119	94.4	119	96.9	119	99.8
		82.1%		78.7%		79.3%		81.4%		83.9%

Source: Management

- (1) Average census is derived from open group population simulations of an actuarial software program that the Center leases for actuarial planning of long-term capacity needs in its assisted living and nursing facilities.
- (2) Two private 12-unit Garden facilities can support either Assisted Living or Assisted Nursing, depending upon the needs of the resident.
- (3) Center residents use Medicare in skilled nursing, when applicable. Also, 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.

Summary of Significant Projection Assumptions and Accounting Policies

Management's Basis for Projection of Revenues, Expenses and Other Items (continued)

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 Advance Fees on the projected consolidated balance sheets cover an additional 12.5 to 15.5 years, depending upon cohort. New Entry Fees are projected to increase an average of 4.5% annually.

Total investment earnings, which is based upon Management's historical investment return experience, is comprised of interest and dividends and net appreciation on investments on the projected consolidated statements of operations and changes in net asset, and is projected on an average yield of 5.0% on temporary cash investments and long-term investments annually.

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

Summary of Significant Projection Assumptions and Accounting Policies

Management's Basis for Projection of Revenues, Expenses and Other Items (continued)

Expenses

Baseline operating expenses for 2023 are taken from budgeted amounts and thereafter are assumed to increase an average of 4.5% annually. Operating expenses are adjusted in years 2024 through 2027 to reflect Management's assumptions of the additional costs of 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 2023 through 2027.

**TABLE 7
SCHEDULE OF PROPERTY AND EQUIPMENT
(IN THOUSANDS)**

Years Ending December 31,	2023	2024	2025	2026	2027
Property and Equipment, Cost Beginning Balance	\$ 115,454	\$ 120,588	\$ 125,802	\$ 129,716	\$ 133,880
Capital Additions	6,520	6,600	5,300	5,550	5,800
Capital Retirements	(1,386)	(1,386)	(1,386)	(1,386)	(1,386)
Property and Equipment, Cost	120,588	125,802	129,716	133,880	138,294
Accumulated Depreciation	(60,770)	(64,384)	(68,192)	(72,188)	(76,359)
Property and Equipment, Net Ending Balance	\$ 59,818	\$ 61,418	\$ 61,524	\$ 61,692	\$ 61,935

Source: Management

The Center plans for robust annual additions to capital over the projection period in aggregate amounts that invest proactively in keeping older facilities competitive; causing net property and equipment to increase in order to be proactive in maintaining its facilities.

Summary of Significant Projection Assumptions and Accounting Policies

Management's Basis for Projection of Revenues, Expenses and Other Items (continued)

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 one series of tax-exempt variable-rate bonds hedged with one interest rate swap instrument, as follows:

1. \$39,570,000 in North Carolina Medical Care Commission bonds issued in 2018 (the "Series 2018 Bonds"), which have a variable rate with predetermined annual principal payments scheduled through 2033. The Series 2018 Bonds are held by Truist Bank (Truist); therefore, no credit enhancement or remarketing fees have been assumed. The Series 2018 Bonds have an outstanding balance of \$31,170,000 as of December 31, 2022.
2. The Center holds an interest rate swap agreement (the "2018 Interest Rate Swap") with Truist that became effective on June 13, 2018. Between the variable interest on the Series 2018 Bonds and the floating-to-fixed rates on the 2018 Interest Rate Swap, the Center pays an effectively fixed rate of 3.08% on an original notional amount of \$39,570,000. The notional amount declines by a predetermined annual schedule commensurate with the amortization schedule of the Series 2018 Bonds, as noted in Table 8. The Series 2018 Bonds will be fully retired, and the 2018 Interest Rate Swap will mature, on April 1, 2033.

Table 8 presents the amortization schedules for the Series 2018 Bonds and the declining notional amounts of the 2018 Interest Rate Swap.

The Center records the value of its interest rate swap agreement at market value at the end of each year. As of December 31, 2022 the value of the interest rate swap agreement was recorded on the balance sheet as an asset of approximately \$788,000. 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 projecting the balance on the Center's line of credit to be \$0 as of December 31 of each year during the projection period; assuming that funds are withdrawn from long-term investments each year to pay down the outstanding line of credit to \$0. In actuality, Management will likely manage short-term cash flow fluctuations with the line of credit and only withdraw from long-term investments as needed. Management has projected payment of approximately \$5,922,000 on the line of credit during 2023.

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
PROJECTED BOND AND SWAP AMORTIZATION SCHEDULES
(IN THOUSANDS)

		Series 2018 Bonds to be Redeemed	2018 Interest Rate Swap Notional Amount		
Bond Maturities and Swap Notional Amortization Schedules	2023	\$ 2,350	\$ 2,350		
	2024	2,450	2,450		
	2025	2,550	2,550		
	2026	2,650	2,650		
	2027	2,750	2,750		
	2028-2032	15,250	15,250		
	2033	3,170	3,170		
Total Bonds / Swaps		\$ 31,170	\$ 31,170		
	2023	2024	2025	2026	2027
Annual Interest, Series 2018 Bonds Plus Net 2018 Interest Rate Swap Payments (in thousands)	\$ 913	\$ 831	\$ 753	\$ 672	\$ 588
Effective Annual Interest Rate, Bonds + Swap	3.08%	3.08%	3.08%	3.08%	3.08%

Source: Management

- (1) Between the quasi-variable rate on the Series 2018 Bonds and the floating-to-fixed terms on the 2018 Interest Rate Swap, an effective annual interest rate of 3.08% is projected to be achieved for the full 15-year term of the bonds and swap.

Summary of Significant Projection Assumptions and Accounting Policies

Management's Basis for Projection of Revenues, Expenses and Other Items (continued)

Current Assets and Current Liabilities

Current assets limited as to use represent 9/12^{ths} 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 (the "Bond Sinking Funds"). Current maturities of long-term debt are taken from the predetermined amortization schedule of the Series 2018 Bonds (refer to Table 8).

Table 9 presents the assumptions related to adjustments to other current assets and current liabilities from 2023 through 2027.

TABLE 9
WORKING CAPITAL - DAYS ON HAND

Accounts Receivable, Net	17 Days operating revenues ⁽¹⁾
Prepaid Expenses and Inventory	7 Days operating expenses ⁽²⁾
Accounts Payable	16 Days operating expenses ⁽²⁾
Accrued Expenses	34 Days operating expenses ⁽²⁾

Source: Management

(1) Included in days operating revenues are Resident Services Revenues, Guests' Meals and Lodging, and Health Center Revenues.

(2) Included in days operating expenses is total operating expenses less depreciation, interest expense and interest expense - deferred bond issuance costs.

Operating Reserve Requirement

North Carolina General Statute § 58-64-33 requires 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 exceeds 90 percent of the independent living and assisted 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 occupancy is projected to exceed 90 percent for each of the five projected years, such that its reserve requirements are 25 percent of total operating costs over the entire span of time. Management's projections show sufficient cash and investment balances to comply with the Reserves Required by State Statute throughout the projection period. Table 10 presents the estimated annual reserves required of the Center at year-end 2023 through 2027.

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					
PROJECTED RESERVES REQUIRED BY STATE STATUTE					
(IN THOUSANDS)					
Years Ending December 31,	2023	2024	2025	2026	2027
Reserves Required, Year-end					
Total Operating Expenses	\$ 34,165	\$ 35,579	\$ 37,043	\$ 38,555	\$ 40,126
PLUS: Principal Payment on Long-Term Debt	2,350	2,450	2,550	2,650	2,750
LESS: Depreciation Expense	(4,144)	(4,363)	(4,557)	(4,745)	(4,920)
LESS: Amortization Expense	(18)	(18)	(18)	(18)	(18)
LESS: Bond Sinking Funds (as of 12/31)	(1,838)	(1,913)	(1,988)	(2,063)	(2,138)
Adjusted Expenses	30,515	31,735	33,030	34,379	35,800
Apply 25% Factor	\$ 7,629	\$ 7,934	\$ 8,258	\$ 8,595	\$ 8,950

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 AGREEMENT

Thank you for your interest in becoming a part of Carol Woods. Everyone in our community plays a compassionate and supportive role as we work together to create an environment of inclusion and belonging. We are a dementia-inclusive community, without a separate memory care unit, and are committed to living well together.

PRIMARY APPLICANT'S NAME _____

(The primary applicant will be the person contacted with offers.)

Address _____ City _____

State _____ ZIP code _____

Home phone _____ ☐ preferred? Cell phone _____ ☐

preferred?

One email address: _____

Date of birth _____ Marital status _____

Current or former occupation _____

Community service/volunteerism, interests, hobbies: _____

CO-APPLICANT'S NAME _____

Cell phone _____

One email address: _____

Date of birth _____ Marital status _____

Current or former occupation _____

Community service/volunteerism, interests, hobbies: _____

Please complete all pages, sign, include a \$1,500 deposit and mail this form to:

**Attn: Admissions Department
Carol Woods Retirement Community
750 Weaver Dairy Road, Chapel Hill, NC 27514**

(Deposits are processed once a month. You will receive a confirmation letter in one to four weeks.)

The admissions requirements for residence at Carol Woods are nondiscriminatory with respect to race, creed, religion, gender, sexual orientation and gender expression.



Updated 1/1/2023

CAROL WOODS 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 \$1,500.00, made payable to Carol Woods. This deposit is refundable, less a \$500 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 physically and cognitively capable of living independently without reliance on support from others. 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 an Application for Admission packet that includes information on family, personal history, finances and health. Once Admissions has received the completed forms, the Admission Committee will review and, if appropriate, interviews will be scheduled with staff.

4. As part of the admission process, Carol Woods may conduct a background check, including checking the online national sex offender registry.

5. 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.

6. At the time of formal acceptance to Carol Woods, you will be asked to make an Acceptance Deposit equal to 10% of the Entrance Fee for the residence you have selected. The balance of the Entrance Fee will be due within 90 days of the approval of the Admissions Committee or move-in, whichever occurs first. Your \$1,000 Priority List Deposit will be applied toward this amount.

7. 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 \$500 Administrative Fee, will be made to you within 60 days of such notification.

8. 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.

9. It is your responsibility to keep us updated to changes in your address, telephone and email address. Notice of upcoming available homes are mostly made through email and sometimes telephone.

We will send you the most recent Disclosure Statement concurrent with receiving your \$1,500 deposit.

You do not need to confirm receipt of this document. Please indicate your preferred method of receiving the 200-page Disclosure Statement:

☐ I have already received the Disclosure Statement.

☐ Email (This is our preferred method of contact.): _____

☐ Mail (Check here to receive a hard copy.)

Applicant's Signature

Date

Co-Applicant's Signature

Date

Director of Admissions & Public Relations

Date

Mark the accommodations you would like to be contacted about when we get to your name(s). Only mark the accommodations you will consider taking at this time. You can always make changes to your selections in the future if your needs change.

APARTMENTS		sq. ft.
	Studio (15 - number of homes)	507
	One-Bedroom (65)	695
	or One-Bedroom, Small (7)	671
	or One-Bedroom, Large (3)	758
	Two-Bedroom (35)	910
	Two-Bedroom, Large (3)	1,042
	or Two-Bedroom, Extra-Large (6)	1,160
	Two-Bedroom with Den (12)	1,292
	or Two-Bedroom with Den, Large (2)	1,345
	or Two-Bedroom with Den, Extra-Large (1)	1,405

We group floor plans that are similar. For example, we have three sizes of one-bedroom apartments that all fall under the one-bedroom list, and we will contact you if we get to your name for any of those three one-bedroom sizes. The blocking to the left of the floor plan types indicates how we group similar floor plans.

Important!

Please check one of the boxes below so we know when to start contacting you:

☐ I will be ready to move in the year _____.

or

☐ I will contact Carol Woods when I am ready to move.

Notes about accommodation preferences:

How do you know about Carol Woods?

ORIGINAL COTTAGES (Historic District)		
	One-Bedroom (14)	678
	One-Bedroom with Den (22)	801
	or One-Bedroom with Den & Carolina Room (4)	1,006
	Two-Bedroom (18)	957
	or Two-Bedroom with Carolina Room (7)	1,149
	Two-Bedroom with Den (12)	1,078
	or Two-Bedroom with Den & Carolina Room (12)	1,280

DUPLEX COTTAGES (Lower, Middle, Upper Loops)		
	One-Bedroom with Den Duplex (16)	1,343
	Two-Bedroom with Den Duplex (34)	1,538
	Two-Bedroom with Den & Sunroom Duplex (12)	1,855
<i>Some cottages have sunrooms that add 60-240 sq. ft. You will be contacted for homes with and without a sunroom.</i>		

TOWNHOMES (Coventry)		
	Townhome (14)	1,097-1,894

EARLY ACCEPTANCE		
	Carol Woods' off-campus program	n/a

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:

Explanation of the Carol Woods Priority List

Joining the Priority List is the first step toward possible future residency at Carol Woods. The formal admission process takes place at the time when a specific apartment or cottage is reserved.

When you join the Carol Woods Priority List, you may put your name on multiple lists for different accommodations. There is an overall Priority List, as well as separate lists for each type of accommodation, and Priority List members can make changes to the types of accommodations they prefer.

The Priority List assures that when vacancies occurs, people on specific lists are contacted in the order in which deposits were received. Even if you are the next person on the relevant list, you will not be contacted about an available residence if one of the following exceptions applies: (1) You are not age eligible for residency; (2) you have said *you* will contact Carol Woods at the point in time when you are interested in receiving offers; (3) you have indicated that you want to be contacted at a later date; or (4) you have indicated accommodation preferences that restrict your choices (such as only wanting to be contacted for ground-floor apartments). If you are not offered a newly available residence for one of the above reasons, you will retain your position on the Priority List and will be contacted when the first residence for which you are eligible becomes available.

You may move between lists if you decide by choice or circumstance that you now prefer a different type of accommodation. In this event, your name will be inserted on the new list in the order of your original deposit. This frequently happens when a spouse dies and the surviving person wants a smaller accommodation.

There is no penalty for declining an offer. If you decline, your name remains in the same place on the list(s), and we contact the next person. If you say that you have no interest in moving, we ask that you contact us when you are closer to being ready to move.

It is impossible to foresee when accommodations will become available because of the many unpredictable factors involved. Any estimate of waiting time can only be a guess based on the number of people currently on the Priority List, and on our past experience. Some situations that affect the waiting period are:

- 1) The inability to predict when a unit will be vacated by a current resident;
- 2) The inability to predict when people ahead of you who were not ready to move in the past will activate their place on the list;
- 3) The inability to predict when people ahead of you decline an offer;
- 4) The inability to predict when people ahead of you make changes to the types of accommodations they prefer; and
- 5) The inability to predict how many residents will make internal transfers as their needs change (internal needs-based transfers are always given priority).

The assurance we give is that we will always contact Priority List members in the order in which deposits were received.

Priority List Volunteer Program

Carol Wood is a community of volunteers where residents help one another. We have a program where that spirit of volunteerism extends to members of the Priority List. Our Priority List Volunteer Program is a way Priority List members can share time and friendship with our Carol Woods residents living in our higher levels of support. Together, we can help enrich the lives of residents who have physical, cognitive, and/or social challenges, and help keep them connected with the Carol Woods community at large.

If you are interested in learning more about our Priority List Volunteer Program, reach out to Life Enrichment Specialist and Volunteer Coordinator Devon Wilson at dwilson@carolwoods.org or 919-918-2602.

**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. A meeting with the Early Acceptance Coordinator also will be scheduled. 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.

Pets, smoking and firearms. By signing this form you agree that, if accepted, you will move to campus with no more than two pets. And you will disclose to us if you smoke or own firearms.

Vaccination. Carol Woods requires all new residents to be up to date with their vaccines against Covid-19 prior to signing the Early Acceptance Agreement, subject to a documented exemption that would have to be approved by Carol Woods. If you are not currently up to date with your vaccines according to the CDC recommendations for your age and health status, you must communicate your plans and progress for obtaining up to date vaccination to the manager or director of admissions so that they know if you will be up to date in time for signing your Early Acceptance Agreement. Failure to become up to date with your vaccines prior to your signing date will result in the cancelation of this Early Acceptance Reservation Agreement.

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/Manager,
Admissions & Public Relations
Carol Woods Retirement Community

Prospective Resident

Date

Date

10-08-2021



RESERVATION AGREEMENT
CAROL WOODS RETIREMENT COMMUNITY
750 Weaver Diary Road
Chapel Hill, NC 27514

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 _____, 2____ 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 _____, 2____. 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 Manager or 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. 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 Manager or 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 Manger or 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.

Pets, smoking and firearms. By signing this form you agree that, if accepted, you will move to campus with no more than two pets. And you will disclose to us if you smoke or own firearms.

Vaccination. Carol Woods requires all new residents to be up to date with their vaccines against Covid-19 prior to signing the Residence and Services Agreement, subject to a documented exemption that would have to be approved by Carol Woods. If you are not currently up to date with your vaccines according to the CDC recommendations for your age and health status, you must communicate your plans and progress for obtaining up to date vaccination to the manager or director of admissions so that they know if you will be up to date in time for signing your Residence and Services Agreement. Failure to become up to date with your vaccines prior to your signing date will result in the cancelation of this Reservation Agreement.

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

Prospective Resident

Date

Director/Manager
Admissions & Public Relations
Carol Woods Retirement Community

Date



**RENOVATION SELECTIONS TIMELINE,
PAYMENT OF NON-STANDARD RENOVATION OPTIONS
and RECEIPT OF RENOVATION GUIDELINES**

You must take financial responsibility for your new home 90 calendar days from acceptance to Carol Woods or 90 days from your initial meeting with the Renovation Specialist (whichever is later). Assuming financial responsibility means that you sign your contract with Carol Woods, pay the entry fee and start paying the monthly service fee.

It is understood that all of your selections must be finalized within 10 business days after your acceptance or within 10 business days of your initial meeting with the Renovation Specialist (whichever is later). Any selection delays or selection changes beyond this date will delay your move-in date but will not change your date of Financial Responsibility.

Upgrades also will delay your move-in-date but will not change your date of Financial Responsibility. The upgrade process involves deciding what you want, having the Renovation Specialist communicate that information to the contractor and requesting pricing, sometimes refining the scope of work and getting updated pricing multiple times, and finally approving the scope of work and pricing for the upgrade.

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 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.

You acknowledge receipt of the Renovation Guidebook: Version_____

Prospective Resident

Director/Manager, Admissions & Public Relations

Prospective Resident

Date

Date

3/21/2023



**RESERVATION AGREEMENT
FOLLOWING EARLY ACCEPTANCE
CAROL WOODS RETIREMENT COMMUNITY
750 Weaver Dairy Road
Chapel Hill, NC 27514**

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 _____, 2____ 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 _____, 2____. The actual date shall be determined in the Residence and Services Agreement following Early Acceptance.

RESIDENCY PROCEDURE

Application for Residency and Personal Interviews. If You have been a Resident under the Early Acceptance program for more than one year, Carol Woods will require that you complete an updated financial and medical review, including a cognitive screen, within Ten (10) Days of this Reservation Agreement. Carol Woods reserves the right to schedule additional interviews with members of the Admissions Committee, and perhaps other persons on Carol Woods' health care interdisciplinary team to evaluate whether the chosen unit and/or level of support is appropriate given physical and/or cognitive function. The purpose of gathering this updated information shall be to determine the appropriateness of the reserved residence for You from a financial and health perspective. You can be reassured that you are still a Carol Woods resident no matter the outcome of this review.

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. 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.

Pets, smoking and firearms. By signing this form you agree that, if accepted, you will move to campus with no more than two pets. And you will disclose to us if you smoke or own firearms.

Vaccination. Carol Woods requires all new residents to be up to date with their vaccines against Covid-19 prior to signing the Residence and Services Agreement Following Early Acceptance, subject to a documented exemption that would have to be approved by Carol Woods. If you are not currently up to date with your vaccines according to the CDC recommendations for your age and health status, you must communicate your plans and progress for obtaining up to date vaccination to the manager or director of admissions so that they know if you will be up to date in time for signing your Residence and Services Agreement Following Early Acceptance. Failure to become up to date with your vaccines prior to your signing date will result in the cancelation of this Reservation Agreement.

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



**RENOVATION SELECTIONS TIMELINE,
PAYMENT OF NON-STANDARD RENOVATION OPTIONS
and RECEIPT OF RENOVATION GUIDELINES**

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You acknowledge receipt of the Renovation Guidebook: **Version**

Prospective Resident

Director/Manager, Admissions & Public Relations

Prospective Resident

Date

Date

3/21/2023



**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____ (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 facilities for outpatient healthcare services and 24/7 assisted living and skilled nursing care ("Higher Levels of Support"); 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. Residential Services and Amenities Included in Monthly Fees. The following residential services and amenities shall be made available to You and are included in the monthly fees that You are charged pursuant to Section V.B. of this Agreement.

1. **Residence.** Subject to the terms and conditions set forth in this Agreement, Carol Woods agrees to provide You a personal, exclusive, non-transferrable 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").

2. **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.
3. **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.
4. **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.
5. **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.
6. **Clinic Authorized Meal Service.** Meal service will be provided to Your residence during short-term illness, when ordered by one of Carol Woods' authorized health service personnel. When authorized, meal service includes the delivery and pick-up of selected meals to You at Your Residence.
7. **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.
8. **Health Care and Higher Levels of Support.** Carol Woods will provide or arrange admission to the facilities necessary for the health care and support services specified in this Agreement. In this Agreement, the term "Higher Levels of Support" includes care provided in all of Carol Woods' 24/7 licensed health care facilities. Carol Woods is a restraint-free, dementia-inclusive community and does not embrace the concept of a segregated unit for residents living with dementia. Residents living in all

Initials

levels of support are welcome to dine throughout campus and participate in all events and activities.

9. **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.
10. **Parking.** Carol Woods will provide and maintain parking areas for Residents and guests. Parking areas will be unassigned except for those for the townhomes.
11. **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 Higher Levels of Support.
12. **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 providing written notice to You, will maintain the Residence and charge such cost to You.
13. **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 and internet 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 streaming, internet or telephone services beyond what is provided, You may do so at Your own expense and receive no credit.
14. **Local Transportation.** Carol Woods will provide limited local, scheduled transportation for Residents.
15. **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.
16. **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.

17. **Activities.** Social, recreational, educational, and cultural activities are provided through an active Resident-directed program.

B. Residential Services and Amenities Available for an Additional Charge.

Carol Woods shall provide other residential services and amenities which are NOT included in Your monthly fees, which shall be available to You for an additional charge. Fee schedules for these services shall be made available to You and updated from time to time as the services and fees may change. The following provides a non-exhaustive, illustrative list of services available on a fee-for-service basis.

1. **Meals.** 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.
2. **Guest House.** A 4-room Guest House is available on campus for Residents' out-of-town visitors. Rooms are available on a first-come basis, and reservations must be made ahead of time through the reception desk.
3. **Personal Services.** Carol Woods offers a variety of personal services, including special requests for maintenance needs, private duty gardening, special home modifications, decluttering and deep cleaning, and personal computer & in-home technology support.

You may not engage third parties, including private duty nurses and companions, for services rendered on Carol Woods's campus without prior notification to and written authorization by Carol Woods' management. You agree to hold Carol Woods harmless for any claims, 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. 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 written notice.

II. HEALTH CARE SERVICES

A. Health Care Services Included in Monthly Fees and Health Care Per Diems. The following health care services are available to You and covered in Your monthly fees or per diem charges.

1. Medical services provided by primary care physicians and geriatric-trained nurse practitioners who are part of Carol Woods' group practice, and who see You at the Carol Woods' on-site clinic; and which are not billable to Your Medicare or Medicare Advantage insurance (see Section II.B.1).
2. Physical, Occupational, and Speech Therapy when provided at Carol Woods Outpatient Rehabilitation department or in an inpatient setting in Higher Levels of Support; and which are not billable to Your Medicare or Medicare Advantage insurance (see Section II.B.2).
3. 24/7 availability of Carol Woods' Security and Nursing staff to respond in an emergency in Your Residence or elsewhere on campus.
4. Assisted Living, Assisted Nursing and Skilled Nursing care provided in Carol Woods' licensed 24/7 Higher Levels of Support. For every day that You are admitted to one of Carol Woods' accommodations in Higher Levels of Support, You shall be charged a per diem according to the level of support needed, and the type of accommodation. The per diem is charged in addition to Your prevailing monthly fee. Your per diem shall be discounted from the prevailing market rate per diem, as established through written per diem fee schedules, by virtue of Your being a Carol Woods Resident, pursuant to Section V.C. The following outlines the services and supplies provided in Higher Levels of Support that are included in Your discounted per diem charge.
 - a. Support from certified Resident Life Specialists for assistance that You need in Your personal care and Activities of Daily Living. Carol Woods provides strong daily staffing levels for Residents in all Higher Levels of Support to provide this support. However, staff must be available to support various Residents over the course of each shift. If one-on-one support is needed for more extended periods of time, that support is arranged on a fee-for-service basis as outlined in Section II.B.5.
 - b. Support from certified Medication Technicians and licensed nursing staff for administration of prescribed medications.
 - c. Support from licensed Registered Nurses for treatments and other services within their professional Scope of Practice provided in properly licensed facilities.

- d. Three meals per day in the facility in which You reside, or any other resident dining areas on campus. Nutritional snacks provided between meals.
 - e. Private or semi-private furnished accommodations, all utilities, with daily housekeeping, and regular maintenance.
 - f. In Assisted Nursing and Skilled Nursing levels of support, the applicable per diem includes most routine “ancillary” supplies provided by Carol Woods’ purchasing department, including personal care items, incontinence products, routine and non-routine medical supplies, non-prescription medications, and minor pieces of medical equipment such as standard manual wheelchairs, and walkers (In Assisted Living, these ancillaries are billed to You).
5. General nursing and personal care provided in similarly licensed personal care and nursing facilities when space is not available at Carol Woods, and when coordinated by Carol Woods’ medical and nursing staff. Carol Woods shall arrange for Your return to an appropriate accommodation on campus as soon as one is available. While at another facility, Carol Woods shall be responsible to pay for Your care, and charge You Carol Woods’ prevailing monthly fees and discounted per diems.

B. Health Care Services Available for an Additional Charge. Carol Woods shall provide other health care services which are NOT included in Your monthly fees or discounted per diems, which shall be available to You for an additional charge. Fee schedules for these services shall be made available to You and updated from time to time as the services and fees may change. The following provides a non-exhaustive, illustrative list of health care services available on a fee-for-service basis.

- 1. Medical services provided by primary care physicians and licensed nurse practitioners who are part of Carol Woods’ group practice, for services that are covered by Your Medicare or Medicare Advantage insurance, shall be billed by Carol Woods to Your Insurer. Carol Woods shall accept the Allowable rate established by the Insurer, and shall bill You whatever deductibles and co-payments Your Insurer imposes
- 2. Physical, Occupational, and Speech Therapy provided at Carol Woods’ Outpatient Rehabilitation department or in an inpatient setting in Higher Levels of Support, that are covered by Your Medicare or Medicare Advantage insurance, shall be billed by Carol Woods to Your Insurer. Carol Woods shall accept the Allowable rate established by the Insurer, and shall bill You whatever deductibles and co-payments Your Insurer imposes.
- 3. Any non-emergency visit by a Registered Nurse to Your residence.

4. Other services provided or offered by other Practitioners in Carol Woods' Clinic and Higher Levels of Support including Podiatry and Audiology services, Integrative Health, Massage Therapy, etc.
5. Personal shopping services and one-on-one companionship services provided in Carol Woods 24/7 licensed Higher Levels of Service, since these are beyond what is covered in the discounted per diem charges.

C. Community's Physicians. Carol Woods will appoint a Medical Director and physicians as needed. If You choose to use Carol Woods' providers, they will be responsible for Your medical care, including office visits, medical review, visits in Higher Levels of Support, and referral to hospitalists and other specialists. If You choose a physician who is not part of Carol Woods' group practice, a Carol Woods physician will be responsible for your care if You are admitted to Carol Woods' Higher Levels of Support.

D. 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.

E. 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 insurance 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.

F. Health Care Insurance Requirements. You shall be responsible for carrying both Medicare Part A and Medicare Part B or Medicare Advantage 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.

G. Carol Woods' Filing for and Rights to Insurance Benefits. Carol Woods shall be responsible for filing for reimbursement from Your Medicare, Medicare Advantage and supplemental health insurance plans for covered medical, skilled 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. 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 Section 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 the second person who may be party to this Agreement is at least 55 years of age, You have the right during Your lifetime to occupy, use, and enjoy the Residence, common areas, amenities, programs, and services of Carol Woods, as provided in this Agreement, 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 at a later date.
- 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 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 upon request.

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. Your right to a refund of any portion of this Entry Fee is outlined in Section VIII.H. of this Agreement.

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- 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 charged and paid on a prorated basis for any partial month.

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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. **Higher Levels of Support Charges and Free Days.** If You need care in Carol Woods' 24/7 licensed Higher Levels of Support facilities, You will be charged an additional daily fee based on the particular level of support 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 accrues 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, Per Diems in Higher Levels of Support, 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 facilities, programs and services provided. Carol Woods shall provide You written notice of changes in fees prior to the effective date of the change.

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 Section VIII. H.
- B. Refurbishing Expenses.** If You make a preference move as defined in Section VI.E. from one Residence to another, and have lived in the previous residence for 5 full years or less, You will be responsible for the cost of refurbishing the Residence vacated. If you make a need-based move, or a preference move after more than 5 years in the previous residence, or if You move permanently to Higher Levels of Support, 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 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. After 50 months of occupancy there is no longer a refund of any portion of Your original Entry Fee.
- 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 support, or by financial need; and that change creates a sense of urgency to move. If the move is made to another Residence for any other reason, it is considered a “preference move.” For any preference move, 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) full 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.

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- G. Permanent Transfer to Assisted Living, the Health Center, a Special Service Facility, or a Hospital.** All decisions regarding Your permanent transfer to Higher Levels of Support, a special service facility, or to a hospital will be made after consultation with You and, when appropriate, with Your Health Care Power of Attorney. 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 from

another residence in Higher Levels of Support. 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 an accommodation comparable to the one occupied by You prior to such transfer, You will have priority to such accommodation as soon as one becomes 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 financial 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 warranted, 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 providing credit 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 received 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 after the Date of Financial Responsibility, but prior to occupancy, 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 Administrative Fee and any nonstandard costs that have been incurred by Carol Woods at Your request, and 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, less the Administrative Fee and any nonstandard costs that have been incurred by Carol Woods at Your request.

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 Section VIII. H.
- D. Termination Upon Death.** In the event of Your death at any time after the Date of Financial Responsibility, 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 Section 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 Section V.B. In such events, You may be entitled to a Pro-rated Refund of the Entry Fee pursuant to Section 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 residence in Higher Levels of Support, the monthly fee continues to reflect the double occupancy rate. Upon death of one (1) Resident, the surviving Resident will pay the single person 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 from the Date of Financial Responsibility, 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 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.** Other than terminations during the Trial Period in Section VIII.B. and exercise of the Right of Rescission (Section IX), 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 Section.

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 employ outside assistance privately 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.

Initials

- H. Uncontrollable Interruption of Services.** No breach of Carol Woods' obligations under this Agreement and no liability for injury to You or Your 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, pandemic or Your acts. 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 ADHERENCE TO APPLICABLE LAW FOR 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. Applicable Law. If the Parties cannot agree to the terms and conditions of private mediation, then the Parties can seek the appropriate remedy by filing a lawsuit in the jurisdiction specified in this Agreement. This Agreement shall be governed by, and construed in accordance with the internal laws of the State of North Carolina without regard to principles of conflict of laws. Any controversy or dispute arising out of or relating to this Agreement shall be settled exclusively in the courts (federal and state) situated in the North Carolina, Orange County jurisdiction. As a condition for filing a lawsuit to settle any claims, a Party must first give thirty (30) days prior notice of such claim to the other Party in order to determine whether such matter can be resolved through private mediation.

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 facilities for outpatient healthcare services and 24/7 assisted living and skilled nursing care ("Higher Levels of Support"); 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, although having already been accepted as a Carol Woods Resident, depending upon the span of time that has passed, Carol Woods reserves the right to seek updated medical, cognitive 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.

Initials

B. **Health Care and Higher Levels of Support.** Carol Woods will provide or arrange admission to the facilities necessary for the health care and support services specified in this Agreement. In this Agreement, the term "Higher Levels of Support" includes care provided in all of Carol Woods' 24/7 licensed health care facilities. Carol Woods is a restraint-free, dementia-inclusive community and does not embrace the concept of a segregated unit for residents living with dementia. Residents living in all levels of support are welcome to dine throughout campus and participate in all events and activities.

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. HEALTH CARE SERVICES

A. **Health Care Services Included in Monthly Service Fees and Health Care Per Diems.** The following health care services are available to You and covered in Your monthly fees or per diem charges.

1. Medical services provided by primary care physicians and geriatric-trained nurse practitioners who are part of Carol Woods' group practice, and who see You at the Carol Woods' on-site clinic; and which are not billable to Your Medicare or Medicare Advantage insurance (see Section III.B.1).
2. Physical, Occupational, and Speech Therapy when provided at Carol Woods Outpatient Rehabilitation department or in an inpatient setting in

Higher Levels of Support; which are not billable to Your Medicare or Medicare Advantage insurance (see Section III.B.2).

3. Assisted Living, Assisted Nursing and Skilled nursing care provided in Carol Woods' licensed 24/7 Higher Levels of Support. For every day that You are admitted to one of Carol Woods' accommodations in Higher Levels of Support, You shall be charged a per diem according to the level of support needed, and the type of accommodation. The per diem is charged in addition to Your prevailing monthly fee. Your per diem shall be discounted from the prevailing market rate per diem, as established through written per diem schedules, by virtue of You being a Carol Woods Resident, pursuant to Section VI.C. The following outlines the services and supplies provided in Higher Levels of Support that are included in Your discounted per diem charge.
 - a. Support from Resident Life Specialists for assistance that You need in Your personal care and Activities of Daily Living. Carol Woods provides strong staffing levels for Residents in all Higher Levels of Support to provide this support. However, staff must be available to support various Residents over the course of each shift. If one-on-one support is needed for extended periods of time, that support is arranged on a fee-for-service basis as outlined in Section III.B.4.
 - b. Support from certified Medication Technicians and licensed nursing staff for administration of prescribed medications.
 - c. Support from licensed Registered Nurses for treatments and other services within their Scope of Practice provided in properly licensed facilities.
 - d. Three meals per day in the facility in which You reside, or any other resident dining areas on campus. Nutritional snacks provided between meals.
 - e. Private or semi-private furnished accommodations, all utilities, with daily housekeeping, and regular maintenance.
 - f. In Assisted Nursing and Skilled Nursing levels of support, the applicable per diem includes most routine "ancillary" supplies provided by Carol Woods' purchasing department, including personal care items, incontinence products, routine and non-routine medical supplies, non-prescription medications, and minor pieces of medical equipment such as standard wheelchairs and walkers (In Assisted Living, these ancillaries are billed to You).
4. 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. While at another facility, Carol Woods shall be responsible to pay for Your care,

and charge You Carol Woods' prevailing monthly fees and discounted per diems.

B. Health Care Services Available for an Additional Charge. Carol Woods shall provide other health care services which are NOT included in Your monthly fees or discounted per diems, which shall be available to You for an additional charge. Fee schedules shall be made available to You and updated from time to time as the services and fees may change. The following provides a non-exhaustive, illustrative list of health care services available on a fee-for-service basis.

1. Medical services provided by primary care physicians and licensed nurse practitioners who are part of Carol Woods' group practice, for services that are covered by Your Medicare or Medicare Advantage insurance, shall be billed by Carol Woods to Your Insurer. Carol Woods shall accept the Allowable rate established by the Insurer, and shall bill You whatever deductibles and copayments Your Insurer imposes.
2. Physical, Occupational, and Speech Therapy when provided at Carol Woods Outpatient Rehabilitation department or in an inpatient setting in Higher Levels of Support, that are covered by Your Medicare or Medicare Advantage insurance, shall be billed by Carol Woods to Your Insurer. Carol Woods shall accept the Allowable rate established by the Insurer, and shall bill You whatever deductibles and copayments Your Insurer imposes.
3. Other services provided or offered by other Practitioners in Carol Woods' Clinic and Higher Levels of Support including Podiatry and Audiology services, Integrative Health, Massage Therapy, etc.
4. Personal shopping services and on-on-one companionship services provided in Carol Woods' 24/7 Higher Levels of Support, since those are beyond what is covered in the discounted per diem charges.

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.

C. 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, visits in Higher Levels of Support, and referral to hospitalist and other specialists.

D. 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 Higher Levels of Support at Carol Woods if that is needed.

- E. 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.

- F. Care Management for Transfer to Carol Woods' Higher Levels of Support, 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 Carol Woods' Higher Levels of Support, 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 Carol Woods' Higher Levels of Support, a special service facility, or to a hospital will be made after consultation with You and, when appropriate, with Your Health Care Power of Attorney.

If it is determined by Carol Woods' staff that Your needs require temporary or permanent transfer to Carol Woods' Higher Levels of Support, 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 level of support 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' Higher Levels of Support 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 Higher Levels of Support. 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.

- G. Health Care Insurance Requirements.** You shall be responsible for carrying both Medicare Part A and Medicare Part B or Medicare Advantage 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.

- H. Carol Woods' Filing for and Rights to Insurance Benefits.** Carol Woods shall be responsible for filing for reimbursement from Your Medicare, Medicare Advantage and supplemental health insurance plans for covered medical, skilled 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.

- I. **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.
- J. **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, 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.

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 Section 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 upon request. 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

Initials

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. Your right to a refund of any portion of this Entry Fee is outlined in Section VIII.E. of this Agreement.

Initials

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. Higher Level of Support Charges and Free Days. If You need care in Carol Woods' 24/7 Higher Levels of Support facilities, You will be charged an additional daily fee based on the particular level of support 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 accrues 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, Per Diems in Higher Levels of Support, 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 facilities, program and services provided. Carol Woods shall provide You written notice of changes in fees prior to the effective date of the change.

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 Section 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 Section VIII.E.
- C. Termination by Carol Woods.** Carol Woods may terminate this Agreement at any time (i) pursuant to Section III.F 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 Section 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 Section 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 Section.

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 of Attorney. Within ninety (90) days of the Date of Early Acceptance, You will provide Carol

Initials

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 ADHERENCE TO APPLICABLE LAW FOR 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. **Applicable Law.** If the Parties cannot agree to the terms and conditions of private mediation, then the Parties can seek the appropriate remedy by filing a lawsuit in the jurisdiction specified in this Agreement. This Agreement shall be governed by, and construed in accordance with the internal laws of the State of North Carolina without regard to principles of conflict of laws. Any controversy or dispute arising out of or relating to this Agreement shall be settled exclusively in the courts (federal and state) situated in the North Carolina, Orange County. As a condition for filing a lawsuit to settle any claims, a Party must first give thirty (30) days prior notice of such claim to the other Party in order to determine whether such matter can be resolved through private mediation.

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 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 facilities for outpatient healthcare services and 24/7 assisted living and skilled nursing care ("Higher Levels of Support"); and

WHEREAS, prior to entering into this Agreement, You and Carol Woods were 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. Residential Services and Amenities Included in Monthly Fees.** The following residential services and amenities shall be made available to You and are included in the monthly fees that You are charged pursuant to Section V.B. of this Agreement.

1. **Residence.** Subject to the terms and conditions set forth in this Agreement, Carol Woods agrees to provide You a personal, exclusive, non-transferrable 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”).
2. **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.
3. **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.
4. **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.
5. **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.
6. **Clinic Authorized Meal Service.** Meal service will be provided to Your residence during short-term illness, when ordered by one of Carol Woods’ authorized health service personnel. When authorized, meal service includes the delivery and pick-up of selected meals to You at Your Residence.
7. **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.

8. **Health Care and Higher Levels of Support.** Carol Woods will provide or arrange admission to the facilities necessary for the health care and support services specified in this Agreement. In this Agreement, the term “Higher Levels of Support” includes care provided in all of Carol Woods’ 24/7 licensed health care facilities. Carol Woods is a restraint-free, dementia-inclusive community and does not embrace the concept of a segregated unit for residents living with dementia. Residents living in all levels of support are welcome to dine throughout campus and participate in all events and activities.
9. **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.
10. **Parking.** Carol Woods will provide and maintain parking areas for Residents and guests. Parking areas will be unassigned except for those for the townhomes.
11. **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 Higher Levels of Support.
12. **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 providing written notice to You, will maintain the Residence and charge such cost to You.
13. **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 and internet 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 streaming, internet or telephone services beyond what is provided, You may do so at Your own expense and receive no credit.
14. **Local Transportation.** Carol Woods will provide limited local, scheduled transportation for Residents.
15. **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.

16. **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.

17. **Activities.** Social, recreational, educational, and cultural activities are provided through an active Resident-directed program.

B. Residential Services and Amenities Available for an Additional Charge.

Carol Woods shall provide other residential services and amenities which are NOT included in Your monthly fees, which shall be available to You for an additional charge. Fee schedules for these services shall be made available to You and updated from time to time as the services and fees may change. The following provides a non-exhaustive, illustrative list of services available on a fee-for-service basis.

1. **Meals.** 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.
2. **Guest House.** A 4-room Guest House is available on campus for Residents' out-of-town visitors. Rooms are available on a first-come basis, and reservations must be made ahead of time through the reception desk.
3. **Personal Services.** Carol Woods offers a variety of personal services, including special requests for maintenance needs, private duty gardening, special home modifications, decluttering and deep cleaning, and personal computer & in-home technology support.

You may not engage third parties, including private duty nurses and companions, for services rendered on Carol Woods's campus without prior notification to and written authorization by Carol Woods' management. You agree to hold Carol Woods harmless for any claims, 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. 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 written notice.

II. HEALTH CARE SERVICES

A. Health Care Services Included in Monthly Fees and Health Care Per Diems. The following health care services are available to You and covered in Your monthly fees or per diem charges.

1. Medical services provided by primary care physicians and geriatric-trained nurse practitioners who are part of Carol Woods' group practice, and who see You at the Carol Woods' on-site clinic; and which are not billable to Your Medicare or Medicare Advantage insurance (see Section II.B.1).
2. Physical, Occupational, and Speech Therapy when provided at Carol Woods Outpatient Rehabilitation department or in an inpatient setting in Higher Levels of Support; and which are not billable to Your Medicare or Medicare Advantage insurance (see Section II.B.2).
3. 24/7 availability of Carol Woods' Security and Nursing staff to respond in an emergency in Your Residence or elsewhere on campus.
4. Assisted Living, Assisted Nursing and Skilled Nursing care provided in Carol Woods' licensed 24/7 Higher Levels of Support. For every day that You are admitted to one of Carol Woods' accommodations in Higher Levels of Support, You shall be charged a per diem according to the level of support needed, and the type of accommodation. The per diem is charged in addition to Your prevailing monthly fee. Your per diem shall be discounted from the prevailing market rate per diem, as established through written per diem fee schedules, by virtue of Your being a Carol Woods Resident, pursuant to Section V.C. The following outlines the services and supplies provided in Higher Levels of Support that are included in Your discounted per diem charge.
 - a. Support from certified Resident Life Specialists for assistance that You need in Your personal care and Activities of Daily Living. Carol Woods provides strong daily staffing levels for Residents in all Higher Levels of Support to provide this support. However, staff must be available to support various Residents over the course of each shift. If one-on-one support is needed for more extended periods of time, that support is arranged on a fee-for-service basis as outlined in Section II.B.5.
 - b. Support from certified Medication Technicians and licensed nursing staff for administration of prescribed medications.
 - c. Support from licensed Registered Nurses for treatments and other services within their professional Scope of Practice provided in properly licensed facilities.

- d. Three meals per day in the facility in which You reside, or any other resident dining areas on campus. Nutritional snacks provided between meals.
 - e. Private or semi-private furnished accommodations, all utilities, with daily housekeeping, and regular maintenance.
 - f. In Assisted Nursing and Skilled Nursing levels of support, the applicable per diem includes most routine “ancillary” supplies provided by Carol Woods’ purchasing department, including personal care items, incontinence products, routine and non-routine medical supplies, non-prescription medications, and minor pieces of medical equipment such as standard manual wheelchairs, and walkers (In Assisted Living, these ancillaries are billed to You).
5. General nursing and personal care provided in similarly licensed personal care and nursing facilities when space is not available at Carol Woods, and when coordinated by Carol Woods’ medical and nursing staff. Carol Woods shall arrange for Your return to an appropriate accommodation on campus as soon as one is available. While at another facility, Carol Woods shall be responsible to pay for Your care, and charge You Carol Woods’ prevailing monthly fees and discounted per diems.

B. Health Care Services Available for an Additional Charge. Carol Woods shall provide other health care services which are NOT included in Your monthly fees or discounted per diems, which shall be available to You for an additional charge. Fee schedules for these services shall be made available to You and updated from time to time as the services and fees may change. The following provides a non-exhaustive, illustrative list of health care services available on a fee-for-service basis.

- 1. Medical services provided by primary care physicians and licensed nurse practitioners who are part of Carol Woods’ group practice, for services that are covered by Your Medicare or Medicare Advantage insurance, shall be billed by Carol Woods to Your Insurer. Carol Woods shall accept the Allowable rate established by the Insurer, and shall bill You whatever deductibles and co-payments Your Insurer imposes
- 2. Physical, Occupational, and Speech Therapy provided at Carol Woods’ Outpatient Rehabilitation department or in an inpatient setting in Higher Levels of Support, that are covered by Your Medicare or Medicare Advantage insurance, shall be billed by Carol Woods to Your Insurer. Carol Woods shall accept the Allowable rate established by the Insurer, and shall bill You whatever deductibles and co-payments Your Insurer imposes.
- 3. Any non-emergency visit by a Registered Nurse to Your residence.

4. Other services provided or offered by other Practitioners in Carol Woods' Clinic and Higher Levels of Support including Podiatry and Audiology services, Integrative Health, Massage Therapy, etc.
5. Personal shopping services and one-on-one companionship services provided in Carol Woods 24/7 licensed Higher Levels of Service, since these are beyond what is covered in the discounted per diem charges.

C. Community's Physicians. Carol Woods will appoint a Medical Director and physicians as needed. If You choose to use Carol Woods' providers, they will be responsible for Your medical care, including office visits, medical review, visits in Higher Levels of Support, and referral to hospitalists and other specialists. If You choose a physician who is not part of Carol Woods' group practice, a Carol Woods physician will be responsible for your care if You are admitted to Carol Woods' Higher Levels of Support.

D. 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.

E. 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 insurance 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.

F. Health Care Insurance Requirements. You shall be responsible for carrying both Medicare Part A and Medicare Part B or Medicare Advantage 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.

G. Carol Woods' Filing for and Rights to Insurance Benefits. Carol Woods shall be responsible for filing for reimbursement from Your Medicare, Medicare Advantage and supplemental health insurance plans for covered medical, skilled 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. 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 Section 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 the second person who may be party to this Agreement is at least 55 years of age, You have the right during Your lifetime to occupy, use, and enjoy the Residence, common areas, amenities, programs, and services of Carol Woods, as provided in this Agreement, 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 at a later date.
- 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 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 upon request.

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.

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- 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 charged and paid on a prorated basis for any partial month.

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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. Higher Levels of Support Charges and Free Days.** If You need care in Carol Woods' 24/7 licensed Higher Levels of Support facilities, You will be charged an additional daily fee based on the particular level of support 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 accrues 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, Per Diems in Higher Levels of Support, 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 facilities, programs and services provided. Carol Woods shall provide You written notice of changes in fees prior to the effective date of the change.

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 Section VIII. H.
- B. Refurbishing Expenses.** If You make a preference move as defined in Section VI.E. from one Residence to another, and have lived in the previous residence for 5 full years or less, You will be responsible for the cost of refurbishing the Residence vacated. If you make a need-based move, or a preference move after more than 5 years in the previous residence, or if You move permanently to Higher Levels of Support, 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 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. After 50 months of occupancy there is no longer a refund of any portion of Your original Entry Fee.
- 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 support, or by financial need; and that change creates a sense of urgency to move. If the move is made to another Residence for any other reason, it is considered a “preference move.” For any preference move, 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) full 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.

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- G. Permanent Transfer to Assisted Living, the Health Center, a Special Service Facility, or a Hospital.** All decisions regarding Your permanent transfer to Higher Levels of Support, a special service facility, or to a hospital will be made after consultation with You and, when appropriate, with Your Health Care Power of Attorney. 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 from another residence in Higher Levels of Support. 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 an accommodation comparable to the one occupied by You prior to such transfer, You will have priority to such accommodation as soon as one becomes 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 financial 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 warranted, 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 providing credit 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 received 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 after the Date of Financial Responsibility, but prior to occupancy, 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 Administrative Fee and any nonstandard costs that have been incurred by Carol Woods at Your request, and 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, less the Administrative Fee and any nonstandard costs that have been incurred by Carol Woods at Your request.

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.

- D. 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 Section 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 Your move to campus, upon the mutual consent of You and Carol Woods; unless the reason for terminating this Agreement is due to factors that would preclude You returning to an Early Acceptance relationship with Carol Woods.

- E. Termination Upon Death.** In the event of Your death at any time after the Date of Financial Responsibility, 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 Section 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 Section V.B. In such events, You may be entitled to a Pro-rated Refund of the Entry Fee pursuant to Section 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 residence in Higher Levels of Support, the monthly fee continues to reflect the double occupancy rate. Upon death of one (1) Resident, the surviving Resident will pay the single person 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 from the Date of Financial Responsibility, 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 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.** Other than terminations during the Trial Period in Section VIII.B. and exercise of the Right of Rescission (Section IX), 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 Section.

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.
- F. 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 employ outside assistance privately 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.

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- H. Uncontrollable Interruption of Services.** No breach of Carol Woods' obligations under this Agreement and no liability for injury to You or Your 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 Your acts. 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 ADHERENCE TO APPLICABLE LAW FOR 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. Applicable Law. If the Parties cannot agree to the terms and conditions of private mediation, then the Parties can seek the appropriate remedy by filing a lawsuit in the jurisdiction specified in this Agreement. This Agreement shall be governed by, and construed in accordance with the internal laws of the State of North Carolina without regard to principles of conflict of laws. Any controversy or dispute arising out of or relating to this Agreement shall be settled exclusively in the courts (federal and state) situated in the North Carolina, Orange County jurisdiction. As a condition for filing a lawsuit to settle any claims, a Party must first give thirty (30) days prior notice of such claim to the other Party in order to determine whether such matter can be resolved through private mediation.

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, 2023

CAROL WOODS
CONSOLIDATED STATEMENT OF ACTIVITIES (INCOME STATEMENT) - UNAUDITED
For the Month Ending March 31, 2023

	March			Year-to-Date (YTD)			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Actual	Budget	Variance	Actual	Budget	Variance	% Var
<u>Operating Revenue</u>							
(1) Monthly Service Fees - Early Acceptance	120,051	122,148	(2,097)	353,747	366,444	(12,697)	(4%)
(2) Monthly Service Fees - CW Campus	1,663,432	1,699,127	(35,695)	4,981,030	5,094,184	(113,154)	(2%)
(3) Entry Fee Amortization - Early Acceptance	29,168	26,002	3,166	81,595	72,687	8,908	12%
(4) Entry Fee Amortization - CW Campus	363,484	399,192	(35,708)	1,084,541	1,185,951	(101,410)	(9%)
(5) Tertiary Medical Insurance W/O's	(1,259)	(2,377)	1,118	(10,196)	(4,920)	(5,276)	107%
(6) Net In-Home Services / Private Duty	23,095	15,687	7,408	57,064	45,542	11,522	25%
(7) Net Revenue in Bldgs 4, 5, 6 & 7	303,477	362,676	(59,199)	810,605	982,415	(171,810)	(18%)
(8) Net Clinic / Rehab Revenue	57,800	56,309	1,491	151,679	152,936	(1,257)	(1%)
(9) Dining Services Revenue	11,282	9,440	1,842	29,084	20,660	8,424	41%
(10) Guest House Revenue	5,573	6,473	(900)	13,435	15,935	(2,500)	(16%)
(11) Other / Miscellaneous Revenue	26,729	30,287	(3,558)	81,761	90,861	(9,100)	(10%)
(12) Investment Dividends & Interest	121,676	113,672	8,004	317,116	269,500	47,616	18%
(13) Restricted Assets Released for Operations	2,047	7,205	(5,158)	13,050	29,115	(16,065)	(55%)
Total Operating Revenue	2,726,556	2,845,841	(119,285)	7,964,510	8,321,310	(356,800)	(4%)
<u>Operating Expenses</u>							
(1) Early Acceptance	9,477	9,477	0	27,702	28,431	729	3%
(2) In-Home Services / Privaty Duty	18,782	17,815	(967)	34,144	35,969	1,825	5%
(3) Bldgs 4, 5, 6 & 7 (24/7 Facilities)	787,584	720,408	(67,176)	1,881,896	1,848,261	(33,635)	(2%)
(4) Clinic, Rehab & Well-Being	289,311	307,595	18,284	687,275	768,959	81,684	11%
(5) Dining Services	559,972	525,765	(34,207)	1,420,964	1,424,814	3,850	0%
(6) Housekeeping & Laundry	238,029	190,829	(47,200)	531,604	500,187	(31,417)	(6%)
(7) Maint & Engineering, Grounds, Security/Transp	537,871	466,919	(70,952)	1,341,673	1,312,066	(29,607)	(2%)
(8) Administration	412,448	507,009	94,561	1,133,552	1,331,855	198,303	15%
(9) Directed Charitable & Community Benefit	104,284	77,987	(26,297)	223,040	233,055	10,015	4%
(10) Investment Fees & Bank Charges	22,305	6,186	(16,119)	107,428	57,194	(50,234)	(88%)
(11) Contingency	2,388	0	(2,388)	8,384	0	(8,384)	100%
(12) LT Debt Expense, Including Net Swap	86,684	82,329	(4,355)	249,552	246,989	(2,563)	(1%)
(13) Depreciation	337,949	336,635	(1,314)	1,010,261	1,009,089	(1,172)	(0%)
Total Operating Expenses	3,407,082	3,248,954	(158,128)	8,657,475	8,796,869	139,394	2%
Net Operating Revenue / (Loss)	(680,526)	(403,113)	(277,413)	(692,965)	(475,559)	(217,406)	(46%)
<u>Non-Operating Net Revenue</u>							
(1) Realized Gains/(Losses) on Investments	(11,342)	48,000	(59,342)	402,019	144,000	258,019	179%
(2) Unrealized Gains/(Losses) on Investments	1,407,150	48,000	1,359,150	2,710,021	144,000	2,566,021	1,782%
(3) Unrealized Gains/(Losses) on Swaps	(594,497)	670	(595,167)	(369,000)	2,013	(371,013)	(18,431%)
(4) Gain/(Loss) on Retirement of Fixed Assets	(71,682)	(50,000)	(21,682)	(123,170)	(150,000)	26,830	(18%)
(5) CW Charitable Fund Net Revenue	1,103	(2,700)	3,803	1,706	(2,700)	4,406	(163%)
Net Non-Operating Revenue / (Loss)	730,731	43,970	686,761	2,621,575	137,313	2,484,262	1,809%
TOTAL NET REVENUE / (LOSS)	50,205	(359,143)	409,348	1,928,611	(338,246)	2,266,857	670%

CAROL WOODS
CONSOLIDATED STATEMENT OF POSITION (BALANCE SHEET) - UNAUDITED
For the Month Ending March 31, 2023

	Carol Woods Retirement Community	Carol Woods Charitable Fund	3/31/2023 Consolidated	12/31/2022 Comparison
<u>ASSETS</u>				
<u>Current Assets</u>				
(1) Cash - Operating Funds	150,762	2,310,352	2,461,113	2,480,300
(2) Bond Trustee Funds	2,496,106		2,496,106	2,092,950
(3) Resident Receivables	284,065		284,065	296,752
(4) 3rd Party Receivables	1,151,968	400	1,152,368	957,370
(5) PrePaid Expenses, Inventory & Other	377,382		377,382	553,084
Total Current Assets	4,460,282	2,310,752	6,771,034	6,380,456
Long-Term Investments	57,861,982		57,861,982	57,520,492
<u>Property and Equipment</u>				
(1) Land & Land Improvements	10,790,231		10,790,231	10,790,231
(2) Buildings & Building Improvements	88,223,983		88,223,983	87,821,366
(3) Furniture, Furnishings & Equipment	14,128,060		14,128,060	13,987,790
(4) Construction-in-Process	4,321,613		4,321,613	2,854,992
(5) LESS: Accumulated Depreciation	(58,198,294)		(58,198,294)	(57,375,010)
Total Net Property & Equipment	59,265,594	0	59,265,594	58,079,369
<u>Other Long Term Assets</u>				
(1) Other Long Term Assets	140,616		140,616	145,689
(2) Swap Mark-to-Market Value	419,349		419,349	788,348
TOTAL ASSETS	122,147,822	2,310,752	124,458,573	122,914,355
<u>LIABILITIES</u>				
<u>Current Liabilities</u>				
(1) Vendor Accounts Payable	428,583		428,583	1,190,177
(2) Accrued Payroll Expenses	1,700,775		1,700,775	2,150,089
(3) Bond Interest Payable	82,670		82,670	82,670
(4) Other Accrued Expenses	324,055		324,055	348,505
(5) Revolving Line of Credit	6,100,611		6,100,611	5,921,674
(6) Current Maturities on LT Debt	2,350,000		2,350,000	2,350,000
Total Current Liabilities	10,986,693	0	10,986,693	12,043,114
<u>Long-Term (LT) Liabilities</u>				
(1) LT Debt, Less Current Maturities	28,820,000		28,820,000	28,820,000
(2) LESS: Bond Issuance Costs	(180,625)		(180,625)	(185,140)
LT Debt, Net of Issuance Costs	28,639,375	0	28,639,375	28,634,860
(3) Deferred Entry Fee Rev - Early Accept	3,302,135		3,302,135	3,022,028
(4) Deferred Entry Fee Rev - On Campus	46,522,903		46,522,903	46,152,152
(5) Other Deferred Rev & LT Liabilities	1,795,590		1,795,590	1,814,290
TOTAL LIABILITIES	91,246,696	0	91,246,696	91,666,444
<u>NET ASSETS</u>				
<u>UnRestricted Net Assets</u>				
(1) Prior Years' UnDesignated Net Assets	28,919,159	784,577	29,703,735	29,703,228
(2) Current Year Net Income (Loss)	1,926,905	1,706	1,928,611	0
Total UnRestricted Net Assets	30,846,064	786,282	31,632,346	29,703,228
<u>Temporarily Restricted Net Assets</u>				
(1) Temp Restricted-Resident Assist	0	679,599	679,599	654,430
(2) Other Temp Restricted Net Assets	55,062	844,871	899,933	890,253
Total Temp Restricted Net Assets	55,062	1,524,469	1,579,531	1,544,683
TOTAL NET ASSETS	30,901,125	2,310,752	33,211,877	31,247,911
TOTAL LIABILITIES AND NET ASSETS	122,147,822	2,310,752	124,458,573	122,914,355

CAROL WOODS
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the Month Ending March 31, 2023

Carol Woods
Retirement Community
& Charitable Fund

Cash Flows from Operations

YTD Increase (Decrease) in Net Assets	1,928,611
Change in Temporarily Restricted Net Assets	34,848

Adjustments to Reconcile Change in Net Assets

To Net Cash from Operations:

ADD: Entry Fee Proceeds, Net of Refunds	1,817,000
ADD: Depreciation Expense	1,010,261
LESS: Entry Fee Amortization Revenue	(1,166,136)
ADD: Amortization of Deferred Costs	4,515
Realized (Gain) / Loss on Investments	(402,019)
(Gain) / Loss on Disposal of Property	123,170
Unrealized (Gain) / Loss on Investments	(2,710,021)
Unrealized (Gain) / Loss on Interest Rate Swaps	369,000

(Increase) / Decrease in Current Assets:

Accounts Receivable	(182,310)
Prepaid Expenses & Inventory	180,776

Increase / (Decrease) in Current Liabilities:

Accounts Payable	(1,210,908)
Accrued Expenses	(24,450)
Other Deferrals	(18,700)

Net Cash from Operations	(246,364)
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Cash Flows from Investing Activities

Purchase of Property & Equipment	(2,319,656)
Net Proceeds from Sale (Purchase) of Investments	2,759,561

Net Cash in Investing Activities	439,906
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Cash Flows from Financing Activities

Escrow Monthly Principal to Bond Sinking Fund	(391,666)
Increase / (Decrease) in Revolving Line of Credit	178,937

Net Cash in Financing Activities	(212,729)
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Net Increase / (Decrease) in Cash

	(19,187)
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Cash at Beginning of Period	2,480,300
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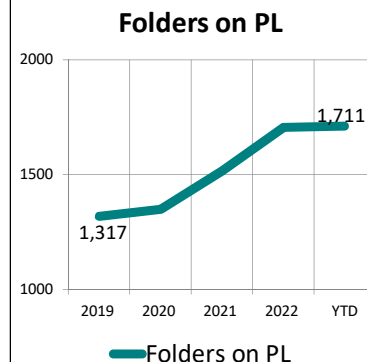
Cash at End of Period	2,461,113
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CAROL WOODS
Interim Monthly Financial Statements
As Presented to the Board of Directors
Admission and Census Notes
For the Period Ending 03-31-2023

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			Occupancy in IL	
	1st Persons	2nd Persons	Total Persons	
Early Acceptance Moves to Campus, Year-to-Date:	1	1	2	
New Residents on Campus, Year-to-Date:	5	1	6	
New Early Acceptance Residents, Year-to-Date:	7	4	11	
Total New Carol Woods Residents, Year-to-Date:	12	5	17	
Deaths / Withdrawals, Year-to-Date:	8	2	10	
B. Admissions-in-Process:			Actual Occupancy	
Residents <u>Accepted</u> -- Move to Campus In-Process:	7	4	11	
Persons Who Have <u>Reserved</u> Units for On-Campus Admission:	4	1	5	
Residents Who Have Reserved Units for Internal Moves:	1	1	2	
Early Acceptance Slots <u>Reserved</u> for Admission to EA:	13	11	24	
C. Status of Independent Living Units:			Actual Occupancy	
	Number of Units	Percent Occupancy		
Total Number of Independent Living Units:	315			
Number of Independent Living Units Currently Occupied:	304	96.5%		
Number of Units Reserved, Pending Admission:	11			
Number of Units Occupied and Reserved:	315	100.0%		
D. Status of Priority List (PL):			Budgeted Occupancy	
	New PL Deposits	Deposit Refunds		
YTD Number of New Deposits / (Deposit Refunds):	48	(38)		
Number of Folders on Priority List (Including Early Acceptance):		1,711		



	Current Census as of: 3/31/2023	Actual Average Year-to-Date		Budgeted Average Year-To-Date	
		Average # of Residents	Average Percent Occupancy	Average # of Residents	Average Percent Occupancy
No. of Residents in Apartments / Cottages:	411	408	96.6%	412	96.8%
No. of Residents <u>Permanently</u> in Health Ctr / Assisted Living:	74	77		85	
Total CW Residents on Campus:	485	485		497	
No. of Residents in Early Acceptance:	117	113		117	
Total CW Residents:	602	598		614	
No. of Couples on Campus:	121	120		120	
Occupancy in Assisted Living & Nursing Facilities (Bldgs 4-7):	90	88	74.1%	98	82.1%
		YTD Actual		YTD Budget	Difference
Free Days Used by Carol Woods' Residents:		1,562		1,535	(27)
Free Day CCRC Contractual Write Offs:		(\$172,078)		(\$167,336)	(\$4,742)

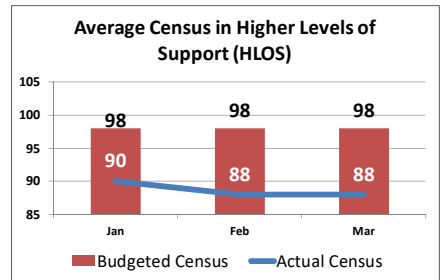
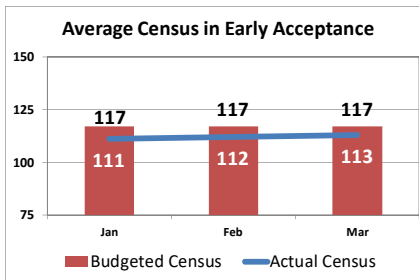
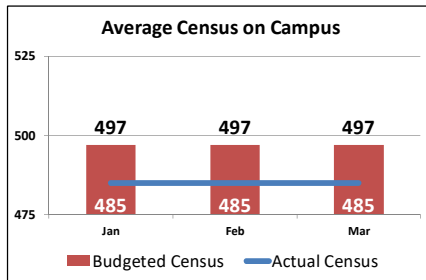
CAROL WOODS
Interim Monthly Financial Statements
As Presented to the Board of Directors
Revenue and Expense Notes
For the Period Ending 03-31-2023

II. Revenue Notes

A. Monthly Service Fee Revenue	Actual	Budgeted	Difference	NOTES
Net Monthly Service Fee Revenue	5,334,777	5,460,628	(125,851) -2.3%	
<u>Average</u> Number of Residents on Campus	485	497	(12) -2.4%	11 scheduled to move to campus in next 3 to 4 months
<u>Average</u> Number of Residents -- Early Acceptance	113	117	(4) -3.4%	117 Early Acceptance residents + 24 reservations vs. 117 budgeted

B. Entry Fee Amortization Income	Actual	Budgeted	Difference	NOTES
On-Campus Entry Fee Amortization (Year-to-Date)	1,009,474	1,005,951	3,523 0.4%	Prorated YTD Amortization of entry fees of 479 current residents.
Early Acceptance Entry Fee Amortization (YTD)	81,595	72,687	8,908 12.3%	Prorated YTD Amortization of entry fees of 123 current residents.
Entry Fee Income from Contract Termination	<u>75,067</u>	<u>180,000</u>	<u>(104,933)</u> -58.3%	08 actual contract terminations YTD vs. 24 budgeted for full year.
Total Revenue from Amortization	1,166,136	1,258,638	(92,502) -7.3%	\$9,383 / Termination Actual vs. \$30,000 / Termination Budgeted

C. Health Center Revenue, Net of Expenses	Actual	Budgeted	Difference	NOTES
Revenue in Higher Levels of Support, <u>Net</u> of Expenses	(1,071,291)	(865,846)	(205,445) -23.7%	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	57,520,492	58,211,000	(690,508) -1.2%	Portfolio began 2023 \$690,000 less than budgeted.
Current Portfolio Value	57,861,982	58,968,000	(1,106,018) -1.9%	5.8% Actual returns YTD vs. 1.3% YTD Budget **
Dividends & Interest ("Yield" on Investments)	317,116	269,500	47,616 17.7%	** 5.0% annual return is CW's <u>long-term</u> benchmark.

III. Expense Notes

A. Selected Operating Expenses, YTD	Actual	Budgeted	Difference	NOTES	BiWeekly Actual	BiWeekly Budget	BiWeekly Difference Through 07 PP's
Total Regular & Overtime Wages Paid	3,606,895	3,752,764	145,869 3.9%	Regular & OT BiWeekly Hrs Worked	18,959	19,859	900 Hours / PP
Total Paid Time Off (PTO), Holiday & Other Benefits	284,204	341,135	56,931 16.7%	PTO, Holiday & Other BiWeekly Hrs Paid	2,100	1,942	(158) Hours / PP
Payroll Taxes & Employee Benefits	1,089,289	947,615	(141,674) -15.0%	Includes employer FICA, group insurance (medical, dental, LT disability, life) & 401(a) retirement accrual			
Utilities, Including Telephone & Cable	341,843	344,264	2,421 0.7%				
Insurance- Property, Liability, Auto, Workers Comp	115,758	113,939	(1,819) -1.6%				
Building & Equipment Refurbishment & Repair	343,055	310,243	(32,812) -10.6%				
Food & Beverages	528,333	569,972	41,639 7.3%				
Depreciation Expense	1,010,261	1,009,089	(1,172) -0.1%				
Other Operating Expenses (excluding debt & deprec)	1,088,285	1,160,859	72,574 6.3%				

B. LT Debt	Actual	Budgeted	Difference	NOTES
(1) Outstanding Balance on 2018 Bonds	31,170,000	31,170,000	0 0.0%	\$2,350,000 in Bonds are scheduled to be redeemed on 4/1/2023
(2) Bond Interest, Net Swaps, Bond Fees & Bond Amort	249,552	246,989	(2,563) -1.0%	Includes Bond Amortization expense and bond fees
(3) YTD Interest Rate, Annualized (plus fees & amort)	3.20%	3.17%	-0.03%	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 03-31-2023

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 (the "yield") from investments to be reinvested. The tables below present some key cash flow figures.

In January CW withdrew \$3 MM from its portfolio to help cover capital expenditures and pull down the average balance on its line of credit.

YTD Operating Cash Flows	In Flows	(Out Flows)	YTD Investment Cash Flows	In Flows	(Out Flows)
Net New Entry Fees Received / (Refunded)	1,817,000	0	Interest & Dividends, Reinvested	317,116	
Additional Capital Expenditures		(2,319,656)	Investment Fees		(87,666)
Net Borrowing / (Repayment) of ST Credit	178,937		Transfers To / (From) Investments		(3,000,000)
Principal Payments on LT Debt (Monthly Escrows)		(391,666)	Realized & Unrealized Gain / (Loss)	3,112,040	
Net Cash Flows through Operations	(715,384)		Net Change in Investments	341,489	

B. Other Balance Sheet Notes	3/31/2023	12/31/2022	Change	NOTES
2018 Swap Mark-to-Market (MTM) Valuation	419,349	788,348	(369,000) 46.8%	Rising LIBOR rates result in swap valued "above water"
1-Month LIBOR:	4.86%	4.33%		1-month LIBOR is above 10-Year rolling average of <u>1.00%</u>

V. Summary

- (1) Net Operating Revenue. Operationally, through 3 months, CW shows a net operating loss of -\$692,965 against a budgeted loss of -\$475,559. Operating revenue, including investment dividends & interest, shows a negative variance of -\$356,800 (-4.3%). Operating expenses show a positive variance of \$139,394 (1.6%).
- (2) Non-Operating Revenue & Total Net Revenue. The investment portfolio shows realized gains YTD of \$402,019, and unrealized gains of \$2,710,021. The investment portfolio has gained 5.8% YTD, net of fees. The mark-to-market (MTM) value of the interest rate swap shows an unrealized loss of -\$369,000 reflective of prevailing and anticipated interest rates.
- (3) Assets. CW's Total Assets have increased YTD by \$1,544,219 (1.3%). Investments increased \$341,489 (5.8%) when factoring in a withdrawal of \$3MM in January for cash flow purposes. Net property and equipment has increased \$1,186,225 (2.0%). CW has invested \$2,319,656 in capital improvements, while existing fixed assets have been depreciated by \$1,010,261. \$123,170 in fixed assets have been retired.
- (4) Liabilities. Deferred Revenue from Entry Fees has increased \$650,858 (1.3%). \$1,817,000 in new entry fees receipts have been offset by \$1,166,136 in entry fees amortized to revenue. No in entry fees have been refunded. The outstanding balance on CW's \$10 MM short-term line of credit was \$6,100,611. 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 \$1,963,966 (6.3%). Assets have increased \$1,544,219, primarily due to increases in net property & equipment. Liabilities have decreased by -\$419,748, primarily from a reduction in accounts payable.

APPENDIX E

The following presents Carol Woods' accreditation and licenses, including:

- (1) 2022 Annual Filing Acknowledgement from NC Department of Insurance
- (2) 2019 through 2023 CARF-CCAC Accreditation Certification
- (3) 2023 Combination Nursing Facility and Adult Care Home License for 95-Unit Building 4 and Building 5
- (4) 2023 Adult Care Home License for 12-Unit Building 6
- (5) 2023 Adult Care Home License for 12-Unit Building 7
- (6) 2023 Home Care License



NC DEPARTMENT
of INSURANCE
MIKE CAUSEY, COMMISSIONER

COMPANY SERVICES GROUP
FINANCIAL ANALYSIS & RECEIVERSHIP DIVISION

Tel 919.807.6612 Fax 919.807.6635

July 28, 2022

Mr. Kenneth Reeb
Vice President – Finance & Planning
Carol Woods
750 Weaver Dairy Road
Chapel Hill, NC 27514-1438
kreeb@carolwoods.org

Re: Carol Woods – 2021 Annual Filing

Dear Mr. Reeb:

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.

Should you have any questions or concerns, please do not hesitate to contact me at 919-807-6755 or via email at colby.toler@ncdoi.gov.

Best regards,

Colby T. Toler

Colby Toler
Senior Financial Analyst

cc: Nancy Wise – Manager
Marianne Ratcliffe – President/CEO

March 26, 2019

Patricia E. Sprigg, NHA
Carol Woods Retirement Community
750 Weaver Dairy Road
Chapel Hill, NC 27514-1438

Dear Ms. Sprigg:

It is my pleasure to inform you that Carol Woods Retirement Community has been issued CARF accreditation based on its recent survey. The Five-Year Accreditation applies to the following program(s)/service(s):

Continuing Care Retirement Community

This accreditation is effective March 6, 2019, and will extend through December 31, 2023, with annual demonstration of conformance to the standards and policies and procedures required to retain accreditation. This achievement is an indication of your organization's dedication and commitment to improving the quality of the lives of the persons served. Services, personnel, and documentation clearly indicate an established pattern of conformance to standards.

The accreditation report is intended to support a continuation of the quality improvement of your organization's program(s)/service(s). It contains comments on your organization's strengths as well as any consultation and recommendations. A Quality Improvement Plan (QIP) demonstrating your organization's efforts to implement the survey recommendation(s) must be submitted within the next 90 days to retain accreditation. The QIP form is posted on Customer Connect (customerconnect.carf.org), CARF's secure, dedicated website for accredited organizations and organizations seeking accreditation. Please log on to Customer Connect and follow the guidelines contained in the QIP form.

Your organization should take pride in achieving this high level of accreditation. CARF will recognize this accomplishment in its listing of organizations with accreditation and encourages your organization to make its accreditation known throughout the community. Communication of the accreditation to your referral and funding sources, the media, and local and federal government officials can promote and distinguish your organization. Enclosed are some materials that will help you publicize this achievement.

Your organization's complimentary accreditation certificate will be sent separately. You may use the enclosed form to order additional certificates.

If you have any questions regarding your organization's accreditation or the QIP, you are encouraged to seek support from Bonnie Rock by email at brock@carf.org or telephone at (888) 281-6531, extension 7079.

CARF encourages your organization to continue fully and productively using the CARF standards as part of its ongoing commitment to accreditation. CARF commends your organization's commitment and consistent efforts to improve the quality of its program(s)/service(s) and looks forward to working with your organization in its ongoing pursuit of excellence.

Sincerely,

A handwritten signature in black ink, reading "Brian J. Boon Ph.D." in a cursive script.

Brian J. Boon, Ph.D.
President/CEO

Enclosures

State of North Carolina

Department of Health and Human Services Division of Health Service Regulation

Effective January 1, 2023, this license is issued to
The Chapel Hill Residential Retirement Center Inc
to operate an Nursing facility known as
Carol Woods

located at 750 Weaver Dairy Road
Chapel Hill, NC 27514
County: Orange

This license is issued subject to the statutes of the
State of North Carolina, is not transferable and shall expire
midnight December 31, 2023

Facility ID: 923061

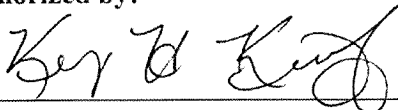
License Number: NH0258

Bed Capacity: 95

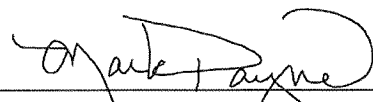
Nursing Facility Beds: 30

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, 2023, 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 27514

County: Orange

*This license is issued subject to the statutes of the
State of North Carolina, is not transferable and shall expire
midnight December 31, 2023*

Facility ID: 021133

License Number: HAL-068-020

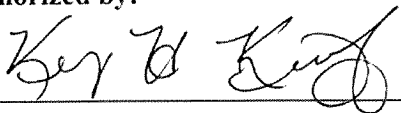
*****This home serves only elderly persons*****

Capacity: 12

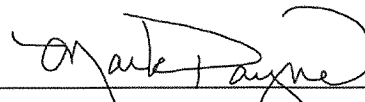
Special Care Units: No

Type: Alzheimer's/Dementia: 0

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, 2023, 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 27514

County: Orange

*This license is issued subject to the statutes of the
State of North Carolina, is not transferable and shall expire
midnight December 31, 2023*

Facility ID: 021134

License Number: HAL-068-021

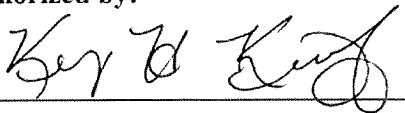
*****This home serves only elderly persons*****

Capacity: 12

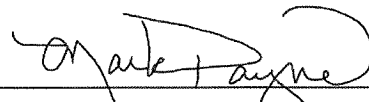
Special Care Units: No

Type: Alzheimer's/Dementia: 0

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, 2023, this license is issued to
The Chapel Hill Residential Retirement Center, Inc.
to operate a home care agency known as*

Carol Woods Retirement

*located at 750 Weaver Dairy Road
Chapel Hill, NC 27514
County: Orange*

*This license is issued subject to the statutes of the
State of North Carolina, is not transferable and shall expire
midnight December 31, 2023*

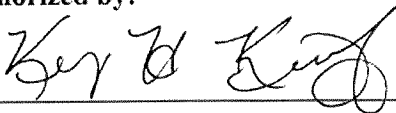
Facility ID: 110559

License Number: HC4428

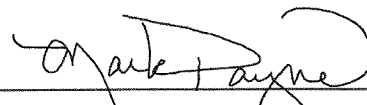
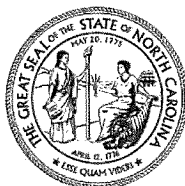
Home Care Services:

Companion, Sitter and Respite, In-Home Aide.

Authorized by:



Secretary, N.C. Department of Health and
Human Services



Director, Division of Health Service Regulation

APPENDIX F

The following presents Carol Woods' statements of Mission, Vision, Values
and Philosophy

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.

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 STATEMENT

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.

PHILOSOPHY

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.

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: _____