



# COVENANT VILLAGE

*Where Life Is Filled With Promise*

## DISCLOSURE STATEMENT

February 27, 2024

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

- ◆ This Disclosure Statement may be delivered until revised, but not after February 27, 2025.
- ◆ Delivery of the Disclosure Statement to a contracting party before execution of a contract for continuing care is required.
- ◆ This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.

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Covenant Village Inc.  
1351 Robinwood Road  
Gastonia, NC 28054

Phone: 704-867-2319  
[www.covenantvillagenc.com](http://www.covenantvillagenc.com)

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## **I. ORGANIZATION INTRODUCTION AND INFORMATION**

### **Description of the Organization and its Operation**

Covenant Village, Inc. is a private non-profit church related corporation which owns and operates a full-service retirement community called Covenant Village. The corporation was founded in 1977 out of a Christian concern for meeting a well-defined need in the community. Covenant Village is governed by a dedicated and influential Board of Directors, comprised of community leaders who are elected to represent the original five religious denominations and the community at large.

### **Non-Profit/For Profit Status**

Covenant Village, Inc. is organized as a not-for-profit North Carolina corporation and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Covenant Village is also exempt from property taxes.

### **Affiliations**

Covenant Village is not affiliated with any other organization except for its membership in the State and National trade association, LeadingAge.

The Board of Directors is selected to represent the original five religious denominations and the community, but the church community is in no way responsible for the financial or contractual obligations of the corporation.

### **Accreditation**

Covenant Village believes there is no widely accepted accreditation for retirement communities.

## **II. FACILITY INTRODUCTION AND INFORMATION**

### **Description of the Facility and Its Operation**

Covenant Village is a full-service retirement community located on a 60-acre site in Gastonia, North Carolina. The main building consists of 138 single room, one-bedroom and two-bedroom apartments, a 71 bed Health Center consisting of nursing care and assisted living beds, and numerous public and service areas. The main building also includes a 9,700 square foot Wellness Center (WC) to serve the residents. The WC includes state-of-the-art cardio and strength equipment, and an indoor swimming pool and spa. Covenant Village also has 21 duplex cottages consisting of 42 two-bedroom cottages located on the western side of the property.

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Telephone Number	704-867-2319
Fax Number-	704-854-8738
Website -	<a href="http://www.covenantvillagenc.com">www.covenantvillagenc.com</a>

### **Legal Description**

Covenant Village, Inc. owns and operates Covenant Village. Covenant Village, Inc. is a non-profit corporation chartered under the laws of the State of North Carolina.

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

See the Description of the Facility and Its Operation.

## **Estimated Number of Residents**

As of September 30, 2023, Covenant Village is currently serving about 265 residents.

## **Strategic Vision and Master Planning at Covenant Village**

Covenant Village, Inc., in late 2020, began a Strategic Visioning and Master Planning process to consider potential operational improvements; campus repositioning; amenity renovations; and campus expansion. The goal was to provide additional benefits to current and future Residents.

As with all organizations, and companies, COVID-19 and the related Pandemic placed several conditions and obstacles in the way of our process. After managing the early stages of the Pandemic, the preliminary planning was completed in late 2021. All along the process, the Board of Directors and Management oversaw the planning work (Master Planning Task Force of Board and Leadership Team members), as well as providing opportunities for Residents, current and future, to review updates and developments.

The Board of Directors has approved the following Project as we now enter the financing phase of the Strategic Visioning and Master Plan:

### **Project Description**

Phase I began in 2022 and included developing 8 Enhanced Living units for independent living and making exterior updates to existing cottages. The 8 Enhanced Living units were completed in November of 2022. Cottage exterior updates began in 2022 as well. Replacement windows for all cottages have been completed. Exterior siding, soffit, gutter, and downspout updates are currently in progress. These updates are approximately 60% complete.

Phase II is anticipated to begin in the Spring of 2024 and includes the development of 21 independent living Villa Homes (called the Stonecrest Villa project),

renovated dining amenities, constructing a new outdoor pavilion, as well as front entrance retention wall updates and new signage, new campus parking, parking lot enhancements, and loading dock updates.

Phase III is anticipated to include 14 Village Park Homes. Covenant Village is in the process of securing the land for this expansion.

A portion of the costs of Phase I are anticipated to be reimbursed to Covenant Village as part of the financing request. Phase II will be funded with bank loan proceeds. Depending on the timing of securing the land for Phase III, the Village Park Homes may be a part of the financing request.

## **Identification and Background of Officers, Directors, Management and Staff**

### **Executive Leadership Team**

#### **Jenn Barker, Senior Director of Human Resources**

On June 28, 1993, Jenn was hired as the Assistant Activities Director at Covenant Village. She became the Director of Activities within the first 2 years then after 25 years of service in Activities, Jenn transitioned to Human Resources where she has served as the Senior Director of HR since 2019. Jenn started the HR Department from scratch in 2019 since the previous Executive Director of CV served as HR Director with no formal structure.

In 2022, Jenn received two national Human Resources Professional certifications. In June 2023, she celebrated her 30 years of service at Covenant Village.

She is a 2023 Fellow of the LeadingAge national Leadership Academy.

Jenn serves and chairs various Covenant Village committees and task force groups, serves as the Secretary of the Board of Directors for Piedmont Community Charter School, and is a member of the East Gaston Rotary Club. During her Activities tenure, she was nationally certified as an Activities

Consultant and served as the State President of the Activities Association, State Representative for the National Activities Association, President, Vice President, and Secretary of the Regional Activities Association, instructor of the Activities Course for Healthcare Professionals at Gaston College, and invited to speak at numerous conferences. A native of Gastonia, North Carolina, Jenn is a graduate of Appalachian State University in Boone NC where she received her BA degree in Psychology.

### **Matt Gibbons, COO**

On February 1, 2024, Matt was named Chief Operating Officer at Covenant Village, the first such position. He is responsible for the management of daily operations in Activities, Chaplaincy, Food & Nutrition, Property Services (which includes Grounds, Housekeeping, Maintenance & Renovations), Resident Care & Services (overseeing independent living), Security, and Wellness.

In September 2013, Matt Gibbons started his journey in Senior Living as the Director of Wellness at Covenant Village after years of clinical experience in the physical therapy/sports medicine field. He had owned his own practice in the Gastonia community.

Matt deepened his roots with the independent living Residents three years prior by accepting the first ever position of Senior Director of Resident Care and Services. After careful consideration and the endless support of Covenant Village, Matt's journey continued with acceptance into the "Administrator-in-Training" (AIT) program with the North Carolina Board of Examiners for Nursing Home Administrators. After successfully completing the AIT program in November 2023, Matt passed both the State and National Board Exams to become a Licensed Nursing Home Administrator.

Matt is a native of Gastonia and a graduate of Appalachian State University.

### **Kim Kling, Senior Director of Finance**

Kim joined Covenant Village as Senior Director of Finance in March of 2021. Prior to joining Covenant Village, Kim served as Vice President and Chief Financial



Officer at a community bank located in Morganton, NC for 16 years (2005 – 2021) and Chief Financial Officer at a community bank located in Greenwood, IN for 6 years (1999 – 2005).

Kim is a Certified Public Account and holds a Bachelor's Degree in Business Administration from Lenoir Rhyne College, Hickory, NC; a Master's Degree in Business Administration and a Graduate Certificate in Finance from the University of Indianapolis.

Kim serves as a trustee for Western Piedmont Community College located in Morganton, NC.

### **Dale Melton, CEO**

On October 1, 2018, Dale became the Chief Executive Officer of Covenant Village. Prior to Covenant Village, Dale served as the Director of Development at Salemtowne Retirement Community, a position he held since June 2012.

Dale serves on the Board of the LeadingAge North Carolina Foundation, our state association, as well as on the Awards Selection Committee and as a Coach for the state's Leadership Academy.

He was Vice President for Seminary Relations at Louisville Presbyterian Theological Seminary in Louisville, KY, where he served over 15 years from 1997-2012. A native of North Carolina, Dale is a graduate of Wake Forest University and Southeastern Baptist Theological Seminary in Wake Forest, NC.

### **Pam Paige, Senior Director of Marketing & Admissions**

Pam began her career at Covenant Village in January 1996. In the 27 years Pam has been at Covenant Village her responsibilities have included Activities, Resident Services, Administration and currently is Senior Director of Marketing and Admissions.

Pam has served on numerous boards and committees in the community throughout her career.

Pam is a native of Gaston County, growing up in Cherryville, NC. She is a graduate of UNC-Charlotte.

### **Kevin Stewart, Health Services Administrator**

Kevin started his career with Covenant Village in 2007 after many years of being self-employed. After receiving an LPN degree, he was hired as a floor nurse and as one of the Resident Nurses for the Covenant Village Health Center.

When he received his RN degree from Gaston College, he became the Assistant Director of Nursing. Upon the retirement of the Director of Nursing, Kevin assumed the DON position. After 6 years as the DON, he was asked to attend the NC Administrator in Training program for long-term care facilities. After completing the AIT program and receiving his license, Kevin accepted the position of Health Services Administrator in 2018.

Covenant Village Board of Directors 2024-2025

With Professional Experience

Carol Carstarphen, Secretary  
1351 Robinwood Road  
Gastonia, NC 28054  
Artist

Adrian Miller, Treasurer  
1351 Robinwood Road  
Gastonia, NC 28054  
Assistant City Manager, Gastonia

Rick Craig  
1351 Robinwood Road  
Gastonia, NC 28054  
CEO, A.B. Carter, Inc.

Nancy Paschall  
1351 Robinwood Road  
Gastonia, NC 28054  
Attorney at Law

Frances Crockett  
1351 Robinwood Road  
Gastonia, NC 28054  
Retired, Educator

Dr. Kelly Shedd, MD  
1351 Robinwood Road  
Gastonia, NC 28054  
Physician

Dr. William A. Current, Jr., Vice-Chair  
1351 Robinwood Road  
Gastonia, NC 28054  
Dentist, Current Dentistry

Julie Shovelin  
1351 Robinwood Road  
Gastonia, NC 28054

H. Timothy Efirid  
1351 Robinwood Road  
Gastonia, NC 28054  
Beverage Distributor

Wes Styers  
1351 Robinwood Road  
Gastonia, NC 28054  
Owner, Gastonia Plumbing & Heating

Christy Gliddon  
1351 Robinwood Road  
Gastonia, NC 28054  
Executive VP Human Resources, Pharr

Rev. Lauren Sease Vanacore  
1351 Robinwood Road  
Gastonia, NC 28054  
Community Engagement Officer,  
Gaston Community

Mrs. Nancy Paschall is a partner in her law firm. It is anticipated that such firm will provide legal services to Covenant Village, but the extent and cost of such services cannot be presently estimated.

# Covenant Village Board of Directors 2024-26

## Members by Class Year and Officers

2024	2025	2026
William Current Jr	Christy Gliddon	Carol Carstarphen
Tim Efird	Kelly Shedd, MD	Rick Craig
Adrian Miller	Lauren Vanacore	Kelly Shedd, MD
Nancy Paschall		Julie Shovelin
		Wes Styers

At-large Member: Ann Brown

### OFFICERS

Chair	Nancy Paschall
Vice-Chair	William Current, Jr.
Secretary	Carol Carstarphen
Treasurer	Adrian Miller
Chief Executive Officer	Dale Melton

### Resident's Association President (Ex-officio)

Ann Brown  
1351 Robinwood Road  
Gastonia, NC 28054  
704-867-2319

### **III. RESIDENCY POLICIES AND ADMISSIONS**

#### **Admission**

The requirements for admission are outlined in the life care agreements found in Attachment 3 of this disclosure statement.

#### **Health Criteria**

The guidelines used by Covenant Village to help future residents decide if their needs will be met, are entitled “Covenant Village is for Active Seniors” and are as follows:

#### **COVENANT VILLAGE IS FOR ACTIVE SENIORS**

Covenant Village is committed to providing a safe and secure environment where active seniors can lead the independent lifestyle they choose. Our cottages and apartments are for people who can live independently without direct assistance from others for routine personal activities. Our Health Center provides two areas of care, assisted living and skilled, for residents whose needs can no longer be met in the residential area. Residents join Covenant Village in the apartments or cottages and may move to the Health Center in the future if the need arises, either on a temporary or permanent basis.

Staff are not available for direct personal assistance in the residential areas, so we place a lot of emphasis on our residents' ability to live independently. Functional ability is the primary criteria for residency in the apartments and cottages of Covenant Village. We define this as having sufficient mobility, dexterity, sensory function, and mental status to live without direct assistance from another. This includes activities of daily living, getting to meals, and taking medications. Adaptive devices which enhance abilities are encouraged and welcomed, such as aids for ambulation, mobility, dexterity, or sensory improvement. Home Health Care Agencies or personal caregivers that provide direct personal assistance for Residents living independently must have prior approval from the CEO or the Health Services Administrator.

Residents must be able to live independently for the first ninety (90) days of occupancy to qualify for the health care daily rate for a Life Care resident. To assure that residents have the functional ability needed to live in our cottages and apartments, we offer an orientation stay in our guest room for a few days, free of charge. Our goal is to make sure we can meet resident needs. Approval for residency comes after orientation.

If you have questions specific to your personal situation, please do not hesitate to contact us.

### **Financial and Insurance Criteria**

Covenant Village believes it is the responsibility of the applicant to determine whether he or she can "afford" to live at Covenant Village. A general rule of thumb suggests that continuing care retirement residents should have monthly income of at least 1.5 times monthly fees. A confidential financial statement is required from the applicant to assist Covenant Village in planning.

Residents are required to maintain Medicare part A, Medicare part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to Covenant Village, as outlined in the life care agreement found in Attachment 3 of this disclosure statement.

### **Age Criteria**

Residents must be 65 years of age or older, except that in the case of a married couple in which one spouse is 65 years of age or older, the other spouse may be as young as 62 years of age.

### **Changes of Condition Prior to Occupancy**

Admission requirements must be met immediately prior to admission and during the first 90 days of residency as outlined in the life care agreements found in this disclosure statement. See Attachment 3.

## **Apartment Termination and Refund Provisions**

- A. Resident may rescind this agreement within thirty days of the latter of the execution date of this contract or the receipt of the disclosure statement, with no penalty. Resident is not required to move into the unit before the expiration of the 30-day period. If Resident dies before occupying the apartment, or if, on account of illness, injury, or incapacity a resident is precluded from occupying the apartment and such condition is certified in writing by a physician, then in either event the contract shall be deemed immediately cancelled. Any refund under this paragraph will be paid within 60 days after written notice has been received by Covenant Village. Resident or Resident's legal representative shall receive a refund of all money, less monthly fees specified in the Contract for the period of time unit was actually occupied by Resident, less non-standard costs specifically incurred by Covenant Village at the request of the Resident and described in the contract or any contract amendment signed by resident, and less a \$1,000.00 administrative fee. The entrance fee will be refunded without amortization reductions as specified herein below during the 30-day rescission period.
- B. After taking occupancy and becoming a resident of Covenant Village, should residency for any reason cease, whether voluntarily or involuntarily, Covenant Village shall be under no obligation to make a refund to Resident provided, however, that if such cessation of residency occurs within the first twenty-five (25) months of residency, Covenant Village will refund the Entrance Fee, less four percent (4%) thereof for each calendar month, or portion thereof of residency, and less one thousand dollars (\$1,000) as an administrative and refurbishing charge. Payment of any refund due Resident under this paragraph will be made when Covenant Village receives full payment of the Entrance Fee from a qualified substitute resident.
- C. No Entrance Fee refund will be made after twenty-five (25) months of residency and no refund will be made, at any time, for a resident transferring to Covenant Village's Health Center facilities.

- D. Covenant Village may terminate this Agreement at any time if there has been a material misrepresentation or omission made by Resident in Resident's Application for Admission, Personal Health History or Confidential Financial Statement; if a material change in Resident's health takes place before occupancy; if Resident fails to make payment to Covenant Village of any fees or charges due Covenant Village within sixty (60) days of the date when due; or if Resident fails to abide by the rules or regulations adopted by Covenant Village or breaches any of the terms and conditions of this Agreement. In the event of termination for any of such causes, Resident shall be entitled to an appropriate refund of the Entrance Fee paid by Resident determined in accordance with the same manner provided in Paragraph V.A. or V.B.
- E. At the effective date of termination of this Agreement, Resident shall vacate the Apartment and shall leave it in good condition except for normal wear and tear. Resident shall be liable to Covenant Village for any cost incurred in restoring the Apartment to good condition except for normal wear and tear. Monthly Fees will be continued until all personal effects have been removed from Covenant Village.

### **Cottage Termination and Refund Provisions**

- A. Resident may rescind this agreement within thirty days of the latter of the execution date of this contract or the receipt of the disclosure statement, with no penalty. Resident is not required to move into the unit before the expiration of the 30-day period. If Resident dies before occupying the cottage, or if, on account of illness, injury or incapacity, a resident is precluded from occupying the cottage and such condition is certified in writing by a physician, then in either event the contract shall be deemed immediately cancelled. Any refund under this paragraph will be paid within 60 days after written notice has been received by Covenant Village. Resident or Resident's legal representative shall receive a refund of all money, less monthly fees specified in the Contract for the period of time unit was actually occupied by Resident, less non-standard costs specifically incurred by Covenant Village at the request of the Resident and described in the contract or any contract amendment signed by resident, and less a \$1,000 administrative fee. The entrance fee will



be refunded without amortization reductions as specified herein below during the 30-day rescission period.

- B. After taking occupancy and becoming a Resident of Covenant Village, should residency for any reason cease, whether voluntarily or involuntarily, Covenant Village shall be under no obligation to make a refund to Resident provided however, that if such cessation of residency occurs within the first fifty (50) months of residency, Covenant Village will refund the Entrance Fee less two percent (2%) thereof for each calendar month or portion thereof of residency and one thousand dollars (\$1,000) as an administrative and refurbishing charge. Payment of any refund due Resident under this paragraph will be made when Covenant Village receives full payment of the Entrance Fee from a qualified substitute Resident.
  
- C. In the event Resident should transfer to an apartment in the main building of Covenant Village during the first fifty (50) months of residency, a refund of the difference in Entrance Fees between the Cottage and the apartment will be made to Resident less two percent (2%) of the cottage entrance fee for each calendar month or portion thereof of residency. No refund will be made if the transfer occurs after fifty (50) months of residency and no refund will be made, at any time, for a Resident transferring to Covenant Village's Health Center facilities.
  
- D. Covenant Village may terminate this Agreement at any time if there has been a material misrepresentation or omission made by Resident in Resident's Application for Admission, Personal Health History or Confidential Financial Statement; if a material change in Resident's health takes place before occupancy; if Resident fails to make payment to Covenant Village of any fees or charges due Covenant Village within sixty (60) days of the date when due; or if Resident fails to abide by the rules and regulations adopted by Covenant Village or breaches any of the terms and conditions of this Agreement. In the event of termination for any of such causes, Resident shall be entitled to an appropriate refund if the Entrance

Fee paid by Resident determined in accordance with the same manner provided in Paragraph V.A., or V.B.

- E. At the effective date of termination of this Agreement, Resident shall vacate the Cottage and shall leave it in good condition except for the normal wear and tear. Resident shall be liable to Covenant Village for any cost incurred in restoring the Cottage to good condition except for normal wear and tear. Monthly fees will be continued until all personal effects have been removed from the Cottage.

### **Change of Accommodations**

- A. It is understood that Covenant Village has the right to make or change living accommodation assignments, if necessary, to best serve the needs of Residents and Covenant Village.
- B. Resident agrees that Covenant Village shall have authority to determine when or if Resident should be transferred from Resident's Apartment to the Covenant Village Health Center or from one level of care to another level of care within the Covenant Village Health Center. Such determination shall be based on the professional opinion of the Medical Director and the Chief Executive Officer of Covenant Village and shall be made only after consultation to the extent practical with resident, a representative of Resident's family, or the sponsor of Resident, and Resident's attending physician.
- C. If it is determined by the Medical Director and the Chief Executive Officer that Resident needs care beyond that which can be provided by the facility and personnel of Covenant Village, Resident may be transferred to a hospital, center or institution equipped to give such care, which care will be at the expense of Resident. Such transfer of Resident will be made only after consultation with Resident, to the extent possible, a representative of Resident's family or the sponsor of Resident, and Resident's attending physician.

D. If a determination is made by Covenant Village that any transfer described in Paragraph C. above is probably not temporary in nature, Resident agrees to surrender the cottage, apartment, or the accommodation in the health center within 30 days after Resident has been notified by Covenant Village. If the living accommodation is not vacated within 30 days, the Resident agrees to pay additional Monthly Charges. If Covenant Village subsequently determines upon the opinion of the Medical Director and the Chief Executive Officer that Resident can resume occupancy in accommodations comparable to those occupied by Resident prior to such transfer, Resident shall have priority to such accommodation as soon as they become available.

### **Marriages/New Second Occupant**

Should a resident marry, a new spouse does not have rights under the resident's agreement. For the new spouse to be admitted to Covenant Village, the new spouse would need to be approved by the Admissions Committee. The new spouse would be required to pay the second person entrance fee as noted in the Fee Schedule. The resident and the new spouse would pay the two-person monthly fee if they occupy the same living unit. If the new spouse does not meet the requirements for entry, he or she would not be admitted to an apartment or cottage but may be admitted to Covenant Village's Health Center on a space available basis.

Should two residents marry and decide to live in one unit, they would pay the two-person fee for the unit. An additional entrance fee may or may not be required. This will be determined based on the size of the unit they are moving into and the size of the units they are vacating. A revised contract will be signed by the couple, outlining the terms of any refund.

### **Inability to Pay**

The Board of Directors is committed to fulfilling the policy that no resident will be discharged by reason of inability to pay monthly fees provided the resident has not impaired his or her ability to meet obligations by transfer of assets below

market value or sale of assets and the organization has the capability of meeting needs of the resident.

## **IV. SERVICES**

### **General Overview**

The service to be provided by Covenant Village and the respective rights and duties of Covenant Village and Resident are stated in the Life Care Agreements entered into by Covenant Village with each Resident. The current version of the Life Care Agreement is attached hereto as Attachment 3. Certain Life Care Agreements entered into prior to the date of this Disclosure Statement differed in certain respects from the current version, and in the future some Life Care Agreements may also differ from the current version in certain respects.

Covenant Village holds quarterly Resident Association Meetings. Meeting dates during 2023 were January 17, 2023, April 18, 2023, July 18, 2023, and October 17, 2023.

### **Standard Services Available**

Monthly fees cover the costs of providing the following services for main building residents:

- Multi-station Cable TV, Phone and Wireless Internet
- Three meals per day
- Special diets when ordered by a physician
- All utilities
- Trash removal
- Housekeeping services
- Launder and change of bed and bath linens weekly
- Maintenance and repair of property owned by Covenant Village
- Grounds-keeping
- Parking spaces
- Use of common facilities

- Scheduled shopping trips and transportation to local medical appointments
- Social activities program
- Wellness Center
- 24-hour emergency call system and security
- Emergency nursing services
- Nursing care in a semi-private room in the Health Center

Please see the life care agreement in Attachment 3 of this disclosure statement for a complete description and explanation of the services provided. See Section I of the agreement.

Monthly fees cover the cost of providing the following services for cottage residents:

- Multi-station Cable TV, Phone and Wireless Internet
- One meal per day
- Special diets when ordered by a physician
- Water, sewer, and trash removal  
(Residents pay their own electric and gas)
- Housekeeping services
- Launder and change of bed and bath linens weekly
- Maintenance and repair of property owned by Covenant Village
- Grounds keeping
- Parking spaces
- Use of common facilities
- Scheduled shopping trips and transportation to local medical appointments
- Social activities program
- Wellness Center
- 24-hour emergency call system and security
- Emergency nursing services
- Nursing care in a semi-private room in the Health Center

**Services Available at an Extra Charge**

See Attachment 4 of this disclosure statement for a schedule of ancillary charges.

### **Health Services Available**

Covenant Village's Health Center is licensed as a combination facility by the State of North Carolina, with a full classification capacity of 38 nursing facility beds and 42 adult care beds.

In addition to the services normally provided by a licensed nursing home, Covenant Village also has a contract with a contract therapy firm to provide physical therapy, speech therapy and occupational therapy. The billing for this as well as other outside professional services is done directly between the resident and the provider.

### **Personal Services Available**

The description above and the life care agreement found in Attachment 3 of this disclosure statement provide a complete description of the services available at Covenant Village.

## **V. FEES AND REFUNDS**

### **Application Registration Fees**

A one thousand dollar (\$1,000) non-refundable application fee is required at the time application is made to be placed on the waiting list. At the time of admission, the application fee is credited against the entrance fee.

### **Entrance Fees**

The Entrance Fee is consideration paid for living accommodations, services and programs offered by Covenant Village as defined by the Life Care Agreement. It gives the resident the exclusive right to occupy and use an apartment or cottage for life, subject to the terms and conditions set forth in the Life Care Agreement.

The entrance fee is refundable, on a declining basis, during the first twenty-five (25) months of occupancy for residents of the apartments. Apartment fee refunds equal the entrance fee less four percent (4%) per month of occupancy and less one thousand dollars (\$1,000) administrative charge. There is no refund of the entrance fee after twenty-five (25) months and no refunds will be made for a resident transferring to Covenant Village's health care facilities. See the agreement in Attachment 3 for complete details.

The entrance fee is refundable, on a declining basis, during the first fifty (50) months of occupancy for residents of the cottages. Cottage refunds equal the entrance fee less two percent (2%) per month of occupancy and less one thousand dollars (\$1,000) administrative charge. There is no refund of the entrance fee after fifty (50) months and no refund will be made for a resident transferring to Covenant Village's health care facilities. See the agreement in Attachment 3 for complete details.

See the Residency Policies and Admissions section for additional refund provisions.

## **Monthly Fee**

Payment of a monthly fee provides the Resident with certain services as provided in this disclosure statement and Life Care Agreement(s). Other services are provided on an additional fee-for-service basis.

Tiered monthly rates were established on October 1, 2022. The tiered rates are distinguished by the date of contract signing. Residents signing contracts after October 1, 2022, will follow the new tiered rate which is approximately 3% higher than residents who signed contracts prior to October 1, 2022. The tiered rate allows Covenant Village to match local market rates without putting an undue burden of higher rate increases on existing residents.

# Covenant Village Fee Schedule

(Contracts signed before 10/01/2022)

October 1, 2023 to September 30, 2024

Unit	Entrance Fee	Monthly Fee
<b>Studio</b> (single room) (A1) Second Person	\$53,250	\$3,282 <u>\$2,461</u> \$5,743
<b>Studio with Kitchenette</b> (single room) (A2) Second Person	\$56,600	\$3,282 <u>\$2,461</u> \$5,743
<b>Studio with Balcony and Kitchenette</b> (single room) (A4) Second Person	\$60,000	\$3,282 <u>\$2,461</u> \$5,743
<b>One-Bedroom</b> (two rooms) (B) Second Person	\$158,000 \$50,000	\$3,772 <u>\$2,758</u> \$6,530
<b>Two-Bedroom</b> (three rooms) (C) Second Person	\$254,000 \$50,000	\$6,605 <u>\$ 742</u> \$7,347
<b>*Enhanced Living Studio with Kitchenette</b> (single room) (A2) Second Person	\$50,950	\$3,936 <u>\$3,141</u> \$7,077
<b>*Enhanced Living One-Bedroom with Kitchenette</b> (two rooms) (B) Second Person	\$138,500 \$50,000	\$4,442 <u>\$3,453</u> \$7,895
<b>**Cottage</b> (two-bedroom, two bath) Second Person	\$317,750 - \$438,900 \$50,000	\$3,983 <u>\$1,437</u> \$5,420

\*Enhanced Living Concierge service fee is \$556/month per person. This fee is reflected in the Enhanced Living Monthly Fees listed above.



\*\*The entrance fee for cottages may include amenity options, such as a garage and a fireplace, or both. We also provide an open floor plan option for an additional fee.

A second person entrance fee of \$50,000 will be charged for double occupancy. Studio units are excluded.

### **Health Center Fee Schedule**

Health Center rate for temporary use of a semi-private room is based on the single person monthly fee of the unit occupied by the Resident.

Health Center daily fee for a private room for a Resident with a life care contract is 50% of the current non-life care or direct admit Resident daily fee.

Health Center daily rate for non-life care (or direct admit) Residents is \$338. There will be a non-refundable entrance fee of \$35,000.

Please see the current disclosure statement and contract for complete details on refund periods and the services included and excluded in fees.

### **EXPLANATION OF FEES**

The entrance fee entitles the Resident to occupy the apartment or cottage for life or until the Resident is unable to live independently, subject to provisions in the Life Care Agreement. Covenant Village has two general entrance fee categories: Standard Option and a 70% Refund Option.

The Standard Option entrance fee is refundable, on a declining basis, during the first 25 months of occupancy for Residents of the apartments. Apartment fee refunds equal the entrance fee less 4% per month of occupancy and less \$1,000 administrative charge. For cottage Residents, the refund equals the entrance fee less 2% per month and less a \$1,000 administrative fee. The refund period for cottage entrance fee is 50 months.

The 70% Refund Option entrance fee is refundable, on a declining basis, during the first 25 months of occupancy for Residents of the apartments. Apartment fee refunds equal the entrance fee less 4% per month of occupancy and less \$1,000 administrative charge. For cottage Residents, the refund equals the entrance fee less 2% per month and less a \$1,000 administrative fee. The refund period for a cottage entrance fee is 50 months. At no time shall the refund be less than 70% of the entrance fee paid. **At this time, the 70% Refund Option is available only to cottages with certain qualifications.**

The monthly fee for apartments includes three meals per day, utilities, wireless internet, telephone and cable TV, maintenance, housekeeping, laundering of bed and bath linens, social activities, use of public areas, transportation to local medical appointments, and emergency nursing services. The monthly fee for cottages includes one meal per day for each Resident and the apartment services (listed above) but does not include gas and electricity for the cottage itself.

When two individuals share an apartment or cottage, the monthly fee for the second individual is substantially less than the first-person fee. This discount does not apply when one or both move temporarily to the Health Center. In this situation any individual moving to the Health Center will pay a daily fee of \$150.00. The individual remaining in the apartment or cottage will pay the first-person fee. With a permanent move to the health Center the individual pays a daily rate for living accommodations, this daily rate is half of the daily rate of the non-lifecare Resident daily fee.

Persons moving directly to the Health Center, or those who move within the 90-day probationary period, pay the daily rate for non-life care Residents and a non-refundable entrance fee of \$35,000.

## **OTHER CHARGES**

Residents are responsible for pharmacy services, physician services, prosthetic devices, medical supplies, and any medical treatment, care, or therapies not included in routine nursing care.

The information, along with other admission materials, is subject to provisions outlined in the Life Care Agreement made between the Applicant and Covenant Village, Inc.

All fees are subject to change at the discretion of the Board of Directors. Please contact the Marketing & Admissions Office to discuss current fee information.

# Covenant Village Fee Schedule

(Contracts signed after 10/01/2022)

October 1, 2023 to September 30, 2024

Unit	Entrance Fee	Monthly Fee
<b>Studio</b> (single room) (A1) Second Person	\$53,250	\$3,380 <u>\$2,584</u> \$5,964
<b>Studio with Kitchenette</b> (single room) (A2) Second Person	\$56,600	\$3,380 <u>\$2,584</u> \$5,964
<b>Studio with Balcony and Kitchenette</b> (single room) (A4) Second Person	\$60,000	\$3,380 <u>\$2,584</u> \$5,964
<b>One-Bedroom</b> (two rooms) (B) Second Person	\$158,000 \$50,000	\$3,886 <u>\$2,897</u> \$6,783
<b>Two-Bedroom</b> (three rooms) (C) Second Person	\$254,000 \$50,000	\$4,444 <u>\$3,122</u> \$7,566
<b>*Enhanced Living Studio with Kitchenette</b> (single room) (A2) Second Person	\$50,950	\$3,936 <u>\$3,141</u> \$7,077
<b>*Enhanced Living One-Bedroom with Kitchenette</b> (two rooms) (B) Second Person	\$138,500 \$50,000	\$4,442 <u>\$3,453</u> \$7,895
<b>**Cottage</b> (two-bedroom, two bath) Second Person	\$317,750 - \$438,900 \$50,000	\$4,103 <u>\$1,481</u> \$5,584

\*Enhanced Living Concierge service fee is \$556/month per person. This fee is reflected in the Enhanced Living Monthly Fees listed above.

\*\*The entrance fee for cottages may include amenity options, such as a garage and a fireplace, or both. We also provide an open floor plan option for an additional fee.

A second person entrance fee of \$50,000 will be charged for double occupancy. Studio units are excluded.

### **Health Center Fee Schedule**

Health Center rate for temporary use of a semi-private room is based on the single person monthly fee of the unit occupied by the Resident.

Health Center daily fee for a private room for a Resident with a life care contract is 50% of the current non-life care or direct admit Resident daily fee.

Health Center daily rate for non-life care (or direct admit) Residents is \$338. There will be a non-refundable entrance fee of \$35,000.

Please see the current disclosure statement and contract for complete details on refund periods and the services included and excluded in fees.

### **EXPLANATION OF FEES**

The entrance fee entitles the Resident to occupy the apartment or cottage for life or until the Resident is unable to live independently, subject to provisions in the Life Care Agreement. Covenant Village has two general entrance fee categories: Standard Option and a 70% Refund Option.

The Standard Option entrance fee is refundable, on a declining basis, during the first 25 months of occupancy for Residents of the apartments. Apartment fee refunds equal the entrance fee less 4% per month of occupancy and less \$1,000 administrative charge. For cottage Residents, the refund equals the entrance fee less 2% per month and less a \$1,000 administrative fee. The refund period for cottage entrance fee is 50 months.

The 70% Refund Option entrance fee is refundable, on a declining basis, during the first 25 months of occupancy for Residents of the apartments. Apartment fee refunds equal the entrance fee less 4% per month of occupancy and less \$1,000 administrative charge. For cottage Residents, the refund equals the entrance fee less 2% per month and less a \$1,000 administrative fee. The refund period for a cottage entrance fee is 50 months. At no time shall the refund be less than 70% of the entrance fee paid. **At this time, the 70% Refund Option is available only to cottages with certain qualifications.**

The monthly fee for apartments includes three meals per day, utilities, wireless internet, telephone and cable TV, maintenance, housekeeping, laundering of bed and bath linens, social activities, use of public areas, transportation to local medical appointments, and emergency nursing services. The monthly fee for cottages includes one meal per day for each Resident and the apartment services (listed above) but does not include gas and electricity for the cottage itself.

When two individuals share an apartment or cottage, the monthly fee for the second individual is substantially less than the first-person fee. This discount does not apply when one or both move temporarily to the Health Center. In this situation any individual moving to the Health Center will pay a daily fee of \$150.00. The individual remaining in the apartment or cottage will pay the first-person fee. With a permanent move to the health Center the individual pays a daily rate for living accommodations, this daily rate is half of the daily rate of the non-lifecare Resident daily fee.

Persons moving directly to the Health Center, or those who move within the 90-day probationary period, pay the daily rate for non-life care Residents and a non-refundable entrance fee, between \$25,000-\$40,000.

### **OTHER CHARGES**

Residents are responsible for pharmacy services, physician services, prosthetic devices, medical supplies, and any medical treatment, care, or therapies not included in routine nursing care.

The information, along with other admission materials, is subject to provisions outlined in the Life Care Agreement made between the Applicant and Covenant Village, Inc.

All fees are subject to change at the discretion of the Board of Directors. Please contact the Marketing & Admissions Office to discuss current fee information.

The following outlines the fee structure for Covenant Village for the last five years, including the incremental increases from the previous year. All fees for each year become effective on October 1. Beginning 10/01/2022, Covenant Village implemented a tiered monthly rate.

CHANGES IN FEES FOR THE PREVIOUS FIVE YEARS

Daily Fee (Health Center)	2023/2024	Dollar Increase	2022/2023	Dollar Increase	2021/2022	Dollar Increase	2020/2021	Dollar Increase	2019/2020	Dollar Increase	5-year Average
Life Care Residents	\$157	\$12	\$145	\$7	\$138	\$3	\$135	\$5	\$130	\$4	\$6
Non-Life Care Residents	\$338	\$25	\$313	\$15	\$298	\$9	\$289	\$8	\$281	\$26	\$17

Monthly Fee (Residential Living) Residents prior to 10/01/2022	2023/2024	Dollar Increase	2022/2023	Dollar Increase	2021/2022	Dollar Increase	2020/2021	Dollar Increase	2019/2020	Dollar Increase	5-year Average
Studio	\$3,282	\$243	\$3,039	\$145	\$2,894	\$84	\$2,810	\$82	\$2,728	\$79	\$127
Second Person	\$2,461	\$182	\$2,279	\$108	\$2,171	\$64	\$2,107	\$61	\$2,046	\$61	\$95
One Bedroom	\$3,772	\$279	\$3,493	\$166	\$3,327	\$97	\$3,230	\$94	\$3,136	\$91	\$145
Second Person	\$2,758	\$204	\$2,554	\$122	\$2,432	\$71	\$2,361	\$69	\$2,292	\$67	\$107
Two Bedroom	\$6,605	\$489	\$6,116	\$291	\$5,825	\$170	\$5,655	\$165	\$5,490	-\$326	\$158
Second Person	\$742	\$55	\$687	\$33	\$654	\$19	\$635	\$19	\$616	\$616	\$148
Enhanced Living - Studio	\$3,838	\$284	\$3,554								
Enhanced Living - One Bedroom	\$4,329	\$321	\$4,008								
Enhanced Living - Second Person	\$3,453	\$256	\$3,197								
Cottage	\$3,983	\$295	\$3,688	\$176	\$3,512	\$102	\$3,410	\$99	\$3,311	\$109	\$156
Second Person	\$1,437	\$106	\$1,331	\$63	\$1,268	\$37	\$1,231	\$36	\$1,195	\$32	\$55

Monthly Fee (Residential Living) Residents after 10/01/2022	2023/2024	Dollar Increase	2022/2023	Dollar Increase	2021/2022	Dollar Increase	2020/2021	Dollar Increase	2019/2020	Dollar Increase	5-year Average
Studio	\$3,380	\$250	\$3,130								
Second Person	\$2,584	\$191	\$2,393								
One Bedroom	\$3,886	\$288	\$3,598								
Second Person	\$2,897	\$215	\$2,682								
Two Bedroom	\$4,444	\$329	\$4,115								
Second Person	\$3,122	\$231	\$2,891								
Enhanced Living - Studio	\$3,936	\$291	\$3,645								
Enhanced Living - Second Person	\$3,141	\$233	\$2,908								
Enhanced Living - One Bedroom	\$4,442	\$329	\$4,113								
Enhanced Living - Second Person	\$3,453	\$256	\$3,197								
Cottage	\$4,103	\$304	\$3,799								
Second Person	\$1,481	\$110	\$1,371								

Average Percentage Rate Increase											
Daily Fees (Health Center)	8%		5%		3%		3%		8%		
Monthly Fee (Residential Living)	8%		5%		3%		3%		4%		

## **VI. FINANCIAL INFORMATION**

An overview of the financial results of the operation of Covenant Village is contained in the audited financial statements found in Attachment 1.

Five-year forecast financial statements for the five-year period ending September 30, 2028, are provided in Attachment 2.

### **Operating Reserves**

North Carolina's General Statutes (G.S. 58-64-33) requires Covenant Village to establish and maintain an operating reserve based on the total occupancy costs projected for the twelve-month period following the period covered by the most recent annual disclosure filed with the Department of Insurance. The requirement is twenty-five percent of the total operating costs, including debt service but excluding depreciation and amortization, or fifty percent of total operating costs if occupancy at Covenant Village is less than ninety percent.

On September 30, 2023, Covenant Village's occupancy rate more than 90% and therefore is required to maintain an operating reserve of 25%. The amount designated to meet the operating reserve requirement at September 30, 2023 is \$3,385,375. (See Note 12 of the attached Audited Financial Statements).

In the attached "Forecasted Financial Statements" (Table 13 page 26) we have reflected this obligation for the five-year period 2024 thru 2028 based on the twenty-five percent (25%) requirement.

Covenant Village's operating reserve consists of marketable securities, principally mutual funds that are more than the requirement. It is further understood that these assets funded with a portion of Covenant Village's long-term investments (as permitted by State statute and Covenant Village's Board designation) are not allowed to serve any other function and may only be released with the North Carolina Department of Insurance's approval.



All of Covenant's investments are overseen under the direction of the Executive/Finance Committee of the Board of Directors and deposited with the Gaston Community Foundation or Raymond James and managed by Alex Brown Institutional Consulting.

### **Facility Development/Expansion**

For additional information see the section titled Vision of Covenant Village and Master Planning under Facility Introduction and Information regarding proposed development activities. Funding of the proposed development activities is expected to be financed by either bank loans, bond financing, fund-raising, or a combination thereof.

### **Summary of Actuarial Report**

Covenant Village engaged an independent actuary (A.V. Powell) to prepare actuarial compilations and compute future service obligations for management purposes only. A comprehensive actuarial study was completed as of September 30, 2022. The study resulted in the finding that the financial condition of Covenant Village is in satisfactory actuarial balance as defined by the Actuarial Standards of Practice No. 3 with a qualification regarding surplus and contingency margins based on the assumptions that were used.

### **Explanation of Material Differences in Forecast to Actual**

As required by Section 58-64-30(a) of the North Carolina General Statutes, we are required to provide a narrative explaining any material differences between the previous forecast financial statements and the actual results of operations. Covenant Village considers a material difference to be \$250,000 which is equivalent to 1% of our total assets or 1.7% of our total revenues.

The schedules that follow herein are a comparison of forecasted and actual data as filed in the disclosure statements of Covenant Village. Explanations for material differences are found in the notes following the comparative financial statements.

**Covenant Village, Inc.**  
**Statement of Financial Position**

(In Thousands of Dollars)

	9/30/2023	9/30/2023			
	<u>FORECAST</u>	<u>ACTUAL</u>	<u>Variance</u>	<u>% Variance</u>	<u>Notes</u>
<b>ASSETS</b>					
Cash & cash equivalents	2,877	323	(2,554)	-88.77%	1
Accounts receivable	85	21	(64)	-75.29%	
Other receivables	-	55	55	100.00%	
Inventories	172	-	(172)	-100.00%	
Prepaid expenses	30	51	21	70.00%	
<b>Total Current Assets</b>	<b>3,164</b>	<b>450</b>	<b>(2,714)</b>	<b>-85.78%</b>	
Right-of-Use Asset - Operating, Net	-	127	127	100.00%	
Property, and equipment net	15,917	17,112	1,195	-2.54%	1,3
Investments	1,754	3,740	1,986	-2.54%	1,2
Investments Restricted for Statutory Operating	3,461	3,386	(75)	-2.17%	
Intangible Assets	646	178	(468)	-72.45%	4
<b>Total Noncurrent Assets</b>	<b>21,778</b>	<b>24,543</b>	<b>2,765</b>	<b>12.70%</b>	
<b>TOTAL ASSETS</b>	<b>\$ 24,942</b>	<b>\$ 24,993</b>	<b>\$ 51</b>	<b>0.20%</b>	
<b>LIABILITIES</b>					
Note payable, current portion	200	200	-	0.00%	
Accounts payable	234	493	259	110.68%	5
Accrued Expenses	600	595	(5)	-0.83%	
Right-of-Use, Lease Liability - Operating	-	55	55	100.00%	
Health Center Room Deposits	21	7	(14)	-66.67%	
<b>Total Current Liabilities</b>	<b>1,055</b>	<b>1,350</b>	<b>295</b>	<b>27.96%</b>	
Right-of-Use, Lease Liability - Operating, Net of	-	74	74	100.00%	
Unit Deposits	28	133	105	375.00%	
Deferred credits long term	12,739	14,937	2,198	17.25%	6
Note payable, Noncurrent Portion	1,100	1,100	-	0.00%	
<b>Total Noncurrent Liabilities</b>	<b>13,867</b>	<b>16,244</b>	<b>2,377</b>	<b>17.14%</b>	
<b>TOTAL LIABILITIES</b>	<b>14,922</b>	<b>17,594</b>	<b>2,672</b>	<b>17.91%</b>	
<b>NET ASSETS</b>					
Without Donor Restrictions	9,867	7,254	(2,613)	-26.48%	
With Donor Restrictions	153	145	(8)	-5.23%	
<b>TOTAL NET ASSETS</b>	<b>10,020</b>	<b>7,399</b>	<b>(2,621)</b>	<b>-26.16%</b>	<b>7</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 24,942</b>	<b>\$ 24,993</b>	<b>\$ 51</b>	<b>0.20%</b>	

<b>Covenant Village Inc.</b>					
<b>Statement of Activities</b>					
(In Thousands of Dollars)					
	9/30/2023	9/30/2023			
	<u>Forecast</u>	<u>Actual</u>	<u>Variance</u>	<u>% Variance</u>	<u>Notes</u>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>					
Resident service revenue	7,921	7,718	(203)	-2.56%	
Amortization of deferred entrance fees	1,507	1,625	118	7.83%	
Health care revenue	4,540	4,389	(151)	-3.33%	
Contributions	176	48	(128)	-72.73%	
Other revenues	666	430	(236)	-35.44%	
Investment Income	292	152	(140)	-47.95%	
Net Assets Released from Restrictions	-	18	18	100.00%	
<b>Total Revenues, Gains and Other Support</b>	<b>\$ 15,102</b>	<b>\$ 14,380</b>	<b>\$ (722)</b>	<b>-4.78%</b>	<b>8</b>
<b>EXPENSES</b>					
Nursing Services	4,286	5,462	1,176	27.44%	9a
Housekeeping	1,259	1,004	(255)	-20.25%	9b
Food and Nutrition	2,546	2,530	(16)	-0.63%	
Operating and Maintenance	2,348	3,470	1,122	47.79%	9c
Security	433	399	(34)	-7.85%	
Resident Care and Services	882	765	(117)	-13.27%	
Management and General	1,239	1,309	70	5.65%	
Human Resources	309	324	15	4.85%	
Interest and Fees	39	48	9	23.08%	
Depreciation and Amortization	1,746	2,120	374	21.42%	3
<b>Total Expenses</b>	<b>\$ 15,087</b>	<b>\$ 17,431</b>	<b>\$ 2,344</b>	<b>15.54%</b>	<b>9</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>\$ 15</b>	<b>\$ (3,051)</b>	<b>\$ (3,066)</b>	<b>-20440.00%</b>	<b>10</b>
Unrealized Gains (Losses) on Investments	-	447	447	100.00%	11
<b>NONOPERATING INCOME/(LOSS)</b>	<b>\$ -</b>	<b>\$ 447</b>	<b>\$ 447</b>	<b>100.00%</b>	
<b>EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENSES AND CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>\$ 15</b>	<b>\$ (2,604)</b>	<b>\$ (2,619)</b>	<b>-17460.00%</b>	<b>7</b>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>					
Investment Income	-	4	4	100.00%	
Unrealized Gains (Losses) on Investments	-	12	12	100.00%	
Net Assets Released from Restrictions	-	(18)	(18)	100.00%	
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>\$ -</b>	<b>\$ (2)</b>	<b>\$ (2)</b>	<b>100.00%</b>	
<b>CHANGE IN NET ASSETS</b>	<b>\$ 15</b>	<b>\$ (2,606)</b>	<b>\$ (2,621)</b>	<b>-17473.33%</b>	<b>7</b>
Net Assets - Beginning of Year	10,006	10,006	-	0.00%	
<b>NET ASSETS - END OF YEAR</b>	<b>10,021</b>	<b>7,400</b>	<b>\$ (2,621)</b>	<b>-26.16%</b>	<b>7</b>

<b>Covenant Village Inc.</b>					
<b>Statement of Cash Flows</b>					
(In Thousands of Dollars)					
	9/30/2023	9/30/2023	Dollar	Percent	
	<u>FORECAST</u>	<u>ACTUAL</u>	<u>Variance</u>	<u>Variance</u>	<u>Notes</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Change in net assets	\$ 14	\$ (2,607)	\$ (2,621)	-18721.43%	7
Adjustments to reconcile increase in net assets to net cash provided by operating activities					
Depreciation	1,596	2,041	445	27.88%	3
Amortization	150	21	(129)	-86.00%	
Amortization of deferred entrance fees	(1,507)	(1,625)	(118)	7.83%	
Proceeds from entrance fees	2,003	4,318	2,315	115.58%	6
Unrealized (Gains) Losses on investments	(292)	(458)	(166)	56.85%	
Loss on disposal of property and equipment	-	-	-	100.00%	
Net change in Assets and Liabilities:					
Accounts receivable	45	62	17	37.78%	
Decrease in inventories	(37)	135	172	-464.86%	
Decrease (Increase) in Grant and Other Receivables	2,999	2,990	(9)	-0.30%	
Increase in Prepaid Expenses	5	(16)	(21)	-420.00%	
Increase (Decrease) in Accounts Payable	(113)	(89)	24	-21.24%	
Increase in Accrued expenses	11	6	(5)	-45.45%	
Increase (Decrease) in Resident Accounts	20	-	(20)	-100.00%	
Decrease in Room Deposits	-	(14)	(14)	100.00%	
Increase (Decrease) in Unit Deposits	(101)	4	105	-103.96%	
Net cash provided by operating activities	4,793	4,768	(25)	-0.52%	
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>					
Net (Purchases) Sales of Investments	(50)	(1,794)	(1,744)	3488.00%	1,2
Purchases of Property and Equipment	(2,000)	(2,725)	(725)	36.25%	1,2
Purchase of intangible assets	-	(60)	(60)	100.00%	
Net Cash used in investing activities	(2,050)	(4,579)	(2,529)	123.37%	
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>					
Principle payments on note payable	(200)	(200)	-	0.00%	
Increase (decrease) in cash and cash equivalents	2,543	(11)	(2,554)	-100.43%	
Cash and cash equivalents at the beginning of the year	334	334	-	0.00%	
Cash and cash equivalents at the end of the year	\$ 2,877	\$ 323	\$ (2,554)	-88.77%	

## **Material Differences Between Forecasted and Actual Data Year Ended September 30, 2023**

NOTE – Please see corresponding note numbers on the Statements.

### 1. Cash, Property and Equipment, and Investments

The unfavorable variance in Cash and Cash Equivalents is due primarily to the purchase of property and equipment exceeding forecast and the purchase of investments exceeding forecast. Covenant Village continues with Phase I of the project described under the **Strategic Vision and Master Planning at Covenant Village** section beginning on page 6. Covenant Village utilized cash and investments to pay for these completed renovations that will be included in future bank financings.

### 2. Investments

During fiscal year 2023, Covenant Village received payment for the grant receivable on our fiscal year 2022 financial statements. The grant receivable was for the employee retention credit. The funds were invested in a governmental money market fund. For the forecast, the receipt of those funds were forecast as Cash and Cash Equivalents rather than Investments.

### 3. Property and Equipment and Depreciation

Property and Equipment purchases exceeded forecast purchases by \$725,000. Strategic Master Plan expenses primarily contributed to the unfavorable variance in purchases.

Depreciation expense exceeded forecast due to transitioning fixed asset accounting in-house. In bringing fixed asset accounting in-house, several assets were found to have an incorrect life assigned to them. The life associated with these assets was shorter than the life assigned to them. Decreasing the life of the assets resulted in excess depreciation that was not included in the forecast.

#### 4. Intangible Assets

Covenant Village is continuing the process of its comprehensive Strategic Visioning and Master Plan to consider potential operational improvements, campus repositioning, amenity renovations and campus expansion.

The costs of this process including brand image and platform, visioning discussions with current and future residents, architectural studies and drawings, financial feasibility studies and discussions and estimates from project managers and construction companies have been collected and will be included in construction loans for Covenant Village. With board approval of the Master Plan Project described in the Strategic Vision and Master Plan Section, we have now entered the financing phase and the appropriate items previously expensed to the intangible asset have now been reclassified to Construction in Progress. The balance remaining in the intangible asset account of \$177,000 relates to our re-branding.

#### 5. Accounts Payable

Accounts payable was higher than forecast due primarily to capital purchases in accounts payable at year end.

#### 6. Deferred credits long term

The balance of deferred credits was due to a larger number of unit turnovers than was forecast resulting in higher than forecast entrance fees.

#### 7. Net Assets

Net assets were \$2,621,000 less than projected due to the actual deficit of revenue under expenses being greater than forecasted.

#### 8. Total Revenues, Gains and Other Support

During 2023, actual unit turnover was higher than forecast resulting in more vacant days while units were being renovated. The higher number of vacant days resulted in lower actual revenue than was forecast.

## 9. Expenses

- a. Nursing Services – During 2023, Covenant Village faced substantial staffing shortages (down to 172 employees from a projection of 215). In order to prevent further staffing shortages, Covenant Village raised nursing service wages to attract and retain staff. Significant overtime costs were required to build up and then maintain appropriate Nursing staff levels.
- b. Housekeeping – The favorable variance in housekeeping is due to reduced staffing levels. Unable to attract and retain staff, cleaning was reduced to biweekly for a temporary period. Staffing levels have improved, and we have returned to weekly cleaning.
- c. Operating and Maintenance – The unfavorable variance in Operating and Maintenance is due to renovation expenses not being included in the forecast for 2023.

## 10. Operating Loss

The primary contributors to the unfavorable operating loss variance are the Nursing Services (See 9a above), Operating and Maintenance (See 9c above) and unfavorable Total Revenue variance (See 8 above)

## 11. Unrealized Gains (Losses) on Investment

With the unpredictability of the markets, unrealized gains (losses) on investments were not included in the forecast.

## **VII. OTHER MATERIAL INFORMATION**

### **Unaudited Interim Financial Statements**

The following financial statements are for the period ending December 31, 2023.

Covenant Village, Inc.	
Unaudited Interim Statement of Position	
Three Months Ended December 31, 2023	
(In Thousands of Dollars)	
<b>ASSETS</b>	
Cash & cash equivalents	103
Accounts receivable	36
Other receivables	72
Prepaid expenses	104
<b>Total Current Assets</b>	<b>315</b>
Right-of-Use Asset - Operating, Net	127
Property, and equipment net	17,275
Investments	4,075
Investments Restricted for Statutory Operating Reserve	3,385
Intangible Assets	298
<b>Total Noncurrent Assets</b>	<b>25,160</b>
<b>TOTAL ASSETS</b>	<b>\$ 25,475</b>
<b>LIABILITIES</b>	
Note payable, current portion	200
Accounts payable	92
Accrued Expenses	729
Right-of-Use, Lease Liability - Operating	55
Health Center Room Deposits	7
<b>Total Current Liabilities</b>	<b>1,083</b>
Right-of-Use, Lease Liability - Operating, Net of Current	74
Unit Deposits	72
Deferred credits long term	15,715
Note payable, Noncurrent Portion	900
<b>Total Noncurrent Liabilities</b>	<b>16,761</b>
<b>TOTAL LIABILITIES</b>	<b>17,844</b>
<b>NET ASSETS</b>	
Without Donor Restrictions	7,486
With Donor Restrictions	145
<b>TOTAL NET ASSETS</b>	<b>7,631</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 25,475</b>



Covenant Village, Inc.	
Unaudited Interim Statement of Activities	
Three Months Ended December 31, 2023	
(In Thousands of Dollars)	
<b>REVENUES, GAINS AND OTHER SUPPORT</b>	
Resident service revenue	2,070
Amortization of deferred entrance fees	589
Health care revenue	1,293
Contributions	24
Other revenues	42
Investment Income	53
Net Assets Released from Restrictions	-
<b>Total Revenues, Gains and Other Support</b>	<b>\$ 4,071</b>
<b>EXPENSES</b>	
Nursing Services	1,328
Housekeeping	259
Food and Nutrition	624
Operating and Maintenance	842
Security	102
Resident Care and Services	137
Management and General	394
Human Resources	69
Interest and Fees	11
Depreciation and Amortization	453
<b>Total Expenses</b>	<b>\$ 4,219</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>\$ (148)</b>
Unrealized Gains (Losses) on Investments	369
<b>NONOPERATING INCOME/(LOSS)</b>	<b>\$ 369.00</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENSES AND CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>\$ 221</b>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>	
Investment Income	1
Unrealized Gains (Losses) on Investments	9
Net Assets Released from Restrictions	-
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>\$ 10</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 231</b>
Net Assets - Beginning of Year	7,400
<b>NET ASSETS - END OF YEAR</b>	<b>7,631</b>

Covenant Village, Inc.	
Unaudited Interim Statement of Cash Flows	
Three Months Ended December 31, 2023	
(In Thousands of Dollars)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 231
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	453
Amortization	-
Amortization of deferred entrance fees	(589)
Proceeds from entrance fees	1,367
Unrealized (Gains) Losses on investments	(432)
Loss on disposal of property and equipment	-
Net change in Assets and Liabilities:	
Accounts receivable	(3)
Increase in Other Receivables	(29)
Increase in Prepaid Expenses	(53)
Increase (Decrease) in Accounts Payable	(401)
Increase in Accrued expenses	134
Decrease in Room Deposits	-
Increase (Decrease) in Unit Deposits	(60)
Net cash provided by operating activities	<u>618</u>
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	
Net (Purchases) Sales of Investments	98
Purchases of Property and Equipment	(616)
Purchase of intangible assets	(120)
Net Cash used in investing activities	<u>(638)</u>
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	
Principle payments on note payable	(200)
Increase (decrease) in cash and cash equivalents	<u>(220)</u>
Cash and cash equivalents at the beginning of the year	323
Cash and cash equivalents at the end of the year	<u>\$ 103</u>

## **VIII. ATTACHMENT I**

### **Current Certified Financial Statements**

**COVENANT VILLAGE, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2023 AND 2022**



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**COVENANT VILLAGE, INC.  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Covenant Village, Inc.  
Gastonia, North Carolina

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

#### ***Opinion***

We have audited the accompanying financial statements of Covenant Village, Inc. (a nonprofit organization) (Covenant), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Covenant as of September 30, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Covenant and to meet our 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.

#### ***Responsibility of Management for the Financial Statements***

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

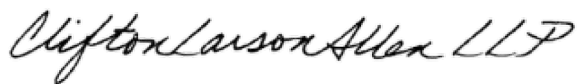
In performing an audit in accordance with GAAS, we:

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

***Other Matter***

The 2022 financial statements of Covenant were audited by other auditors whose report dated January 26, 2023 expressed an unmodified opinion on those statements.



**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
February 22, 2024

**COVENANT VILLAGE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2023 AND 2022**

	2023	2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 322,876	\$ 334,083
Accounts Receivable	21,173	83,633
Grant Receivables	-	2,999,056
Other Receivables	54,946	46,062
Inventories	-	134,893
Prepaid Expenses	51,289	35,039
Total Current Assets	450,284	3,632,766
 <b>NONCURRENT ASSETS</b>		
Right-of-Use Asset - Financing, Net	127,093	-
Property and Equipment, Net	17,112,073	15,513,058
Investments	3,740,307	1,487,655
Investments Restricted for Statutory Operating Reserve	3,385,375	3,385,375
Intangible Assets	178,169	796,459
Total Noncurrent Assets	24,543,017	21,182,547
 <b>Total Assets</b>		
	\$ 24,993,301	\$ 24,815,313

See accompanying Notes to Financial Statements.



**COVENANT VILLAGE, INC.**  
**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**SEPTEMBER 30, 2023 AND 2022**

	2023	2022
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Note Payable, Current Portion	\$ 200,000	\$ 200,000
Accounts Payable	493,335	326,581
Accrued Expenses	595,084	589,031
Right-of-Use, Lease Liability - Financing	55,330	-
Health Center Room Deposits	6,591	21,131
Total Current Liabilities	1,350,340	1,136,743
<b>LONG-TERM LIABILITIES</b>		
Right-of-Use, Lease Liability - Financing, Net of Current	74,135	-
Unit Deposits	132,954	129,075
Deferred Revenue from Entrance Fees	14,936,823	12,243,608
Note Payable, Noncurrent Portion	1,100,000	1,300,000
Total Long-Term Liabilities	16,243,912	13,672,683
Total Liabilities	17,594,252	14,809,426
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Undesignated	2,250,808	5,198,557
Board Designated:		
Statutory Operating Reserve	3,385,375	3,385,375
Benevolent Assistance Funds	1,618,180	1,274,710
Total Without Donor Restrictions	7,254,363	9,858,642
With Donor Restrictions	144,686	147,245
Total Net Assets	7,399,049	10,005,887
Total Liabilities and Net Assets	\$ 24,993,301	\$ 24,815,313

See accompanying Notes to Financial Statements.

**COVENANT VILLAGE, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

	2023	2022
<b>REVENUES, GAINS AND OTHER SUPPORT</b>		
Resident Service Revenue	\$ 7,718,068	\$ 7,070,846
Amortization of Deferred Entrance Fees	1,624,676	1,469,135
Health Care	4,389,455	3,976,601
Contributions	48,277	39,435
Grant Income	-	2,999,056
Other Revenues	430,406	208,606
Investment Income	151,970	-
Net Assets Released from Restrictions	18,000	-
Total Revenues, Gains, and Other Support	14,380,852	15,763,679
<b>EXPENSES</b>		
Nursing Services	5,461,597	3,569,400
Housekeeping	1,003,827	1,065,813
Food and Nutrition	2,530,406	2,383,477
Operating and Maintenance	3,528,254	2,784,095
Security	398,808	362,443
Resident Care and Services	765,276	725,470
Management and General	1,309,218	1,530,296
Human Resources	323,887	296,618
Interest and Fees	48,273	46,450
Depreciation and Amortization	2,062,224	1,539,530
Total Expenses	17,431,770	14,303,592
<b>OPERATING INCOME (LOSS)</b>	(3,050,918)	1,460,087
<b>NONOPERATING INCOME (LOSS)</b>		
Loss on Disposal of Property and Equipment	(330)	(31,607)
Unrealized Gains (Losses) on Investments	446,969	(1,043,856)
Total Nonoperating Income (Loss)	446,639	(1,075,463)
<b>EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENSES AND CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	(2,604,279)	384,624
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions	50	125
Investment Income	3,846	-
Unrealized Gains (Losses) on Investments	11,545	(23,662)
Net Assets Released from Restrictions	(18,000)	-
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	(2,559)	(23,537)
<b>CHANGE IN NET ASSETS</b>	(2,606,838)	361,087
Net Assets - Beginning of Year	10,005,887	9,644,800
<b>NET ASSETS - END OF YEAR</b>	\$ 7,399,049	\$ 10,005,887

See accompanying Notes to Financial Statements.

**COVENANT VILLAGE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2023**

	Resident Services						Support Services			Total
	Nursing Services	Housekeeping	Food and Nutrition	Operating and Maintenance	Security	Resident Care and Services	Total Resident Services	Management and General	Human Resources	
Salaries and Wages	\$ 4,482,661	\$ 746,739	\$ 1,252,305	\$ 1,160,985	\$ 325,020	\$ 538,069	\$ 8,505,779	\$ 528,456	\$ 170,737	\$ 9,204,972
Payroll Taxes	341,198	55,174	96,140	88,331	24,957	36,374	642,174	38,932	12,707	693,813
Employee Benefits	428,093	201,914	175,770	160,513	44,994	106,974	1,118,258	102,681	25,445	1,246,384
Automation and Technology	-	-	-	239,931	-	-	239,931	-	-	239,931
Consultants Fees	60,000	-	-	-	-	-	60,000	-	-	60,000
Food	-	-	920,519	-	-	-	920,519	-	-	920,519
Insurance	-	-	-	-	-	-	-	263,763	-	263,763
Interest and Fees	-	-	-	48,273	-	-	48,273	-	-	48,273
Legal and Accounting	-	-	-	-	-	-	-	187,610	-	187,610
Medical Supplies	118,627	-	-	-	-	-	118,627	-	-	118,627
Nourishments	4,985	-	-	-	-	-	4,985	-	-	4,985
Office Expenses	-	-	-	77,093	-	-	77,093	-	-	77,093
Other	8,416	-	3,760	19,892	-	6,930	38,998	114,425	77,890	231,313
Outside Services	-	-	1,437	378,521	-	28,978	408,936	27,843	13,551	450,330
Repairs and Maintenance	-	-	-	462,376	-	-	462,376	-	-	462,376
Staff Development	10,330	-	6,430	4,085	2,700	9,011	32,556	21,149	17,776	71,481
Supplies	7,287	-	74,045	176,431	1,137	38,940	297,840	24,359	5,781	327,980
Utilities	-	-	-	701,089	-	-	701,089	-	-	701,089
Depreciation	-	-	-	2,040,828	-	-	2,040,828	-	-	2,040,828
Amortization	-	-	-	80,403	-	-	80,403	-	-	80,403
<b>Total Expenses</b>	<b>\$ 5,461,597</b>	<b>\$ 1,003,827</b>	<b>\$ 2,530,406</b>	<b>\$ 5,638,751</b>	<b>\$ 398,808</b>	<b>\$ 765,276</b>	<b>\$ 15,798,665</b>	<b>\$ 1,309,218</b>	<b>\$ 323,887</b>	<b>\$ 17,431,770</b>

See accompanying Notes to Financial Statements.

**COVENANT VILLAGE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2022**

	Resident Services						Support Services			
	Nursing Services	Housekeeping	Food and Nutrition	Operating and Maintenance	Security	Resident Care and Services	Total Resident Services	Management and General	Human Resources	Total
Salaries and Wages	\$ 2,662,634	\$ 681,218	\$ 1,161,159	\$ 859,855	\$ 291,394	\$ 506,149	\$ 6,162,409	\$ 659,701	\$ 168,791	\$ 6,990,901
Payroll Taxes	208,256	52,867	93,718	67,429	23,162	38,458	483,890	47,511	13,071	544,472
Employee Benefits	366,897	225,141	221,313	156,477	39,780	113,120	1,122,728	94,795	25,391	1,242,914
Automation and Technology	-	-	-	154,821	-	-	154,821	-	-	154,821
Cleaning Supplies	-	53,682	27,184	-	-	-	80,866	-	-	80,866
Consultants Fees	60,000	-	-	-	-	-	60,000	-	-	60,000
Food	-	-	786,587	-	-	-	786,587	-	-	786,587
Insurance	-	-	-	-	-	-	-	235,797	-	235,797
Interest and Fees	-	-	-	46,450	-	-	46,450	-	-	46,450
Legal and Accounting	-	-	-	-	-	-	-	246,756	-	246,756
Medical Supplies	230,036	-	-	-	-	-	230,036	-	-	230,036
Nourishments	9,602	-	-	-	-	-	9,602	-	-	9,602
Office Expenses	5,760	-	1,947	-	-	-	7,707	17,864	-	25,571
Other	2,956	8,618	17,731	7,027	4,775	10,355	51,462	76,063	66,216	193,741
Outside Services	-	44,287	-	289,393	-	23,895	357,575	132,325	12,071	501,971
Paper Supplies	-	-	59,727	-	-	-	59,727	-	-	59,727
Repairs and Maintenance	-	-	14,111	355,397	-	-	369,508	1,719	-	371,227
Staff Development	5,105	-	-	-	-	-	5,105	17,765	-	22,870
Supplies	-	-	-	236,329	3,332	33,493	273,154	-	11,078	284,232
Software Maintenance	18,154	-	-	-	-	-	18,154	-	-	18,154
Utilities	-	-	-	657,367	-	-	657,367	-	-	657,367
Depreciation	-	-	-	1,525,134	-	-	1,525,134	-	-	1,525,134
Amortization	-	-	-	14,396	-	-	14,396	-	-	14,396
<b>Total Expenses</b>	<b>\$ 3,569,400</b>	<b>\$ 1,065,813</b>	<b>\$ 2,383,477</b>	<b>\$ 4,370,075</b>	<b>\$ 362,443</b>	<b>\$ 725,470</b>	<b>\$ 12,476,678</b>	<b>\$ 1,530,296</b>	<b>\$ 296,618</b>	<b>\$ 14,303,592</b>

See accompanying Notes to Financial Statements.

**COVENANT VILLAGE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (2,606,838)	\$ 361,087
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	2,040,828	1,525,134
Amortization of Intangible Assets	21,396	14,396
Amortization of Deferred Entrance Fees	(1,624,676)	(1,469,135)
Proceeds from Entrance Fees	4,317,891	2,410,700
Unrealized (Gains) Losses on Investments	(458,514)	1,063,535
Loss on Disposal of Property and Equipment	330	31,607
Net Change in Assets and Liabilities:		
Decrease in Accounts Receivable	62,460	5,963
Decrease in Inventories	134,893	8,711
Decrease (Increase) in Grant and Other Receivables	2,990,172	(3,007,691)
Increase in Prepaid Expenses	(16,250)	(3,481)
Increase (Decrease) in Accounts Payable	(89,486)	113,287
Increase in Accrued Expenses	6,053	74,701
Decrease in Resident Accounts	-	(16,957)
Decrease in Room Deposits	(14,540)	(19,359)
Increase (Decrease) in Unit Deposits	3,879	(348)
Net Cash Provided by Operating Activities	4,767,598	1,092,150
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net (Purchases) Sales of Investments	(1,794,138)	1,165,582
Purchases of Property and Equipment	(2,668,032)	(2,037,601)
Purchases of Intangible Assets	(60,000)	(431,532)
Net Cash Used by Investing Activities	(4,522,170)	(1,303,551)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Note Payable	(200,000)	(200,000)
Principal Payments on ROU Leases	(56,635)	-
Net Cash Used by Financing Activities	(256,635)	(200,000)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(11,207)	(411,401)
Cash and Cash Equivalents - Beginning of Year	334,083	745,484
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 322,876	\$ 334,083
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Payments for Interest	\$ 48,273	\$ 50,433

See accompanying Notes to Financial Statements.

**COVENANT VILLAGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

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

**Organization**

Covenant Village, Inc. (Covenant) is a continuing care lifecare retirement community located in Gastonia, North Carolina. Covenant was organized as a nonprofit corporation in 1977. Covenant consists of 138 apartments, 21 duplex cottages, 42 two-bedroom cottages, and 71-bed health center consisting of nursing care and assisted living beds. Covenant is a nonstock, nonprofit corporation organized under the laws of the state of North Carolina. Covenant is governed by a dedicated Board of Directors comprised of community leaders.

**Basis of Presentation**

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

In accordance with GAAP, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Covenant and changes therein are classified as follows:

*Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Covenant. Covenant’s board may designate assets without restrictions for specific operational purposes from time-to-time. Designated net assets without donor restrictions consist of amounts to be used for the program activities and capital improvements.

*Net Assets With Donor Restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Covenant or by the passage of time. 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 into net assets without donor restrictions. Net assets with donor restrictions whose restrictions are satisfied in the same reporting period in which the contribution was received are reported as unrestricted support.

**Use of Estimates**

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

**COVENANT VILLAGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

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

**Cash and Cash Equivalents**

Cash and cash equivalents consist of all highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, and excludes money market funds held as part of investment strategies.

**Assets Limited as to Use**

Assets limited as to use include investments whose use is limited to maintain an operating reserve as required by North Carolina General Statutes.

**Investments**

Covenant carries investments in equity securities with readily determinable fair values and investments in debt securities that are measured at their fair values. Beneficial interests in assets held by others are valued at fair value as reported by the holder of the assets. Unrealized gains (losses) on investments without restrictions are included within nonoperating income (loss) in the statements of activities and changes in net assets. Investment income (loss) is reported as increases or decreases in net assets with or without donor restrictions, depending on if there are any returns on the investment income.

**Accounts Receivable**

Accounts receivable consists of resident monthly service fees. Residents are not required to provide collateral for services rendered. Management has evaluated and determined all accounts receivable are collectible and no allowance for doubtful accounts is required. If amounts become uncollectible, they are written off upon such determination.

**Grant Receivable**

The CARES Act allows a credit (Employee Retention Credit or ERC) against applicable employment taxes for eligible employers. Employers, including tax-exempt organizations, are eligible for the ERC, if they operate a trade or business during calendar year 2020 and 2021 and experience either the full or partial suspension of the operations of their business during any calendar quarter due to a significant decline in gross receipts or because of governmental orders limiting commerce, travel or group meetings due to COVID-19. The credit applies to qualified wages (including certain health plan expenses) paid during this period or any calendar quarter in which eligibility requirements were met.

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. During the year ended September 30, 2022, Covenant claimed a credit in the amount of \$2,999,056. Covenant believes it meets the eligibility requirements and conditions to claim the credit and recorded a receivable as of September 30, 2022. The receivable was collected in fiscal year 2023.

**COVENANT VILLAGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

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

**Property and Equipment**

Covenant capitalizes property and equipment over \$1,000. Purchased property and equipment are recorded at cost and include additions and improvements that extend the useful lives of the assets. Expenditures for maintenance, repairs, and minor renovations are charged to expense as incurred. Depreciation is provided on the straight-line method over the following estimated useful lives:

Buildings and Improvements	15 to 40 Years
Land Improvements	7 to 40 Years
Equipment and Furnishings	5 to 10 Years
Vehicles	5 Years
Collectibles and Software	5 to 10 Years

**Intangible Assets**

Long-lived intangible assets include costs associated with rebranding costs incurred by Covenant. The assets are considered to have finite lives and are being amortized to expense over the respective lives.

**Unit Deposits**

Unit deposits consist of payments for cottage and apartment accommodations in advance of those units becoming available.

**Deferred Entrance Fees**

Fees paid by a resident upon entering into a continuing care contract are recorded as deferred revenue and amortized into revenue using the straight-line method over the estimated remaining life expectancy of the resident, adjusted on an annual basis. Fees received from residents whose residency may cease, whether voluntarily or involuntarily, within the first 25 months of residency for apartments or 50 months for cottages, are partially refundable. When a resident terminates occupancy, any unamortized entrance fees, net of refundable amounts noted above, are recognized as revenue.

**Leases**

Covenant determines if an arrangement is a lease at inception. Leases are included in right-of-use (ROU) assets and ROU lease liabilities in the statement of financial position.

ROU assets represent Covenant's right to use an underlying asset for the lease term and lease liabilities represent Covenant's obligation to make lease payments arising from the lease. ROU asset and liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that Covenant will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. Covenant has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the Statement of Financial Position.



**COVENANT VILLAGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

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

**Leases (Continued)**

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, Covenant has elected to use its incremental borrowing rate that represents an estimate of the interest rate Covenant would have to pay on borrowed funds.

**Contributions**

Contributions received are recorded as without donor restrictions or with donor restrictions revenue, depending on the existence and/or nature of any donor restrictions. Contributions of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Donations of property and equipment and collectibles are recorded as support at their estimated fair value at the date of donation. Such donations are reported as without donor restriction unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Covenant reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Covenant reclassifies net assets with donor restrictions to net assets without donor restriction at that time.

Unconditional promises to give are recognized at the net present value, net of an allowance for uncollectible amounts, and are classified as with or without donor restrictions based on the donors' intentions, as applicable. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or right of release, are not recognized until the conditions on which they depend have been substantially met. Covenant has no unconditional promises to give at September 30, 2023 or 2022.

**Excess (Deficit) of Revenues Over (Under) Expenses**

The statements of activities include excess (deficit) of revenues over (under) expenses. Changes in net assets without donor restrictions which are excluded from excess (deficit) of revenues over (under) expenses, consistent with industry practice, would include contributions of long-lived assets (including assets acquired using contributions by which by donor restriction were to be used for the purpose of acquiring such assets).

**Income Taxes**

Covenant is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

Covenant files as a tax-exempt organization. Management is not aware of any activities that would jeopardize tax-exempt status of Covenant. Management is not aware of any significant activities that are subject to tax on unrelated business income or excise or other taxes for Covenant.

**COVENANT VILLAGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

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

**Income Taxes (Continued)**

Covenant follows guidance in the income tax standard regarding recognition and measurement of uncertain tax positions. The guidance has had no impact on Covenant's financial statements.

**Continuing Care Contracts**

Covenant enters into lifecare continuing care contracts with various residents. A lifecare continuing care contract is an agreement between a resident and Covenant specifying the services and facilities to be provided to a resident over his or her remaining life. Under the contracts, Covenant has the ability to increase fees as deemed necessary. For the years ended September 30, 2023 and 2022, Covenant calculated the present value of estimated net costs of future services and the use of facilities to be provided to current residents and compared that amount with the balance of deferred revenue from entrance fees. If the present value of net costs of future services and the use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services) with a corresponding charge to income. No liability was recorded at September 30, 2023 and 2022, because the present value of the estimated net costs of future services and use of facilities was less than deferred revenue from entrance fees. The obligation was discounted at 5.0% at September 30, 2023 and 2022.

**Functional Allocation of Expenses**

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. The statements of functional expenses present the natural classification detail of expense by function.

**Benevolent Assistance**

Covenant provides benevolent assistance to residents who are unable to pay the full cost of care and services. Such residents are identified based on financial information obtained from the resident and subsequent review and analysis.

**Adoption of New Accounting Standards**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This new accounting standard increases transparency among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objectivity of enabling users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

**COVENANT VILLAGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

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

**Adoption of New Accounting Standards (Continued)**

Covenant adopted the requirements of the guidance effective October 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended September 30, 2022 are made under prior lease guidance in *FASB Accounting Standards Codification (ASC) 840*.

Covenant has elected to adopt the package of practical expedients available in the year of adoption. Covenant has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of Covenant's ROU assets.

As a result of the adoption of the new lease guidance, Covenants recognized initial financing ROU assets and lease liabilities of approximately \$186,000 on the statement of financial position.

**Subsequent Events**

In preparing these financial statements, Covenant has evaluated events and transactions for potential recognition or disclosure through February 22, 2024, the date the financial statements were issued.

**NOTE 2 INVESTMENTS**

Investments consist of the following at September 30:

	2023	2022
Money Market Funds	\$ 1,899,528	\$ -
Beneficial Interest in Assets Held by Others	5,226,154	4,873,030
Total	<u>\$ 7,125,682</u>	<u>\$ 4,873,030</u>

Investment income consists of the following for the years ended September 30:

	2023	2022
Interest and Dividend Income	\$ 149,466	\$ -
Realized Gains	6,350	-
Unrealized Gains (Losses)	458,514	(1,067,518)
Total	<u>\$ 614,330</u>	<u>\$ (1,067,518)</u>

**COVENANT VILLAGE, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022**

**NOTE 3 FAIR VALUE MEASUREMENTS**

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. Covenant 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 Covenant has the ability to access.

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

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

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

*Beneficial Interest in Assets Held by Others* – The Beneficial Interest in Assets Held by Others is valued based on the underlying investments held by the Gaston Community Foundation. It consists of investments valued at quoted market prices, valued based on fund management’s estimates based on certain valuation methods such as cash flow analysis and other valuing methods based on income or other relevant information.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Covenant believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The entire amount this investment is available to Covenant upon request by its Board of Directors and approval by the Foundation’s Board of Directors.

The following table sets forth by level, within the fair value hierarchy, Covenant’s fair value measurements at September 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 1,899,528	\$ -	\$ -	\$ 1,899,528
Beneficial Interest in Assets Held by Others	-	-	5,226,154	5,226,154
Total	<u>\$ 1,899,528</u>	<u>\$ -</u>	<u>\$ 5,226,154</u>	<u>\$ 7,125,682</u>

**COVENANT VILLAGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

**NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)**

The following table sets forth by level, within the fair value hierarchy, Covenant's fair value measurements at September 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial Interest in Assets Held by Others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,873,030</u>	<u>\$ 4,873,030</u>

The following table sets forth a summary of changes in the fair value of Covenant's Level 3 assets for the years ended September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Opening Balance	\$ 4,873,030	\$ 104,261
Transfers	83,506	5,185,978
Investment Income and Unrealized Gains (Losses)	290,576	(414,442)
Less: Investment Fees Paid	<u>(20,958)</u>	<u>(2,767)</u>
Ending Balance	<u>\$ 5,226,154</u>	<u>\$ 4,873,030</u>

**NOTE 4 RESIDENT SERVICE REVENUE**

Resident service revenue is reported at the amount that reflects the consideration to which Covenant expects to be entitled in exchange for providing resident care. These amounts are due from residents. Monthly service fees paid by residents for maintenance, meals, and other services are assessed monthly and are recognized as revenue in the period services are rendered. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by Covenant. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Covenant 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 living at Covenant receiving independent living or healthcare services. Covenant considers daily services provided to residents of the health center, and monthly rent charged to residents living in independent living, as a separate performance obligation measured 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, meals or guest rooms) and Covenant does not believe it is required to provide additional goods or services related to that sale.

**COVENANT VILLAGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

**NOTE 4 RESIDENT SERVICE REVENUE (CONTINUED)**

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

Covenant determines the transaction price based on standard charges for goods and services provided, assistance provided to residents in accordance with Covenant's policy, and/or implicit price concessions provided to residents. Covenant determines its estimate of implicit price concessions based on its historical collection experience.

Covenant has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: service line, method of payment, and timing of when revenue is recognized. All resident service revenue is from private pay individuals.

**Contract Costs**

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

The opening and closing contract balances related to resident accounts receivable and residence and services agreements were as follows:

	<u>Accounts Receivable</u>	<u>Deferred Revenue</u>
Balance as of October 1, 2021	\$ 89,596	\$ 8,248,823
Balance as of September 30, 2022	83,633	9,225,727
Balance as of September 30, 2023	21,173	10,479,907

**NOTE 5 PROPERTY AND EQUIPMENT**

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

	<u>2023</u>	<u>2022</u>
Land and Land Improvements	\$ 2,595,732	\$ 2,584,482
Buildings and Building Improvements	39,048,414	37,013,736
Furniture and Fixtures	4,624,882	4,978,859
Vehicles	368,262	365,602
Collectibles	25,300	25,300
Construction in Progress	2,180,166	462,040
Software	38,149	38,149
Subtotal	<u>48,880,905</u>	<u>45,468,168</u>
Less: Accumulated Depreciation	31,768,832	29,955,110
Total	<u>\$ 17,112,073</u>	<u>\$ 15,513,058</u>

**COVENANT VILLAGE, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022**

**NOTE 5 PROPERTY AND EQUIPMENT (CONTINUED)**

Depreciation expense of approximately \$2,041,000 and \$1,525,000 was recognized for the years ended September 30, 2023 and 2022, respectively.

Construction in progress at September 30, 2023 and 2022 relates primarily to costs incurred for building renovations and initial costs related to Covenant's strategic planning for an upcoming independent living expansion.

**NOTE 6 INTANGIBLE ASSETS**

Covenant's intangible assets are as follows:

	<u>2023</u>	<u>2022</u>
Gross Carrying Amount:		
Rebranding	\$ 213,961	\$ 143,962
Strategic Master Plan	-	666,893
Subtotal	<u>213,961</u>	<u>810,855</u>
Less: Accumulated Amortization:		
Rebranding	<u>35,792</u>	<u>14,396</u>
Intangibles, Net	<u><u>\$ 178,169</u></u>	<u><u>\$ 796,459</u></u>

Covenant is in the process of a strategic plan for expansion and has incurred costs for intangible assets related to rebranding. Rebranding was introduced to the community during the year ended September 30, 2022 and Covenant has begun amortizing the costs over a useful life of 10 years. Originally, the strategic master plan was included as an intangible asset, but those costs were reclassified to construction in progress during fiscal year 2023. These costs will be placed in service and depreciated as part of the project when completed.

**NOTE 7 UNIT DEPOSITS**

Unit deposits of approximately \$133,000 and \$129,000 at September 30, 2023 and 2022, respectively, are reported on the statements of financial position and represent monies received as advanced entrance fees from individuals who wish to occupy the facilities of Covenant in the future.

**NOTE 8 ENTRANCE FEES**

Entrance fees are amortized to income based on the estimated life of each resident, using a straight-line method. During the years ended September 30, 2023 and 2022, Covenant recognized approximately \$1,625,000 and \$1,469,000 amortization of the deferred revenue of entrance fees from the sale of units, respectively.

**COVENANT VILLAGE, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022**

**NOTE 8 ENTRANCE FEES (CONTINUED)**

Under the terms of the lifecare agreement with the residents, Covenant is contractually liable for refunds of entrance fees related to its nonrefundable contracts. The refund is applicable to residents whose residency ceases, whether voluntarily or involuntarily, within the first 25 months of residency for apartments or 50 months for cottages. Covenant will refund the payment made by the resident, less \$1,000 for processing and refurbishing charges and 4% and 2% for each calendar month, or portion thereof of residency, for apartment residency and cottage residency, respectively. The contractual amounts subject to refund were approximately \$4,457,000 and \$3,018,000 at September 30, 2023 and 2022, respectively.

**NOTE 9 NOTE PAYABLE**

Covenant's note payable at September 30, 2023 and 2022 consists of the following:

	2023	2022
Unsecured note payable to a bank with interest payable monthly at 2.89% and annual principal payments of \$200,000. The note matures August 20, 2025	\$ 1,300,000	\$ 1,500,000

Future annual maturities of the note payable at September 30, 2023 are as follows:

Year Ending September 30,	Amount
2024	\$ 200,000
2025	1,100,000
Total	\$ 1,300,000

Interest expense related to the note payable for the years ended September 30, 2023 and 2022 was \$48,244 and \$44,771, respectively. The loan agreements include certain covenants and restrictions. Management is not aware of any noncompliance with the covenants and restrictions.

**NOTE 10 RETIREMENT PLAN**

Covenant maintains a defined-contribution plan which provides retirement benefits based on the actual value of contributions at the time of retirement. The plan is available to significantly all employees and Covenant matches 50% of the contributions made by eligible employees, up to 3% of the employees' annual salary. Contributions to the plan by Covenant were \$103,581 and \$102,553 for the years ended September 30, 2023 and 2022, respectively.



**COVENANT VILLAGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

**NOTE 11 CONCENTRATION OF CREDIT RISK**

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

**NOTE 12 STATUTORY OPERATING RESERVE**

Under Section 58-64-33 of the North Carolina General Statutes, which is administered by the North Carolina Department of Insurance, continuing care retirement communities are required to maintain an operating reserve equal to 25% of the total operating costs, as defined, projected for the 12-month period following the period covered by the most recent annual statement filed with the North Carolina Department of Insurance, if occupancy levels are in excess of 90%. If occupancy levels are less than 90%, the operating reserve requirement is 50% of total operating costs, as defined. Covenant has historically maintained an occupancy level in excess of 90%. The statutory operating reserve for September 30, 2023 and 2022 was \$3,385,375. Use of the operating reserve by Covenant is restricted under Section 58-64-33 of the North Carolina General Statutes. The North Carolina General Statutes do not require Covenant to maintain such operating reserve in a separate escrow account.

**NOTE 13 LEASES – ASC 840**

Covenant leases three copiers and 29 printers, for a 63-month period ending November 2025, with monthly payments of \$2,849.

Covenant also leases three copiers for a 60-month period ending April 2024. The payment required by this lease is \$776 per month.

Covenant leased iPads during the year ended September 30, 2020 under a 36-month lease that expires June 26, 2023. The payment required by this lease is \$2,181 per month.

Total lease expense for the year ending September 30, 2022 was approximately \$63,000, respectively.

Minimum future payments required by the leases as of September 30, 2022 are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2023	\$ 63,129
2024	38,844
2025	34,188
2026	2,849
Total	<u>\$ 139,010</u>

**COVENANT VILLAGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

**NOTE 14 RIGHT-OF-USE LEASES**

Covenant elected to apply the provisions of FASB ASC 842 to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended September 30, 2022 are made under prior lease guidance in FASB 840.

Covenant leases copiers and iPads expiring at various dates through September 2028.

Covenant classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of September 30, 2023, is as follows:

<u>Year Ending September 30,</u>	<u>Leases</u>
2024	\$ 57,292
2025	49,950
2026	17,379
2027	6,558
2028	<u>1,530</u>
Total Lease Payment	132,709
Less: Amounts Representing Interest	<u>(3,244)</u>
Total	<u><u>\$ 129,465</u></u>

The lease payable will continue to be impacted by new leases, lease modifications, lease terminations, and reevaluation of any new facts and circumstances. As of September 30, 2023, the remaining weighted average lease term is 2.5 years.

As the rate implicit in the lease is not readily determinable, the Organization uses an incremental borrowing rate to calculate the lease liability that represents an estimate of the interest rate the Organization would have to borrow on a collateralized basis over the term of the lease. The discount rate used for the lease was 2.0% at September 30, 2023.

**NOTE 15 RELATED PARTY TRANSACTIONS**

Covenant has an employee loan program. Certain requirements must be met before an employee is granted a loan. Principal payments are made through payroll deduction. As of September 30, 2023 and 2022, there was an outstanding balance on these loans of approximately \$5,000 and \$13,000, respectively. This amount has been included in other receivables in the statements of financial position.

**COVENANT VILLAGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

**NOTE 16 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at September 30, are as follows:

	2023	2022
Gift Restricted by Donor for Employee Loans	\$ 27,000	\$ 27,000
Gifts Restricted by Donor for Employee Professional Development	117,686	120,245
Total Net Assets With Donor Restrictions	\$ 144,686	\$ 147,245

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors at September 30, are as follows:

	2023	2022
Professional Development	\$ 18,000	\$ -
Total Net Assets Released from Restrictions	\$ 18,000	\$ -

**NOTE 17 LIQUIDITY AND AVAILABILITY**

The following schedule reflects Covenant's financial assets available to meet cash needs for general expenditures without donor or other restrictions limiting their use, within one year of the statement of financial position sheet date.

	2023	2022
Cash and Cash Equivalents	\$ 322,876	\$ 307,083
Receivables	76,119	3,124,067
Investments	3,622,621	1,367,410
Operating Reserve	3,385,375	3,385,375
Total	\$ 7,406,991	\$ 8,183,935

Covenant has certain board designated assets limited to use which are available within one year in the normal course of operations. Accordingly, these assets have been included in the information above for general expenditures within one year, along with the statutory operating reserve.

According to its liquidity management, Covenant has a policy to structure its financial assets to be available as its general expense, liabilities, and other obligations come due. In addition, Covenant invests cash in excess of daily operating needs in short-term investments such as money market funds and equity securities with readily determinable fair values.

**COVENANT VILLAGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

**NOTE 18 BENEVOLENT FUNDS ASSISTANCE**

Covenant maintains records to identify and monitor the level of benevolent assistance it provides by measuring the amount of revenue and charges foregone for services and supplies furnished under its benevolent assistance policy. Costs incurred related to benevolent assistance provided was approximately \$264,000 and \$215,000 for the years ending September 30, 2023 and 2022, respectively. Costs were transferred to the operating income from the benevolent fund to support residents in financial need. The estimated costs of providing benevolent assistance are based on management's calculation assuming a standard profit margin of the foregone resident service fees.

## **IX. ATTACHMENT 2**

### **Five Year Forecasted Financial Statements and Assumptions**

**COVENANT VILLAGE, INC.**  
**COMPILATION OF A FINANCIAL PROJECTION**  
**FOR THE YEARS ENDING**  
**SEPTEMBER 30, 2024 THROUGH SEPTEMBER 30, 2028**



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## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors  
Covenant Village, Inc.  
Gastonia, North Carolina

Management is responsible for the accompanying projected financial statements of Covenant Village, Inc. (the "Corporation"), which comprise the projected statements of financial position as of September 30, 2024, 2025, 2026, 2027 and 2028, and the related projected statements of operations and changes in net assets (deficit), and cash flows for the years then ending, and the related summaries 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"). 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. 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 Corporation 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 supplementary information contained in the Supplemental Projected Schedule of Financial Ratios is presented for purposes of additional analysis and is not a required part of the projection. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not examined or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

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 included in the Corporation's disclosure statement filing) and is not intended to be and should not be used by anyone other than these specified parties.

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

**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
February 23, 2024



**COVENANT VILLAGE, INC.**  
**PROJECTED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)**  
**ASSUMING THE HYPOTHETICAL ASSUMPTIONS NOTED ON PAGE 5**  
**FOR THE YEARS ENDING SEPTEMBER 30,**  
**(In Thousands)**

	2024	2025	2026	2027	2028
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>					
Resident Service Fees	\$ 8,359	\$ 8,920	\$ 9,877	\$ 10,784	\$ 11,107
Amortization of Deferred Entrance Fees	1,730	1,817	1,929	2,513	2,564
Health Care Services	5,100	5,356	5,518	5,681	5,844
Contributions	121	124	128	132	136
Other Revenues	319	329	339	349	359
Net Investment Income	284	317	386	455	532
<b>Total Revenues, Gains, and Other Support</b>	<b>15,913</b>	<b>16,863</b>	<b>18,177</b>	<b>19,914</b>	<b>20,542</b>
<b>OPERATING EXPENSES</b>					
Nursing Services	5,400	5,562	5,729	5,901	6,078
Housekeeping	1,068	1,121	1,178	1,232	1,269
Food and Nutrition	2,504	2,627	2,751	2,872	2,959
Operating and Maintenance	3,517	3,714	3,835	3,951	4,070
Security	426	459	496	530	546
Resident Care and Services	696	707	728	750	772
Management and General	1,401	1,443	1,569	1,634	1,684
Human Resources	366	386	398	410	423
Depreciation	1,600	1,680	2,846	2,991	3,081
Interest Expense	77	128	1,730	1,838	1,827
Amortization of Intangible Asset	21	21	21	21	21
<b>Total Operating Expenses</b>	<b>17,076</b>	<b>17,848</b>	<b>21,281</b>	<b>22,130</b>	<b>22,730</b>
<b>DEFICIT OF REVENUES, GAINS, AND OTHER SUPPORT OVER EXPENSES</b>	<b>(1,163)</b>	<b>(985)</b>	<b>(3,104)</b>	<b>(2,216)</b>	<b>(2,188)</b>
Contributions Received for Capital Purchases	250	250	250	250	250
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>(913)</b>	<b>(735)</b>	<b>(2,854)</b>	<b>(1,966)</b>	<b>(1,938)</b>
<b>CHANGE IN NET ASSETS (DEFICIT)</b>	<b>(913)</b>	<b>(735)</b>	<b>(2,854)</b>	<b>(1,966)</b>	<b>(1,938)</b>
<b>Net Assets (Deficit), Beginning of Year</b>	<b>7,399</b>	<b>6,486</b>	<b>5,751</b>	<b>2,897</b>	<b>931</b>
<b>NET ASSETS (DEFICIT), END OF YEAR</b>	<b>\$ 6,486</b>	<b>\$ 5,751</b>	<b>\$ 2,897</b>	<b>\$ 931</b>	<b>\$ (1,007)</b>

See Accompanying Summary of Significant Projection Assumptions and Accounting  
Policies and Independent Accountants' Compilation Report

**COVENANT VILLAGE, INC.**  
**PROJECTED STATEMENTS OF CASH FLOWS**  
**ASSUMING THE HYPOTHETICAL ASSUMPTIONS NOTED ON PAGE 5**  
**FOR THE YEARS ENDING SEPTEMBER 30,**  
**(In Thousands)**

	2024	2025	2026	2027	2028
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Change in Net Assets (Deficit)	\$ (913)	\$ (735)	\$ (2,854)	\$ (1,966)	\$ (1,938)
Adjustments to Reconcile Change in Net Assets (Deficit) to Net Cash Flows Provided From Operating Activities:					
Amortization of Entrance Fees	(1,730)	(1,817)	(1,929)	(2,513)	(2,564)
Proceeds from Nonrefundable Entrance Fees	3,889	3,799	3,725	3,961	4,189
Depreciation	1,600	1,680	2,846	2,991	3,081
Amortization of Bond Issuance Costs	39	128	96	36	36
Amortization of Intangible Asset	21	21	21	21	21
(Increase) Decrease in Current Assets:					
Accounts Receivable	(88)	(6)	(6)	(5)	(4)
Other Receivables	-	(3)	(2)	(2)	(1)
Inventories	(110)	(3)	(4)	(3)	(4)
Prepays	7	(2)	(2)	(3)	(1)
Increase (Decrease) in Current Liabilities:					
Accounts Payable	(102)	12	23	18	14
Accrued Payroll and Related Liabilities	50	33	34	28	22
Accrued Interest	111	54	(15)	(1)	(2)
<b>Net Cash Provided by Operating Activities</b>	<b>2,774</b>	<b>3,161</b>	<b>1,933</b>	<b>2,562</b>	<b>2,849</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Net Change in Investments	(2,483)	(1,490)	(1,932)	(1,464)	(1,016)
Net Purchases of Property and Equipment	(9,257)	(22,398)	(4,339)	(1,022)	(1,058)
Net Change in Assets Limited as to Use	(794)	174	(575)	(211)	(196)
<b>Net Cash Used in Investing Activities</b>	<b>(12,534)</b>	<b>(23,714)</b>	<b>(6,846)</b>	<b>(2,697)</b>	<b>(2,270)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Initial Entrance Fee Receipts	-	-	7,722	406	-
Refunds of Entrance Fees	(125)	(127)	(132)	(168)	(203)
Proceeds from Issuance of Long-Term Debt	12,501	20,703	4,602	-	-
Payment of Financing Costs	(1,092)	-	-	-	-
Principal Payments on Long-Term Debt	(1,300)	-	(7,255)	(82)	(357)
<b>Net Cash Provided (Used) in Financing Activities</b>	<b>9,984</b>	<b>20,576</b>	<b>4,937</b>	<b>156</b>	<b>(560)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>224</b>	<b>23</b>	<b>24</b>	<b>21</b>	<b>19</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>323</b>	<b>547</b>	<b>570</b>	<b>594</b>	<b>615</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 547</b>	<b>\$ 570</b>	<b>\$ 594</b>	<b>\$ 615</b>	<b>\$ 634</b>
Supplemental Disclosure of Cash Flow Information:					
Cash Paid for Interest, Net of Capitalized	\$ 38	\$ -	\$ 1,649	\$ 1,803	\$ 1,793

**See Accompanying Summary of Significant Projection Assumptions and Accounting Policies and Independent Accountants' Compilation Report**

**COVENANT VILLAGE, INC.**  
**PROJECTED STATEMENTS OF FINANCIAL POSITION**  
**ASSUMING THE HYPOTHETICAL ASSUMPTIONS NOTED ON PAGE 5**  
**AT SEPTEMBER 30,**  
**(In Thousands)**

	2024	2025	2026	2027	2028
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	\$ 547	\$ 570	\$ 594	\$ 615	\$ 634
Accounts Receivable	109	115	121	126	130
Other Receivables	55	58	60	62	63
Inventories	110	113	117	120	124
Prepays	45	47	49	52	53
Total Current Assets	866	903	941	975	1,004
<b>ASSETS LIMITED AS TO USE</b>					
Statutory Operating Reserve	4,179	4,005	4,580	4,791	4,987
Total Assets Limited as to Use	4,179	4,005	4,580	4,791	4,987
Less: Current Portion	-	-	-	-	-
Total Assets Limited as to Use, Less Current Portion	4,179	4,005	4,580	4,791	4,987
<b>NONCURRENT ASSETS</b>					
Property and Equipment	47,619	48,571	84,011	85,033	86,091
Construction in Progress	10,519	31,965	864	864	864
Less: Accumulated Depreciation	(33,369)	(35,049)	(37,895)	(40,886)	(43,967)
Net Property and Equipment	24,769	45,487	46,980	45,011	42,988
Investments	6,223	7,713	9,645	11,109	12,125
Right of Use Asset - Operating, Net	71	22	6	1	-
Intangibles, Net	155	134	113	92	71
Total Noncurrent Assets	31,218	53,356	56,744	56,213	55,184
Total Assets	\$ 36,263	\$ 58,264	\$ 62,265	\$ 61,979	\$ 61,175
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Current Maturities of Long-Term Debt	\$ -	\$ -	\$ 82	\$ 357	\$ 377
Accounts Payable	391	403	426	444	458
Accrued Expenses	645	678	712	740	762
Right-of-Use Lease Liability - Operating	49	16	5	1	-
Accrued Interest	111	165	150	149	147
Health Center Room Deposits	7	7	7	7	7
Total Current Liabilities	1,203	1,269	1,382	1,698	1,751
<b>LONG-TERM LIABILITIES</b>					
Long-Term Debt, Net of Current Portion					
Long-Term Debt, Net of Current Maturities	12,501	33,204	30,469	30,112	29,735
Unamortized Bond Issuance Costs	(1,053)	(925)	(829)	(793)	(757)
Net Long-Term Debt	11,448	32,279	29,640	29,319	28,978
Right-of-Use, Lease Liability - Operating, Net of Current	22	6	1	-	-
Refundable Deposits	133	133	133	133	133
Deferred Revenue from Entrance Fees	16,971	18,826	28,212	29,898	31,320
Refundable Entrance Fees	-	-	-	-	-
Total Long-Term Liabilities	28,574	51,244	57,986	59,350	60,431
Total Liabilities	29,777	52,513	59,368	61,048	62,182
<b>NET ASSETS (DEFICIT)</b>					
Without Donor Restriction	6,341	5,606	2,752	786	(1,152)
With Donor Restriction	145	145	145	145	145
Total Net Assets (Deficit)	6,486	5,751	2,897	931	(1,007)
Total Liabilities and Net Assets (Deficit)	\$ 36,263	\$ 58,264	\$ 62,265	\$ 61,979	\$ 61,175

**See Accompanying Summary of Significant Projection Assumptions and Accounting Policies and Independent Accountants' Compilation Report**

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

---

### **INTRODUCTION AND BACKGROUND INFORMATION**

#### **Basis of Presentation**

The accompanying financial projection presents, to the best of the knowledge and belief of management (“Management”) the expected financial position, results of operations and changes in net assets (deficit) and cash flows of Covenant Village, Inc. (the “Corporation”, “Company” or “Covenant Village”) as of and for each of the five years ending September 30, 2024, 2025, 2026, 2027, and 2028 (the “Projection Period”).

Accordingly, the projection reflects Management’s judgment as of February 23, 2024, the date of this projection, of the expected conditions and its expected course of action. The assumptions disclosed herein are the assumptions which Management believes are significant to the financial projection. There will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

A projection is a presentation of prospective financial information that is subject to one or more hypothetical assumptions. A hypothetical assumption is an assumption used in a financial projection to present a condition or course of action that is not necessarily expected to occur, but is consistent with the purpose of the presentation. Hypothetical assumptions are not derived from sources, which are based upon supporting documentation such as contracts, agreements, or other empirical data. Management does not need to have a reasonably objective basis for the hypothetical assumption, although the hypothetical assumption should be consistent with the purpose of the projection. Management has prepared its financial projection assuming the following hypothetical assumptions (the “Hypothetical Assumptions”):

- The Stonecrest Project (defined herein) and the Refinancing (defined herein) are financed at terms and conditions similar to those reflected in the projection;
- The Corporation receives the capital contribution related to the Stonecrest Project, as projected;
- Construction, development, marketing, and other related costs for the Stonecrest Project occur in the assumed timeline and at the assumed costs as reflected in the projection; and,
- The Stonecrest Project Units (defined herein) are successfully marketed and occupied at the assumed occupancy levels, as reflected in the projection.

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

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

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### **INTRODUCTION AND BACKGROUND INFORMATION (CONTINUED)**

#### **Background of the Corporation**

The Corporation was founded as a North Carolina nonstock, nonprofit corporation in 1977 under Internal Revenue Code Section 501(c)(3) and is, therefore, exempt from federal and state income taxes. The Corporation owns and operates a continuing care retirement community ("CCRC") known as Covenant Village (the "Community") in Gastonia, North Carolina.

The Corporation operates under the supervision of a volunteer board of directors (the "Board of Directors" or the "Board"), whose members are elected by the Board. The Board is responsible for the establishment of operational policy and currently consists of 12 members and one at-large member. Board members are elected for an initial three-year term and are eligible for one additional successive three-year term. After serving six successive years, a Board member must be off the Board for one year before becoming eligible again for an additional two terms.

The Community is located on more than 50 acres in Gastonia, Gaston County, North Carolina at 1351 Robinwood Road. The Community provides a continuum of residential accommodations, which currently includes the following: 172 existing independent living units (the "Existing Independent Living Units"), consisting of 130 independent living apartments (the "Independent Living Apartments") and 42 independent living cottages (the "Independent Living Cottages"); eight enhanced living units (the "Enhanced Living Units"); the health center (the "Health Center") currently consists of 71 health center beds (the "Health Center Beds"), which is comprised of 42 assisted living units ("Assisted Living Units") and 29 skilled nursing beds ("Skilled Nursing Beds"); a 9,700-square-foot wellness center; and numerous public and service areas. The Community is licensed for 42 Assisted Living Units and 38 Skilled Nursing Beds, but is currently operating 42 Assisted Living Units and 29 Skilled Nursing Beds.

The hallway housing the Enhanced Living Units will be generally referred to as "Founders Hall".

#### **The Stonecrest Project**

Management is planning an expansion project at the Community to include the construction of 21 independent living villa apartments (the "New Independent Living Units") and new and enhanced dining amenities; construction of a new pavilion; parking updates, including new employee parking; and various campus improvements, including cottage exteriors updates, front entrance signage, other campus signage, retention wall improvements, and widening of the service lane (the "Stonecrest Project" or the "Project").

Collectively, the New Independent Living Units and the Existing Independent Living Units are referred herein as the "Independent Living Units".

The following table summarizes the anticipated timeline of the Stonecrest Project:

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

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### INTRODUCTION AND BACKGROUND INFORMATION (CONTINUED)

---

**Table 1**  
**Stonecrest Project Timeline**

---

Description	Timing
Obtain Financing - Series 2024 Bank Loan	June 2024
Construction Commences on the New Independent Living Units	June 2024
Completion of the Stonecrest Project	December 2025
Achieve Stabilized Occupancy	October 2027

---

Source: Management

Future development and construction of additional expansion projects (“Future Phases”) at the Community are assumed to occur at a date to be determined. The plan of financing, construction, fill-up, and occupancy of Future Phases is not certain. Therefore, the financial impact of Future Phases is not included in Management’s projected financial statements.

#### **The Existing Independent Living Units**

The following table summarizes the type, number, approximate square footage, monthly fees (“Monthly Fees”) and entrance fees (“Entrance Fees”) for the Existing Independent Living Units.

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

### INTRODUCTION AND BACKGROUND INFORMATION (CONTINUED)

**Table 2**  
**Existing Independent Living Unit Configuration**

Type of Unit	Units	Square Footage	Entrance Fees <sup>(1)(2)(3)(4)</sup>	Monthly Fees <sup>(1)</sup>
<b>Studios</b>				
Studios	12	350	\$ 53,250	\$ 3,282
Studio with Kitchenette	22	350	\$ 56,600	\$ 3,282
Studio with Kitchenette and Balcony	27	350	\$ 60,000	\$ 3,282
Total / Weighted Average - Studios	61	350	\$ 57,446	\$ 3,282
<b>Apartments</b>				
1 BR - 1 Bath - Type B	54	700	\$ 158,000	\$ 3,772
2 BR - 2 Bath - Type C	15	1,080	\$ 254,000	\$ 6,605
Total / Weighted Average - Apartments	69	783	\$ 178,870	\$ 4,388
<b>Cottages</b>				
2 BR - 2 Bath - I	10	1,560	\$ 317,750	\$ 3,983
2 BR - 2 Bath - I-B (Garage)	9	1,560	\$ 337,250	\$ 3,983
2 BR - 2 Bath - I-C (Garage and Fireplace)	2	1,560	\$ 346,500	\$ 3,983
2 BR - 2 Bath - I-D (Open Concept)	1	1,560	\$ 375,325	\$ 3,983
2 BR - 2 Bath - II-B (Garage)	1	1,635	\$ 346,500	\$ 3,983
2 BR - 2 Bath - III	3	1,710	\$ 353,500	\$ 3,983
2 BR - 2 Bath - III-A (Fireplace)	1	1,710	\$ 367,250	\$ 3,983
2 BR - 2 Bath - III-B (Garage)	7	1,710	\$ 370,750	\$ 3,983
2 BR - 2 Bath - III-C (Garage and Fireplace)	5	1,710	\$ 381,000	\$ 3,983
2 BR - 2 Bath - IV-B (Garage)	1	1,860	\$ 398,500	\$ 3,983
2 BR - 2 Bath - IV-C (Garage and Fireplace)	1	1,860	\$ 409,950	\$ 3,983
2 BR - 2 Bath - V-C (Garage and Fireplace)	1	1,980	\$ 438,950	\$ 3,983
Total / Weighted Average - Cottages	42	1,643	\$ 352,452	\$ 3,983
Existing Independent Living Units Total/Weighted Average	172	839	\$ 178,193	\$ 3,897
Second Person Fees <sup>(5)(6)</sup>			\$40,000 - \$50,000	\$742 - \$2,758

Source: Management

Notes:

- (1) The Entrance Fee and Monthly Fee pricing is effective as of October 1, 2023.
- (2) The Corporation offers a declining refundable Entrance Fee plan (the "Traditional Amortizing Plan").
- (3) The Corporation charges a one-time, non-refundable administrative fee of \$1,000.
- (4) The Corporation offers a 70 percent refundable entrance fee (the "70 Percent Refundable Plan") for the Cottages to qualified Residents.
- (5) Second person Entrance Fees are as follows: studio apartment (with and without kitchenette) – none; one-bedroom apartment - \$40,000; two-bedroom apartment - \$50,000; cottage - \$50,000.
- (6) Second person Monthly Fees are as follows: studio apartment (with and without kitchenette) - \$2,461; one-bedroom apartment - \$2,758; two-bedroom apartment - \$742; cottage - \$1,437.

The following table summarizes the type, number, approximate square footage, Monthly Fees and Entrance Fees for the Enhanced Living Units.

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

### INTRODUCTION AND BACKGROUND INFORMATION (CONTINUED)

**Table 3**  
**Enhanced Living Unit Configuration**

Unit Type	Units	Square Footage	Entrance Fees <sup>(1)(2)</sup>	Monthly Fees <sup>(1)(3)</sup>
<b>Enhanced Living <sup>(4)</sup></b>				
Studio with Kitchenette	4	350	\$ 50,950	\$ 3,838
1BR with Kitchenette	4	700	\$ 138,500	\$ 4,329
Total Enhanced Living Units / Weighted Average	8	525	\$ 94,725	\$ 4,084

Source: Management

Notes:

- (1) The Entrance Fee and Monthly Fee pricing is effective as of October 1, 2023.
- (2) Entrance Fees reflect the Traditional Amortizing Plan.
- (3) Second person Monthly Fees for the studio Enhanced Living Unit and one-bedroom Enhanced Living Unit, are \$2,794 and \$3,069, respectively.
- (4) The concierge service fee for Enhanced Living services is \$515 per month and reflected in the Monthly Fees, as shown above.

### The Health Center

The following table summarizes the type, number, approximate square footage, and daily fees (“Daily Fees”) of the Health Center Beds, effective October 1, 2023.

**Table 4**  
**Health Center Bed Configuration**

Type of Unit <sup>(1)</sup>	Number of Units	Number of Beds	Approximate Square Footage	Daily Fees <sup>(2)(3)(4)</sup>
<b>Assisted Living Units</b>				
Arbor	19	21	300	\$157 - \$338
Courtyard	3	5	280	\$157 - \$338
Garden	12	12	250	\$157 - \$338
Woodland	4	4	250	\$157 - \$338
Total Assisted Living Units / Weighted Average	38	42	273	\$157 - \$338
<b>Skilled Living Units</b>				
Arbor	-	-	300	\$157 - \$338
Courtyard	16	16	280	\$157 - \$338
Garden	-	-	250	\$157 - \$338
Woodland	13	13	250	\$157 - \$338
Total Skilled Nursing Beds / Weighted Average	29	29	273	\$157 - \$338
Total Health Center Bed / Weighted Average	67	71	273	\$157 - \$338

Source: Management

Notes:

- (1) The Health Center is comprised of 67 units that are interchangeable between skilled nursing beds and assisted living beds.
- (2) Daily fees of \$157 are only available to certain residents (“Residents”) admitted to the Community before October 1, 2021 for either assisted living services or skilled nursing services.
- (3) The Daily Fee for Residents with life care contracts are \$169 and Residents admitted directly into the Health Center is \$338, respectively for either assisted living services or skilled nursing services.
- (4) There is a non-refundable entrance fee of \$35,000 for Residents admitted directly into the Health Center.



## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

### INTRODUCTION AND BACKGROUND INFORMATION (CONTINUED)

#### The Stonecrest Project

The following table summarizes the unit types, approximate square footages, Monthly Fees, and Entrance Fees for the planned Stonecrest Project Units:

**Table 5**  
**Stonecrest Project Unit Configuration**

Unit Type	Units	Square Footage	Entrance Fees <sup>(1)(2)(3)(4)</sup>	Monthly Fees <sup>(1)(5)</sup>
<b>New Independent Living Units</b>				
1 BR - 1.5 Bath, Den	3	1,030	\$ 284,000	\$ 3,500
2 BR - 2 Bath	4	1,230	\$ 333,000	\$ 3,840
1 BR - 2 Bath, Den	6	1,450	\$ 376,000	\$ 4,175
2 BR - 2.5 Bath, Den	6	1,650	\$ 430,000	\$ 4,740
1 BR - 2.5 Bath, Den (4th Floor)	2	1,920	\$ 495,000	\$ 5,200
Total New Independent Living Units / Weighted Average	21	1,450	\$ 381,429	\$ 4,274

Source: Management

Notes:

- (1) The Entrance Fee and Monthly Fee pricing is effective as of October 1, 2023.
- (2) Entrance Fees reflect the Traditional Amortizing Plan.
- (3) The Corporation charges a one-time, non-refundable administrative fee of \$1,000.
- (4) Second person Entrance Fees for the New Independent Living Units are \$50,000.
- (5) Second person Monthly Fees for the New Independent Living Units are \$\$1,430.

The following table summarizes the anticipated changes to the Community's unit configuration as a result of the Stonecrest Project.

**Table 6**  
**Community Configuration Changes**

Level of Care	Before	Change	After
Existing Independent Living Units	172	-	172
Enhanced Living Units	8	-	8
New Independent Living Units	-	21	21
Health Center Beds	71	-	71
Total Units / Beds	251	21	272

Source: Management

#### Residency Agreement

##### *Services and Amenities*

The residency agreement ("Residency Agreement") is a contract under which the Corporation is obligated, upon payment by the resident (the "Resident" or "Residents") of an Entrance Fee and ongoing Monthly Fees, to provide certain services to the Resident. While the Resident occupies an Independent Living Unit, services provided include:

- Three daily meals;
- Weekly housekeeping service and annual deep cleaning;

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

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### **INTRODUCTION AND BACKGROUND INFORMATION (CONTINUED)**

- Laundering of bed and bath linens;
- Heat, air conditioning, water and sewer; trash removal and municipal services;
- Telephone jack, but no personal telephone handset or telephone service;
- Basic cable television and internet service;
- Emergency call devices, nursing assessments, and assistance in emergencies;
- Parking;
- Social, spiritual, educational, and cultural activities;
- Arts and crafts;
- Access to 24-hour nursing and professional staff in the Health Center for consultation, assistance, and emergency needs;
- Maintenance of the Community's buildings and common grounds;
- Access to the Health Center, when the Resident demonstrates a need for moving to a higher level of care; and
- 24-7 security personnel on the grounds of the Community.

#### *Admittance Standards*

To be accepted for residency to a selected Independent Living Unit, the Resident will execute a Residency Agreement. The terms of the Residency Agreement require a prospect Resident (the "Prospective Resident") to meet the following standards prior to admission to Covenant Village:

- Must be 65 years of age or older, except that in the case of a married couple, in which one spouse is 65 years of age or older, the other spouse may be as young as 62 years of age;
- Shall submit the following for review by Covenant Village Admissions Committee (the "Admissions Committee"): an application for admission, including a personal health history, confidential financial statement, and all forms furnished by Covenant Village at the time of application;
- Shall have an interview with a representative from Covenant Village prior to acceptance of residency at Covenant Village. Additional personal interviews may be required;
- Shall submit physical examination report made by a physician selected by the Prospective Resident within thirty days of the projected occupancy date. Such report shall include a statement by such physician that the Prospective Resident is in good health, is ambulatory or can move about independently, and is able to take care of themselves in normal living activities. Covenant Village may require the Prospective Resident to have another physical examination by the Covenant Village Medical Director or by another physician approved by Covenant Village; and,
- For residents with life care contracts, understands and agrees that the first ninety days of occupancy will be known as a probationary period during which the Resident will be required to live independently in the Independent Living Unit in order to qualify to receive nursing services in the Health Center at the reduced rate (the "Probationary Period"). At the end of the initial Probationary Period, the Admissions Committee may review Resident's ability to maintain an independent lifestyle. Residents who are unable to live in the Independent Living Unit at the time of the 90-day review will be admitted to the Health Center, when space permits, at the full non-resident rate for a skilled nursing unit.

Upon execution of the Residency Agreement, the Resident is to pay ten percent of the Entrance Fee, less \$1,000 which was paid upon the Resident's application to Covenant Village. The Resident is to pay the balance of the Entrance Fee within sixty days from the execution of the Residency Agreement. If the Resident does not pay the balance of the Entrance Fee within sixty days of execution of the Residency Agreement, the Resident forfeits the ten percent deposit of the Entrance Fee.

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

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### **INTRODUCTION AND BACKGROUND INFORMATION (CONTINUED)**

#### *Additional Services or Care*

Pursuant to the Residency Agreement, the Resident may reside in the Independent Living Unit for as long as the Resident is capable of meeting the requirements of within the "Transfers or Changes on Levels of Care" section of the Residency Agreement. If the Resident is no longer able to meet the requirements of residing in the Independent Living Units, the Resident may be transferred temporarily or permanently to the Health Center. In the event the Resident needs care beyond that which can be provided by the Corporation, as determined by the Covenant Village Medical Director and Covenant Village Administrator, the Resident may be transferred to a hospital, center, or institution equipped to give such care. Such transfer will be made only after consultation with Resident (to the extent possible), a representative of Resident's family, or the sponsor of Resident, and Resident's attending physician.

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

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### PLAN OF FINANCE

#### Summary of Financing

Total financial requirements to complete the Stonecrest Project and refund the Existing Debt (defined herein) are assumed to approximate \$39,391,000. The Corporation proposes to fund these financial requirements primarily through the issuance of direct placement bank loans of \$37,806,000 (the "Series 2024 Bank Loans"), equity, and a capital contribution. The Corporation is to be solely responsible for the payment of debt service on the Series 2024 Bank Loans. The following sources and uses of funds relating to the Series 2024 Bank Loans are based upon information provided by the Corporation's placement agent (the "Placement Agent"):

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**Table 7**  
**Sources and Uses of Funds**  
**(In Thousands)**

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<b>Source of Funds:</b>		
2024A Bank Loan	\$30,551	(1)
2024B Bank Loan	7,255	(2)
<hr/>		
Total 2024 Bank Loan, Net	37,806	
Contribution	335	(3)
Capital Campaign	1,250	(4)
<hr/>		
<b>Total Sources of Funds</b>	<b>\$39,391</b>	
<b>Uses of Funds:</b>		
Direct Construction Cost	\$26,226	(5)
Construction Contingency	1,154	(6)
Architect, Interior Design, and Engineering Costs	854	(7)
Escalation	1,181	(8)
Marketing	252	(9)
Indirect Project Costs	1,433	(10)
Owner's Contingency	1,385	(11)
<hr/>		
Total Project Related Costs	32,485	
Reimbursement for Capital Expenditures	1,515	(12)
Funded Interest	3,196	(13)
Cash Deposit for the Refinancing	1,103	(14)
Cost of Issuance	1,092	(15)
<hr/>		
<b>Total Uses of Funds</b>	<b>\$39,391</b>	

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Source: Management and the Placement Agent

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

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### PLAN OF FINANCE (CONTINUED)

Notes to Table 7:

- (1) According to the Placement Agent, the following series of loans are assumed to be issued:
  - \$30,551,000 of non-rated tax-exempt fixed rate term loan (the “Series 2024A Bank Loan”) to be advanced on a draw-down basis, assumed to be issued at an average interest rate of 6.35 percent per annum. Interest on the Series 2024A Bank Loan is projected to be paid monthly, beginning on July 1, 2024. Principal on the Series 2024A Bank Loan is projected to be paid monthly, beginning on July 1, 2027. The Series 2024A Bank Loan is projected to mature on June 1, 2057.
  - \$7,255,000 of short-term tax-exempt direct purchase bank revenue bonds (the “Series 2024B Bank Loan”) to be advanced on a draw-down basis, assumed to be issued at an average interest rate of 6.35 percent per annum. The Series 2024B Bank Loan is anticipated to be redeemed in full by entrance fees associated with initial occupancy of the New Independent Living Units. Management has projected monthly principal payments beginning January 1, 2026 with the Series 2024B Bank Loan paid in full by September 1, 2026.
- (2) A contribution from the Corporation of \$335,000 is assumed to be provided to fund the costs of issuance.
- (3) The Corporation is projected to receive a capital contribution of \$1,250,000 from a local foundation over the course of the Projection Period (approximately \$250,000 during each fiscal year).
- (4) Construction, site work, and other costs related to the construction of the Stonecrest Project are assumed to approximate \$26,226,000, based on schematic estimates provided by Management’s prospective construction contractor, Frank L. Blum Construction Company, as of August 1, 2023.
- (5) Management has also included a construction contingency of approximately \$1,154,000 as part of overall construction-related costs.
- (6) Architect, interior design, and engineering costs are assumed to approximate \$854,000 and include costs associated with architect, interior design fees, and civil engineering, including fees related to Stimmel Associates, P.A., CJMW Architecture and other consultants.
- (7) Management has assumed escalation costs of approximately \$1,181,000.
- (8) Marketing costs are assumed to approximate \$252,000.
- (9) Indirect construction costs are assumed to approximate \$1,433,000 including building permit, bank monitor fees, insurance risk, project information technology, sub-default insurance, and other fees.
- (10) Management has also included a project contingency of approximately \$1,385,000 as part of overall Project-related costs.
- (11) Management has assumed receiving approximately \$1,515,000 for reimbursement of prior capital expenditures.
- (12) The Placement Agent has estimated \$3,196,000 of the Series 2023 Bank Loans to be used to fund interest on the Series 2024 Bank Loans through June 2026.
- (13) A cash deposit for the Refinancing is assumed to approximate \$1,103,000.
- (14) Costs of issuance related to the Series 2024 Bank Loans are assumed to approximate \$1,092,000 and include the Placement Agent’s fee, accounting fees, legal fees, bond issuance fees, and other related financing costs associated with the issuance of the Series 2024 Bank Loans.

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

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

#### **Basis of Presentations**

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

In accordance with GAAP, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Corporation and changes therein are classified as follows:

*Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Corporation. Corporation's board may designate assets without restrictions for specific operational purposes from time-to-time. Designated net assets without donor restrictions consist of amounts to be used for the program activities and capital improvements.

*Net Assets With Donor Restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Corporation or by the passage of time. 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 into net assets without donor restrictions. Net assets with donor restrictions whose restrictions are satisfied in the same reporting period in which the contribution was received are reported as unrestricted support.

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

Cash and cash equivalents, excluding those classified as investments and assets whose use is limited, include cash in banks, cash on hand, and investments in highly liquid debt instruments with an original maturity of three months or less when purchased. The Corporation maintains its cash in bank accounts which, at times, may exceed federally depository insurance (FDIC) limits. Management believes the credit risk associated with these deposits is minimal.

#### **Accounts Receivable**

Accounts receivables consist of resident monthly service fees and daily fees. Residents are not required to provide collateral for services rendered. Accounts receivable are reported net of an allowance for credit losses to represent the Corporation's estimate of expected losses at the projected statement of financial position date. The adequacy of the Corporations allowance for credit losses is reviewed on an ongoing basis, using historical payment trends, write-off experience, aging of receivables, a review of specific accounts, as well as expected future economic conditions and market trends, and adjustments are made to the allowance as necessary. Management has not projected an allowance for credit losses consistent with historical experience.

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

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### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Investments**

The Corporation carries investments in equity securities with readily determinable fair values and all investments in debt securities are measured at their fair values in accordance with accounting requirements for certain investments held by nonprofit organizations in the statements of financial position. Beneficial interests in assets held by others are valued at fair value as reported by the holder of the assets. Unrealized gains and losses are included as a component of net investment income (loss) in the statements of activities and changes in net assets (deficits). Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met in the reporting period in which the income and gains (losses) are recognized. Management has not projected any unrealized gains or losses during the Projection Period.

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

Assets limited as to use include investments whose use is limited to maintain an operating reserve as required by North Carolina General Statutes.

#### **Property and Equipment**

The Corporation capitalizes property and equipment over \$1,000. Purchased property and equipment are recorded at cost and include additions and improvements that extend the useful lives of the assets. Expenditures for maintenance, repairs, and minor renovations are charged to expense as incurred. Depreciation is provided on the straight-line method over the following estimated useful lives:

Buildings and Improvements	15 to 40 Years
Land Improvements	7 to 40 Years
Equipment and Furnishings	5 to 10 Years
Vehicles	5 Years
Collectibles and Software	5-10 Years

#### **Intangible Assets**

Long-lived intangible assets include costs associated with rebranding costs incurred by the Corporation. The assets are considered to have finite lives and are being amortized to expense over the respective lives.

#### **Unit Deposits**

Unit deposits consist of payments for cottage and apartment accommodations in advance of those units becoming available.

#### **Deferred Entrance Fees**

Fees paid by a resident upon entering into a continuing care contract are recorded as deferred revenue and amortized into revenue using the straight-line method over the estimated remaining life expectancy of the resident, adjusted on an annual basis. Fees received from resident whose residency may cease, whether voluntarily or involuntarily, within the first 25 months of residency for apartments of 50 months for cottages, are partially refundable. When a resident terminates occupancy, any unamortized entrance fee, net of refundable amounts noted above, are recognized as revenue.

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

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### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Leases**

The Corporation determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets and ROU lease liabilities in the statement of financial position.

ROU assets represent the Corporation's right to use an underlying asset for the lease term and lease liabilities represent the Corporation's obligation to make lease payments arising from the lease. ROU asset and liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Corporation will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Corporation has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the statement of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Corporation has elected to use its incremental borrowing rate that represents an estimate of the interest rate the Corporation would have to pay on borrowed funds.

#### **Contributions**

Contributions received are recorded as without donor restrictions or with donor restrictions revenue, depending on the existence and/or nature of any donor restrictions. Contributions of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Donations of property and equipment and collectibles are recorded as support at their estimated fair value at the date of donation. Such donations are reported as without donor restriction unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, The Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Corporation reclassifies net assets with donor restrictions to net assets without donor restriction at that time.

Unconditional promises to give are recognized at the net present value, net of an allowance for uncollectible amounts, and are classified as with or without donor restrictions based on the donors' intentions, as applicable. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or right of release, are not recognized until the conditions on which they depend have been substantially met. The Corporation did not have any unconditional promises to give at September 30, 2023 and no unconditional promises to give are projected during the Projection Period.

#### **Income Taxes**

The Corporation is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the financial statements do not reflect provision or liability for federal and state income taxes. In addition, the state of North Carolina has granted the Corporation tax-exempt status.



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

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### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Covenant Village files as a tax-exempt organization. Management is not aware of any activities that would jeopardize tax-exempt status of Covenant Village. Management is not aware of any significant activities that are subject to tax on unrelated business income or excise or other taxes for Covenant Village. Covenant Village follows guidance in the income tax standard regarding recognition and measurement of uncertain tax positions. The guidance has had no impact on Covenant Village's financial statements.

#### **Continuing Care Contracts**

The Corporation enters into fee-for-service continuing care contracts with various residents. A fee-for-service continuing care contract is an agreement between a resident and the Corporation specifying the services and facilities to be provided to a resident over his or her remaining life. Under the fee-for-service contracts, the Corporation has the ability to increase fees as deemed necessary. For the year ended September 30, 2023, the Corporation calculated the present value of estimated net costs of future services and the use of facilities to be provided to current residents and compared that amount with the balance of deferred revenue from entrance fees. If the present value of net costs of future services and the use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services) with a corresponding charge to income. No liability was recorded at September 30, 2023, because the present value of the estimated net costs of future services and use of facilities was less than deferred revenue from entrance fees. The obligation was discounted at 5.0% at September 30, 2023. Management has not projected any future service obligation during the Projection Period.

#### **Benevolent Assistance**

The Corporation provides benevolent assistance to residents who are unable to pay the full cost of care and services. Such residents are identified based on financial information obtained from the resident and subsequent review and analysis.

#### **Debt Issuance Costs**

Debt issuance costs have been recorded as a deduction against the related debt and are being amortized using the straight-line method over the lives of the various debt instruments, which approximate amortization computed using the effective interest method.

#### **Use of Estimates**

The preparation of the projected financial statements in conformity with accounting principles generally accepted in the United States of America requires Management to make estimates and assumptions that affect the amounts reported in the projected financial statements. Actual results could differ from those estimates.

#### **Resident Service Revenue**

Resident service revenue is reported at the amount that reflects the consideration to which Covenant Village expects to be entitled in exchange for providing resident care. These amounts are due from residents. Monthly service fees paid by residents for maintenance, meals, and other services are assessed monthly and are recognized as revenue in the period services are rendered. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by Covenant Village. Revenue for performance obligations satisfied over time is recognized based on actual

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

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### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

charges incurred in relation to total expected (or actual) charges. Covenant Village 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 living at Covenant Village receiving independent living or healthcare services. Covenant Village considers daily services provided to residents of the health center, and monthly rent charged to residents living in independent living, as a separate performance obligation measured 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, meals or guest rooms) and Covenant Village does not believe it is required to provide additional goods or services related to that sale.

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

Covenant Village determines the transaction price based on standard charges for goods and services provided, assistance provided to residents in accordance with Covenant Village's policy, and/or implicit price concessions provided to residents. Covenant Village determines its estimate of implicit price concessions based on its historical collection experience.

Covenant Village has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: service line, method of payment, and timing of when revenue is recognized. All resident service revenue is from private pay individuals.

#### **Contract Costs**

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

#### **Deficit of Revenues, Gains, and Other Support Over Expenses**

The projected statements of operations include deficit of revenues, gains, and other support over (under) expenses. Changes in net assets (deficit) without donor restrictions that are excluded from the 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).

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

### SUMMARY OF REVENUE ASSUMPTIONS

#### Resident Service Fees

Resident service fee revenue for Residents living in the Independent Living Units and Enhanced Living Units is based upon the assumed occupancy and Monthly Fees of the respective units. The Independent Living Units' and Enhanced Living Units' Monthly Fees are assumed to increase 5.0 percent on October 1, 2024 and 3.0 percent annually thereafter.

The following table summarizes the projected utilization of the Independent Living Units and Enhanced Living Units.

<b>For the Years Ending September 30,</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
<b>Average Available Units:</b>					
Existing Independent Living Units and Enhanced Living Units	180.0	180.0	180.0	180.0	180.0
New Independent Living Units <sup>(1)</sup>			21.0	21.0	21.0
<b>Total Available Units</b>	<b>180.0</b>	<b>180.0</b>	<b>201.0</b>	<b>201.0</b>	<b>201.0</b>
<b>Average Occupied Units:</b>					
Existing Independent Living Units and Enhanced Living Units	165.0	168.0	168.0	168.0	168.0
New Independent Living Units <sup>(1)</sup>	-	-	10.8	20.0	20.0
<b>Total Average Occupied Units</b>	<b>165.0</b>	<b>168.0</b>	<b>178.8</b>	<b>188.0</b>	<b>188.0</b>
<b>Average Occupancy Percentage:</b>					
Existing Independent Living Units and Enhanced Living Units	92%	93%	93%	93%	93%
New Independent Living Units <sup>(1)</sup>	N/A	N/A	51%	95%	95%
<b>Total Occupancy Percentage</b>	<b>92%</b>	<b>93%</b>	<b>89%</b>	<b>94%</b>	<b>94%</b>

Source: Management

Note:

- (1) The 21 New Independent Living Units are projected to be available for occupancy in December 2025 and are anticipated to fill over an 11 month period at an average of approximately 1.75 units per month.

Double occupancy percentages in the Existing Independent Living Units are assumed to be 23 percent of the occupied units during the Projection Period. Double occupancy percentages in the New Independent Living Units are assumed to be 50 percent throughout the Projection Period. Management has not projected any double occupancy in the Enhanced Living Units.

The following table summarizes the move-in assumptions for the New Independent Living Units during the Projection Period.

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

### SUMMARY OF REVENUE ASSUMPTIONS (CONTINUED)

**Table 9**  
**Fill-Up Schedule – New Independent Living Units**

<b>Fiscal Year / Month</b>	<b>Net Move-Ins</b>	<b>Cumulative Occupied</b>	<b>Cumulative Occupancy</b>
<b>2026</b>			
December	4.0	4.0	19.0%
January	3.0	7.0	33.3%
February	2.0	9.0	42.9%
March	2.0	11.0	52.4%
April	2.0	13.0	61.9%
May	2.0	15.0	71.4%
June	1.0	16.0	76.2%
July	1.0	17.0	81.0%
August	1.0	18.0	85.7%
September	1.0	19.0	90.5%
<b>2027</b>			
October	1.0	20.0	95.2%
<b>Total</b>	<b>20.0</b>	<b>20.0</b>	<b>95.2%</b>

Source: Management

#### **Assumed Independent Living and Enhanced Living Turnover**

The assumed turnover for the Independent Living Units and the Enhanced Living Units due to death, withdrawal, or transfer to the Health Center, and double occupancy of the Independent Living Units has been based, in part, on historical experience of the Corporation.

Refunds of Entrance Fees are generated upon termination of the Residency Agreement and withdrawal from the Community, subject to the re-occupancy of the vacated Independent Living Units. Entrance Fees may be generated from Independent Living Unit turning over without a corresponding refund because the Resident has not withdrawn from the Community, but has permanently transferred to assisted living, memory care, or nursing accommodations. The assumed number of refunds on the Independent Living Units and Enhanced Living Units is provided by Management.

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

### SUMMARY OF REVENUE ASSUMPTIONS (CONTINUED)

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

**Table 10**  
**Entrance Fee Receipts and Total Entrance Fee Refunds**  
**(In Thousands)**

	2024	2025	2026	2027	2028
<b>Independent Living and Enhanced Living Units:</b>					
Entrance Fee Receipts from Initial Residents	\$ -	\$ -	\$ 7,722	\$ 406	\$ -
Entrance Fee Receipts from Unit Turnover	3,889	3,799	3,725	3,961	4,189
Entrance Fees Refunded from Unit Turnover	(125)	(127)	(132)	(168)	(203)
Entrance Fees Received, Net of Refunds	\$ 3,764	\$ 3,672	\$ 11,315	\$ 4,199	\$ 3,986
<b>Entrants Generating Entrance Fees:</b>					
Number of Independent Living Initial Entrants	-	-	19	1	-
Number of Independent Living and Enhanced Living Turnover Unit Entrants	24	23	21	21	21

Source: Management

Notes:

- (1) The Entrance Fee refunds for the Independent Living Units are based on the experience of Management.
- (2) The Corporation offers the Traditional Amortizing Plan for all Existing Independent Living Units, Enhanced Living Units and New Independent Living Units, and a 70 Percent Refundable Plan for the Cottages to qualified Residents.

Entrance Fees for the Independent Living Units are assumed to increase 5.0 percent on October 1, 2024 and 3.0 percent annually thereafter.

### Health Center

The Community currently has accommodations, equipment, staffing, programs, services, and supervision necessary for the Health Center, including services for assisted living and skilled nursing services, with these accommodations available to Residents on a priority basis. However, the Corporation cannot guarantee access to these areas.

The Daily Fees are generated from the Health Center services provided to Residents transferring from the Independent Living Units, as well as direct admissions from the surrounding area to the Health Center. Residents permanently transferring from the Independent Living Units to the Health Center are assumed to pay a discount on the then-current Daily Fee. Health Center Daily Fees, either for assisted living services or for skilled nursing services, are assumed to increase 5.0 percent on October 1, 2024 and 3.0 percent annually thereafter.

In addition to the Health Center Daily Fee, Residents admitted directly to a Health Center Beds from the surrounding area are to pay a \$35,000 non-refundable Entrance Fee, which are to increase 5.0 percent on October 1, 2024 and 3.0 percent annually thereafter.

The following table summarizes the projected utilization of the Health Center Beds, by contract type.

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

### SUMMARY OF REVENUE ASSUMPTIONS (CONTINUED)

**Table 11**  
**Utilization of Health Center Beds**

For the Years Ending September 30,	Life Care	Direct Admission	Occupied	Available	Occupancy Percentage
2024	43.0	19.0	62.0	71.0	87.3%
2025	43.0	19.0	62.0	71.0	87.3%
2026	43.0	19.0	62.0	71.0	87.3%
2027	43.0	19.0	62.0	71.0	87.3%
2028	43.0	19.0	62.0	71.0	87.3%

Source: Management

The following table summarizes the projected utilization of the Health Center Beds.

**Table 12**  
**Utilization of Health Center Beds**

For the Years Ending September 30,	2024	2025	2026	2027	2028
<b>Average Available Units:</b>					
Assisted Living Units	42.0	42.0	42.0	42.0	42.0
Skilled Nursing Beds	29.0	29.0	29.0	29.0	29.0
Total Available Units	71.0	71.0	71.0	71.0	71.0
<b>Average Occupied Units:</b>					
Assisted Living Units	38.0	38.0	38.0	38.0	38.0
Skilled Nursing Beds	24.0	24.0	24.0	24.0	24.0
Total Average Occupied Units	62.0	62.0	62.0	62.0	62.0
<b>Average Occupancy Percentage:</b>					
Assisted Living Units	90%	90%	90%	90%	90%
Skilled Nursing Beds	83%	83%	83%	83%	83%
Total Occupancy Percentage	87%	87%	87%	87%	87%

Source: Management

### **Other Revenue**

In addition, resident revenues for the Independent Living Units and Health Center Beds also include revenues from additional resident meals, barber and beauty services, and gift shop sales, which are assumed to increase 3.0 percent beginning October 1, 2024 and annually thereafter.

### **Interest Income**

The average annual rate of return on the Corporation's unrestricted cash, investments, and assets limited to use is assumed to be 0.5 percent, 4.0 percent, and 4.0 percent, respectively.

### **Contributions**

Contributions include unrestricted and donor restricted gifts, which are assumed to increase 3.0 percent beginning October 1, 2024 and annually thereafter.

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

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### **SUMMARY OF EXPENSE ASSUMPTIONS**

#### **Operating Expenses**

Operating expenses are estimated by Management based on its historical experience and expectations for the Projection Period. Staff salaries and benefits are based on prevailing local salary and wage rates and are assumed to increase 5.0 percent on October 1, 2024 and 3.0 percent annually thereafter throughout the Projection Period. The costs of employee fringe benefits are assumed to approximate 22.3 percent of salaries and wages beginning on October 1, 2024 and annually thereafter.

Other non-salary operating expenses are assumed to include ongoing marketing costs, raw food costs, utilities, supplies, maintenance and security contracts, building and general liability insurance, legal and accounting fees, and other miscellaneous expenses and are assumed to increase 5.0 percent on October 1, 2024 and 3.0 percent annually thereafter throughout the Projection Period

In addition, Management has projected operating expenses associated with the Project. These operating expenses have been projected in Housekeeping, Food and Nutrition, Operating and Maintenance, Security, and Management and General. Management has projected these operating expense based upon historical experience and changes in occupancy. Management has inflated these operating expenses at the same inflationary rates as previously described.

#### ***Interest Expense***

Interest expense is projected related to the debt service requirements of the Note Payable (as defined hereinafter) and the Series 2024 Bank Loans, and amortization of debt issuance costs associated with the Series 2024 Bank Loans.

#### ***Depreciation Expense***

Property and equipment are projected to be depreciated over their estimated useful lives using the straight-line method.

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

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### **SUMMARY OF OTHER ITEMS**

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

##### *Cash and Cash Equivalents*

Cash and cash equivalents balances for the Projection Period are based on the results of the projected statements of cash flows.

##### *Accounts Receivable*

Accounts receivable are projected based on historical levels at 3 days of total resident revenue.

##### *Other Receivables*

Other receivables are projected based on historical levels at 2 days of total resident revenue.

##### *Inventories*

Inventories are projected based on historical levels at 6 days of operating expenses less salaries and benefits, interest expense, amortization, and depreciation.

##### *Prepays*

Prepays are projected based on historical levels at 3 days of operating expenses less salaries and benefits, interest expense, amortization, and depreciation.

##### *Accounts Payable*

Accounts payable are projected based on historical levels at 21 days of operating expenses, less salaries and benefits, interest expense, amortization, and depreciation.

##### *Accrued Expenses*

Accrued expenses are projected based on historical levels at 27 days of salaries and benefits operating expenses.

##### *Accrued Interest Payable*

Accrued interest payable has been calculated based on interest expense requirements of outstanding debt.

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

A narrative description of the assets limited as to use follows.

- Statutory Operating Reserve – North Carolina Statutory Operating Reserve – Section 58-64-33 of the General Statutes of North Carolina, as amended, requires that all continuing care facilities maintain operating reserves equal to 50 percent of the total operating costs (as defined in Section 58-64-33) (or 25 percent of the total operating costs if such facilities maintain an occupancy level in excess of 90 percent and the North Carolina Commissioner of Insurance so approves) for the 12-month period related to the calculation. Such operating reserves may only be released upon approval of the North Carolina Commissioner of Insurance. Management has projected, based on its projected occupancies, meeting the 25 percent operating reserve requirement for all years of the Projection Period.



## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

### SUMMARY OF OTHER ITEMS (CONTINUED)

The following reflects the statutory operating reserve requirements, as projected by Management:

**Table 13**  
**Projected Statutory Operating Reserve Calculation**  
**Years Ending December 31,**  
**(In Thousands)**

	2024	2025	2026	2027	2028
<b>Statutory Operating Reserve Calculation (Expenses in Thousands):</b>					
Total Operating Expenses	\$ 17,076	\$ 17,848	\$ 21,281	\$ 22,130	\$ 22,730
Add: Principal Payment on Long-Term Debt	1,300	-	7,255	82	357
Less: Depreciation	(1,600)	(1,680)	(2,846)	(2,991)	(3,081)
Less: Amortization on Bond Issuance Costs	(39)	(128)	(96)	(36)	(36)
Less: Amortization of Intangible Assets	(21)	(21)	(21)	(21)	(21)
Less: Principal Payments Funded from Initial Entrance Fees	-	-	(7,255)	-	-
<b>Total Operating Costs</b>	<b>\$ 16,716</b>	<b>\$ 16,019</b>	<b>\$ 18,318</b>	<b>\$ 19,164</b>	<b>\$ 19,949</b>
Required Reserve <sup>(1)</sup>	25%	25%	25%	25%	25%
<b>Required Operating Reserve</b>	<b>\$ 4,179</b>	<b>\$ 4,005</b>	<b>\$ 4,580</b>	<b>\$ 4,791</b>	<b>\$ 4,987</b>
<b>Available Units at September 30:</b>					
Existing Independent Living Units and Enhanced Living Units	180	180	180	180	180
New Independent Living Units	-	-	21	21	21
Assisted Living Units	42	42	42	42	42
<b>Total Available Units</b>	<b>222</b>	<b>222</b>	<b>243</b>	<b>243</b>	<b>243</b>
<b>Occupied Units at September 30:</b>					
Existing Independent Living Units and Enhanced Living Units	165	168	168	168	168
New Independent Living Units	-	-	20	20	20
Assisted Living Units	38	38	38	38	38
<b>Total Occupied Units</b>	<b>203</b>	<b>206</b>	<b>226</b>	<b>226</b>	<b>226</b>
<b>Occupancy at September 30</b>	<b>91.4%</b>	<b>92.8%</b>	<b>93.0%</b>	<b>93.0%</b>	<b>93.0%</b>

Source: Management

Notes:

- (1) If combined independent living and assisted living occupancy is less than 90 percent, the operating reserve requirement is 50 percent; otherwise, it is 25 percent.

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

### SUMMARY OF OTHER ITEMS (CONTINUED)

#### Property and Equipment

The Company is assumed to incur routine capital additions during the Projection Period that would be capitalized as property and equipment. Property and equipment donated are recorded as unrestricted contributions at fair market value at the date of receipt. Expenditures for maintenance, repairs and minor renovations are charged to expense as incurred. Routine capital additions during the Projection Period are summarized in the table below.

**Table 14**  
**Projected Routine Capital Additions**  
**For the Years Ending September 30,**  
**(In Thousands)**

	2024	2025	2026	2027	2028
Project Costs	\$ 8,089	\$ 20,062	\$ 3,017	\$ -	\$ -
Capitalized Interest, Net of Interest Earnings, During Project Construction	260	1,510	365	-	-
Routine Capital Additions	918	952	987	1,022	1,058
<b>Total</b>	<b>\$ 9,267</b>	<b>\$ 22,524</b>	<b>\$ 4,369</b>	<b>\$ 1,022</b>	<b>\$ 1,058</b>

Source: Management

**Table 15**  
**Projected Property and Equipment <sup>(1)</sup>**  
**At September 30,**  
**(In Thousands)**

	2024	2025	2026	2027	2028
Land and Land Improvements	\$ 2,596	\$ 2,596	\$ 2,596	\$ 2,596	\$ 2,596
Buildings and Building Improvement	39,782	40,544	74,630	75,448	76,294
Furniture and Fixtures	4,848	5,038	6,392	6,596	6,808
Vehicles	368	368	368	368	368
Collectibles	25	25	25	25	25
<b>Total Before Accumulated Depreciation</b>	<b>47,619</b>	<b>48,571</b>	<b>84,011</b>	<b>85,033</b>	<b>86,091</b>
Less Accumulated Depreciation	(33,369)	(35,049)	(37,895)	(40,886)	(43,967)
Construction in Progress	10,519	31,965	864	864	864
<b>Net Property and Equipment</b>	<b>\$ 24,769</b>	<b>\$ 45,487</b>	<b>\$ 46,980</b>	<b>\$ 45,011</b>	<b>\$ 42,988</b>

Source: Management

Note:

(1) Management has projected the Project will be completed and placed into service in December 2025.

#### Interest and Long-Term Debt

##### *Existing Debt*

The Corporation has an unsecured note payable to a bank with interest payable monthly at 2.89 percent and annual principal payments of \$200,000 (the "Existing Debt"). The note matures December 1, 2025. As of September 30, 2023, approximately \$1,300,000 of the Existing Debt was outstanding. Principal on the Existing Debt is planned to be refunded with proceeds from the Series 2024 Bank Loans, subsequent to a \$200,000 regularly scheduled payment projected to be paid in 2024.

##### *Series 2024 Bank Loans*

See Note 1 to Table 7 for details regarding the Series 2024 Bank Loans.

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

### SUMMARY OF OTHER ITEMS (CONTINUED)

Projected principal payments on the Corporation's total long-term debt is presented in the following table, which is presented on a September 30, fiscal year basis.

**Table 16**  
**Projected Principal Payments**  
**(In Thousands)**

Year Ending December 31,	Note Payable	Series 2024A Bank Loan	Series 2024B Bank Loan	Total
2024				
Payment	\$ 200	\$ -	\$ -	\$ 200
Refinance	1,100	-	-	1,100
Total	\$ 1,300	\$ -	\$ -	\$ 1,300
2025	-	-	-	-
2026	-	-	7,255	7,255
2027	-	82	-	82
2028	-	357	-	357
Thereafter	-	30,112	-	30,112
Total	\$ 1,300	\$ 30,551	\$ 7,255	\$ 39,106

Source: Management

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

### SUPPLEMENTAL PROJECTED SCHEDULE OF FINANCIAL RATIOS

#### Financial Ratios

The following table reflects the projected financial ratios during the Projection Period.

	2024	2025	2026	2027	2028
<b>Debt Service Coverage Ratios</b>					
Change in Net Assets (Deficits)	\$ (913)	\$ (735)	\$ (2,854)	\$ (1,966)	\$ (1,938)
Remove:					
Amortization of Deferred Entrance Fees	(1,730)	(1,817)	(1,929)	(2,513)	(2,564)
Add:					
Depreciation	1,600	1,680	2,846	2,991	3,081
Amortization of Intangible Assets	21	21	21	21	21
Amortization of Deferred Financing Costs	39	128	96	36	36
Interest Expense	38	-	1,634	1,802	1,791
Entrance Fees from Attrition, Net of Refunds	3,764	3,672	3,593	3,793	3,986
<b>Funds Available for Debt Service</b>	<b>\$ 2,819</b>	<b>\$ 2,949</b>	<b>\$ 3,407</b>	<b>\$ 4,164</b>	<b>\$ 4,413</b>
<b>Annual Debt Service</b> <sup>(1)(2)</sup>	238	N/A	477	2,048	2,313
<b>Annual Debt Service Coverage Ratio</b>	11.84	N/A	7.14	2.03	1.91
<b>Maximum Annual Debt Service</b> <sup>(3)</sup>					\$ 2,313
<b>Maximum Annual Debt Service Coverage Ratio</b>	NA	NA	NA	NA	1.91
	2024	2025	2026	2027	2028
<b>Days Cash on Hand</b>					
Cash and Cash Equivalents	\$ 547	\$ 570	\$ 594	\$ 615	\$ 634
Investments	6,223	7,713	9,645	11,109	12,125
North Carolina Operating Reserve	4,179	4,005	4,580	4,791	4,987
<b>Total Cash on Hand</b>	<b>\$ 10,949</b>	<b>\$ 12,288</b>	<b>\$ 14,819</b>	<b>\$ 16,515</b>	<b>\$ 17,746</b>
Total Expenses	\$ 17,076	\$ 17,848	\$ 21,281	\$ 22,130	\$ 22,730
Less:					
Depreciation	(1,600)	(1,680)	(2,846)	(2,991)	(3,081)
Amortization of Deferred Issuance Costs	(39)	(128)	(96)	(36)	(36)
Amortization of Intangible Assets	(21)	(21)	(21)	(21)	(21)
<b>Total Adjusted Operating Expenses</b>	<b>\$ 15,416</b>	<b>\$ 16,019</b>	<b>\$ 18,318</b>	<b>\$ 19,082</b>	<b>\$ 19,592</b>
Divided by Days	366	365	365	365	365
Daily Operating Expenses <sup>(4)</sup>	42.1	43.9	50.2	52.3	53.7
<b>Days Cash on Hand</b>	<b>260</b>	<b>280</b>	<b>295</b>	<b>316</b>	<b>330</b>

Source: Management

Notes:

- (1) Annual Debt Service excludes funded interest and debt service related to the principal payments on the Series 2024B Bank Loan from initial entrance fees of the Project.
- (2) Annual Debt Service in 2024 includes the regularly scheduled principal payment on the Note Payable, and related interest, until the assumed refinancing. In addition, the Annual Debt Service amount noted in 2026 is for interest associated on the Series 2024A Bank Loan subsequent to the end of funded interest.
- (3) Maximum Annual Debt Service is equal to the greatest aggregate debt service requirement in the then-current or any future fiscal year on the Series 2024 Bank Loans. Debt service from the Series 2024 Bank Loans is not measured until fiscal year ending September 30, 2028, the first full fiscal year of stabilized occupancy on the Project.
- (4) Daily operating expenses are equal to total adjusted operating expenses divided by 365 days.

**See Independent Accountants' Compilation Report**

## **X. ATTACHMENT 3**

### **Resident's Agreements/Contracts**

Apartment Agreement

Cottage Agreement

Founder's Hall Agreement

Direct Admit Agreement



## COVENANT VILLAGE

### LIFE CARE AGREEMENT

### COVENANT VILLAGE, INC.

### MAIN BUILDING APARTMENTS

THIS AGREEMENT is made this \_\_\_\_\_ by and between Covenant Village, Inc., a North Carolina non-profit corporation, hereinafter called the "Covenant Village" and \_\_\_\_\_ hereinafter called "Resident" (if husband and wife, or two other persons enter into this Agreement, the word "Resident" shall apply to them collectively unless the context otherwise requires.)

WHEREAS, Covenant Village owns and operates a life care retirement community located on 1351 Robinwood Road in Gastonia, North Carolina, and,

WHEREAS, Resident is desirous of becoming a resident of Covenant Village and of living in an Apartment and using the facilities, programs and services provided by Covenant Village subject to the terms and conditions of the Agreement;

NOW, THEREFORE, Resident and Covenant Village agree as follows:

#### I. ACCOMMODATIONS AND SERVICES

Subject to the terms and conditions set forth in this Agreement, Covenant Village agrees to provide Resident the living accommodations, programs and services at Covenant Village described as follows:

A. **Living Accommodation.** “\_\_\_\_\_” type of unit located in the main building of Covenant Village, (hereinafter referred to as the "Apartment"). Resident has the exclusive right to occupy and use the Apartment subject to the terms and conditions set forth in this Agreement.

B. **Utilities.** Covenant Village will furnish electricity, gas, water, sewer, trash removal and municipal services. Resident is responsible for any charges related to landline telephone, cable television and wireless internet services **outside of Covenant Village’s bundling services.**

**C. Furnishings.** Covenant Village will provide: LVT flooring throughout, plantation shutters for windows and crown molding throughout the apartment; interior walls will be painted a standard neutral color sheetrock, smooth ceilings, tiled walk in shower with frameless shower door, grab bars, framed mirror, heat and air conditioning with individual thermostat; emergency call devices and automatic fire alarm to summon assistance, overhead heat lamp and a mirror in each bathroom; lever door hardware; sound insulation between apartments; mail boxes and an apartment number for each apartment; and, cable television and telephone pre-wiring. Covenant Village will provide quartz countertops and subway tile in the kitchen, kitchen appliances that include, standard refrigerator with freezer, stove, dishwasher, garbage disposal and microwave for one and two-bedroom apartments: studio apartments have kitchenettes that include quartz countertops and subway tile backsplash in kitchenette standard refrigerator with freezer and microwave. All furniture, furnishings, decorations, accessories, bed and bath linens and other personal property shall be provided by Resident. Resident may obtain a bound carpet rug at their expense. Any area or carpet rug installed cannot be permanently affixed to the LVT flooring.

**D. Meals.** Three nutritionally well-balanced meals will be available to Residents each day, which will be served in the central dining room. Special diets will be provided when ordered by Resident's physician. A provision for credit for uneaten meals during a Resident's absence from Covenant Village will be made in accordance with the policies of Covenant Village, which currently call for credits to begin after seven consecutive days of absence from Covenant Village. Meals for guests will be available for an additional charge.

**E. Housekeeping Services.** Covenant Village provides regular housekeeping services including vacuum cleaning, dusting, cleaning of baths and kitchens and trash removal.

**F. Laundry.** Covenant Village will change and launder Resident's bed and bath linens on a regular basis.

**G. Maintenance and Repairs.** Covenant Village will maintain and keep in repair its improvements, furnishings and equipment. Resident will be responsible for the cost of repairing damage to property of Covenant Village caused by the negligence of Resident or any guest of Resident, ordinary wear and tear excepted. Any structural or physical change or redecoration of any kind within the Apartment will require the approval of Covenant Village. The cost of any change or cost of redecoration will be paid by Resident. Any such improvement or change will become property of Covenant Village upon termination of this Agreement.

H. **Groundskeeping.** Covenant Village will furnish basic groundskeeping service for all the grounds of Covenant Village, including lawn, trees and shrubbery care. Subject to approval by Covenant Village, Resident may plant certain areas designated for such purpose by Covenant Village. Resident is responsible for maintenance of such plantings.

I. **Parking.** Covenant Village will provide parking areas for Resident's personal vehicles.

J. **Common Facilities.** Common facilities provided by Covenant Village for the use and benefit of Resident are: a central dining room, living room, lounges, sitting areas, library, arts and crafts room, lobbies, beauty parlor, chapel, laundry rooms, and outdoor walkways and gardening areas.

K. **Activities.** Social, spiritual, educational, cultural activities, arts and crafts, exercise and health programs will be available to Residents.

L. **Usual Health Service of Covenant Village Health Center.** Covenant Village will provide Resident with nursing and health care in the Covenant Village Health Center, as well as 24-hour nursing and professional staff for consultation, assistance and emergency needs.

## II. FINANCIAL ARRANGEMENTS

A. **Entrance Fee.** In consideration for the living accommodations, services and programs offered hereunder, Resident agrees to pay an Entrance Fee of \$\_\_\_\_\_ less the **\$1,000.00** in consideration of the application fee paid. Resident will pay a deposit of 10% of the Entrance Fee, \_\_\_\_\_. The balance of the entrance fee of \$\_\_\_\_\_ is due in sixty days from the date of signing this agreement and Resident agrees that occupancy and monthly charges begin on this date. Resident further agrees to forfeit the deposit of 10% of the Entrance Fee if the balance of the entrance fee and monthly charges are not paid within sixty days from the date of this agreement, except as provided herein below in Section VI.

B. **Monthly Charge.** In addition to the Entrance Fee, Resident agrees to pay a Monthly Charge during the term of this Agreement which shall be payable in advance by the tenth day of each month. As of the date of this Agreement, Covenant Village estimates that the monthly charge associated with the Apartment will be \$\_\_\_\_\_ per month plus an additional \_\_\_\_\_ per month if a second Resident occupies the Apartment. For permanent residence in a



private room in the Health Center, Resident agrees to pay a daily rate equal to 50% of direct admission daily rate at that time. The charges are also subject to change during the term of this Agreement as described in Paragraph C. below.

**C. Adjustments in the Charge.** The charges are assessed to provide the facilities, programs, and services described in this Agreement and are intended to meet the cost associated with the establishment, operations and management of Covenant Village. Covenant Village shall have the authority to adjust the charges from time-to-time during the term of this Agreement as Covenant Village in its discretion deems necessary in order to reflect changes in such costs of providing such facilities, programs and services described herein consistent with operating on a sound financial basis and maintaining the quality of services called for herein. Any such increases in the charges may be made by Covenant Village upon thirty (30) days written notice to Resident. Covenant Village also reserves the right to revise and amend the basis of all charges. Adjustments are not made in the charges if Resident is absent from the facility, except as may be determined, from time-to-time, by Covenant Village

**D. Monthly Statements.** Covenant Village will furnish Resident, upon request, a monthly statement showing the total amount of fees and other charges owed by Resident, which shall be payable by the tenth day of the month. Covenant Village may charge interest on any unpaid balance owed by Resident thirty (30) days after the monthly statement is furnished.

**E. Charges in the Covenant Village Health Center.** Should Resident qualify for nursing services in the Covenant Village Health Center, it is understood that Resident will be charged the published rate for a private room and will be charged an amount equal to the single person Monthly Charge in the accommodation occupied by Resident at the time of the transfer for temporary stays in semi-private rooms. In addition, charges may be made at the sole discretion of Covenant Village for extraordinary care, drugs, and supplies. Resident is responsible for the cost of prescription and non-prescription medications; surgical, dental and optical services; physical examinations and any medical service beyond that available in the Covenant Village Health Center; dry-cleaning service and personal laundry service; wheelchairs and other medical equipment used exclusively by Resident. Also, any professional services (medical or otherwise) contracted by Resident or in behalf of Resident shall be billed directly to Resident.

**F. Care in Other Institutions.** Should Resident require care that requires transfer to another institution, all expenses, which will result from such transfer, and care shall be borne entirely by Resident.

### III. ADMISSION

The admission requirements for residency with Covenant Village are nondiscriminatory except as to age. Covenant Village is open to both married and single men and women of all races, religions and without regard to place of former residence. The Resident is required to meet the following standards prior to admission to Covenant Village:

A. Resident must be 65 years of age or older, except that in the case of a married couple in which one spouse is 65 years of age or older, the other spouse may be as young as 62 years of age.

B. Resident shall submit for review by the Covenant Village Admission Committee an Application for Admission, a Personal Health History and a Confidential Financial Statement, all forms furnished by Covenant Village at the time of Application.

C. Resident shall have an interview with a representative from Covenant Village prior to acceptance at Covenant Village. After reviewing all information required to be furnished herein, additional personal interviews may be required by Covenant Village.

D. Resident shall submit a report of a physical examination of Resident made by a physician selected by Resident within thirty (30) days of the projected occupancy date. Such report shall include a statement by such physician that Resident is in good health, is ambulatory or can move about independently and is able to take care of himself or herself in normal living activities. Covenant Village may require Resident to have another physical examination by the Medical Director or by another physician approved by Covenant Village. If the health of Resident as disclosed by such physical examination differs materially from that disclosed in Resident's Application for Admission and Personal Health History, Covenant Village shall have the right to decline admission of Resident and to terminate this Agreement or, in the discretion of Covenant Village, to permit Resident to take occupancy of accommodations at Covenant Village suitable to the needs of Resident.

E. Resident understands and agrees that the first ninety (90) days of occupancy will be known as a probationary period during which Resident will be required to live independently in the Apartment in order to qualify to receive nursing services in the Covenant Village Health Center at the reduced rate residents with life care contracts. At the end of the initial ninety (90) day probationary period,

the Admissions Committee may review Resident's ability to maintain an independent life-style. Residents who are unable to live in the Apartment at the time of the ninety (90) day review will be admitted to the Covenant Village Health Center, when space permits, at the full non-resident rate for nursing care. It is understood that the determination of the Admissions Committee will be final.

F. It is understood that Covenant Village through its Admissions Committee has the right to reject any application for admission to Covenant Village.

G. The Resident affirms 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 Covenant Village as a basis for entering into this Agreement.

#### **IV. TERMS OF RESIDENCY**

A. **Rights of Resident.** Resident has the right to occupy and enjoy the Apartment initially occupied during Resident's 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 Covenant Village other than the right to use and occupy the Apartment or an accommodation in the Covenant Village Health Center in accordance with the terms hereof. Resident agrees that the rights of Resident under this Agreement are subject to and subordinate to the rights of a lender under any mortgage or deed of trust now or hereafter executed by Covenant Village creating a lien on any property of Covenant Village.

B. **Rules and Regulations.** Resident will abide by Covenant Village's rules and regulations and such reasonable amendments, modifications and changes of the rules and regulations as may hereafter be adopted by Covenant Village. It is understood that Covenant Village has the right to make exception to the rules and regulations when deemed necessary by the Board of Directors or the management of Covenant Village.

C. **Changes in the Apartment.** Covenant Village has the right to change the Apartment to meet requirements of any applicable statute, law or regulation. The Apartment may not be used in any manner in violation of any zoning ordinances or other governmental law or regulation.

D. **Visitors.** Except for short-term visitors or guests, no person other than Resident may reside in the Apartment without the approval of Covenant Village.

**E. Loss of Property.** Covenant Village shall not be responsible for the loss of any property belonging to Resident due to theft, mysterious disappearance, fire or any other cause. It is understood that Resident will have the responsibility of providing any desired insurance protection covering any such loss.

**F. Occupancy by Two Persons.** In the event that two persons occupy an Apartment under the terms of this Agreement, upon the permanent transfer to the Covenant Village Health Center or the death of one of such persons, or in the event of the termination of this Agreement with respect to one of such persons, the agreement shall continue in effect as to the remaining or surviving Resident who shall have the option to retain the same Apartment. The remaining or surviving Resident will thereafter pay the Monthly Charge for one person associated with the Apartment occupied by Resident, as illustrated in Paragraph II. B.

**G. Medical Insurance.** Resident shall maintain Medicare Part A, Medicare Part B and one supplemental health insurance policy or equivalent insurance coverage acceptable to Covenant Village and shall furnish Covenant Village with evidence of such coverage upon request.

**H. Personal Damages.** Except for matters of gross negligence on the part of Covenant Village, Resident agrees to assume all risks or personal damages by reason of any accident or injury while a resident of Covenant Village or by reason of the termination of resident in Covenant Village for misconduct or violation of Covenant Village's policies governing residents, or for any other reason.

**I. Right of Entry.** Covenant Village has the right to enter the Apartment to perform routine maintenance, for purposes of inspection and to assist Resident in an emergency. Covenant Village will make every effort to preserve Resident's rights to privacy.

**J. Occupancy.** The Apartment is considered to be occupied by Resident the date monthly charges commence and/or while Resident's personal effects are in the Apartment.

## **V. TRANSFERS OR CHANGES ON LEVELS OF CARE**

**A.** It is understood that Covenant Village has the right to make or change living accommodation assignments if necessary in order to best serve the needs of Resident and Covenant Village.

B. Resident agrees that Covenant Village shall have authority to determine when or if Resident should be transferred from Resident's Apartment to the Covenant Village Health Center or from one level of care to another level of care within the Covenant Village Health Center. Such determination shall be based on the professional opinion of the Medical Director and the Health Services Administrator of Covenant Village and shall be made only after consultation to the extent practical with Resident, a representative of Resident's family or the sponsor of Resident and Resident's attending physician.

C. If it is determined by the Medical Director and the Health Services Administrator that Resident needs care beyond that which can be provided by the facility and personnel of Covenant Village, Resident may be transferred to a hospital, center or institution equipped to give such care, which care will be at the expense of Resident. Such transfer of Resident will be made only after consultation with Resident to the extent possible, a representative of Resident's family or the sponsor of Resident, and Resident's attending physician.

D. If a determination is made by Covenant Village that any transfer described in Paragraph V. is probably not temporary in nature, Resident agrees to surrender the Apartment or the accommodation in the Health Center within thirty (30) days after Resident has been notified by Covenant Village. If Covenant Village subsequently determines upon the opinion of the Medical Director and the Health Services Administrator that Resident can resume occupancy in accommodations comparable to those occupied by Resident prior to such transfer, Resident shall have priority to such accommodations as soon as they become available. If the living accommodation is not vacated within thirty (30) days, the Resident agrees to pay additional Monthly Charges.

## **VI. TERMINATION AND REFUND PROVISIONS**

A. Resident may rescind this agreement within thirty days of the latter of the execution date of this contract or the receipt of the disclosure statement, with no penalty. Resident is not required to move into the unit before the expiration of the 30-day period. If Resident dies before occupying the apartment, or if, on account of illness, injury, or incapacity, a resident is precluded from occupying the apartment and such condition is certified in writing by a physician, then in either event the contract shall be deemed immediately cancelled. Any refund under this paragraph will be paid within sixty (60) days after written notice has been received by Covenant Village. Resident or Resident's legal representative shall

receive a refund of all money or property transferred to Covenant Village, less monthly fees specified in the Contract for the period of time unit was actually occupied by Resident, less non-standard costs specifically incurred by Covenant Village at the request of the Resident and described in the Contract or any Contract amendment signed by Resident, and less a \$1,000 administrative fee. The entrance fee will be refunded without amortization reductions as specified herein below during the 30-day rescission period.

B. After taking occupancy and becoming a resident of Covenant Village, should residency for any reason cease, whether voluntarily or involuntarily, Covenant Village shall be under no obligation to make a refund to Resident provided, however, that if such cessation of residency occurs within the first twenty-five (25) months of residency, Covenant Village will refund the Entrance Fee, less four percent (4%) thereof for each calendar month, or portion thereof of residency, and less one thousand dollars (\$1,000) as an administrative and refurbishing charge. Payment of any refund due Resident under this paragraph will be made when Covenant Village receives full payment of the Entrance Fee from a qualified substitute resident.

C. No Entrance Fee refund will be made after twenty-five (25) months of residency and no refund will be made, at any time, for a resident transferring to Covenant Village's Health Center facilities.

D. Covenant Village may terminate this Agreement at any time if there has been a material misrepresentation or omission made by Resident in Resident's Application for Admission, Personal Health History or Confidential Financial Statement; if a material change in Resident's health takes place before occupancy; if Resident fails to make payment to Covenant Village of any fees or charges due Covenant Village within sixty (60) days of the date when due; or if Resident fails to abide by the rules or regulations adopted by Covenant Village or breaches any of the terms and conditions of this Agreement. In the event of termination for any of such causes, Resident shall be entitled to an appropriate refund of the Entrance Fee paid by Resident determined in accordance with the same manner provided in Paragraph VI., A. or VI., B. above.

E. At the effective date of termination of this Agreement, Resident shall vacate the Apartment and shall leave it in good condition except for normal wear and tear. Resident shall be liable to Covenant Village for any cost incurred in restoring the Apartment to good condition except for normal wear and tear. Monthly Fees will be continued until all personal effects have been removed from Covenant Village.

## VII. GENERAL

A. **Assignment.** The rights and privileges of Resident under this Agreement are personal to Resident and may not be transferred or assigned. If Resident marries, the new spouse does not become a Resident for purpose of this Agreement. In order for the new spouse to be admitted to Covenant Village, the new spouse would need to be approved by the Admissions Committee. The new spouse would be required to pay an Entrance Fee for the unit occupied, and Resident and the new spouse would pay the two person Monthly Fee if they occupy the same living unit.

B. **Tax Status and Ownership.** Covenant Village is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. It is owned and operated by a non-profit corporation governed by a Board of Directors. Covenant Village is managed by its Board of Directors and its administrators.

C. **Entire Agreement.** This Agreement constitutes the entire contract between Covenant Village and Resident. Covenant Village shall not be liable or bound in any manner by any statements, representations or promises made by any person representing or assuming to represent Covenant Village, unless such statements, representations or promises are set forth in this Agreement.

D. **Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of Covenant Village and the heirs, executors, administrators and assigns of Resident.

E. **Power Of Attorney.** Resident is required to have a written Power of Attorney and an executed copy must be given to the Senior Director of Marketing and Admission prior to admission.

F. **Guardianship.** If Resident becomes legally incompetent or is unable properly to care for himself or herself or his or her property without having designated a person or legal entity to serve as his or her guardian, the Resident agrees that Covenant Village or its designee may initiate legal proceedings relating to Resident's competence and may act as Resident's legal guardian when qualified according to law. Resident agrees to pay to Covenant Village and its designee any attorneys' fees and other expenses incurred in connection with any such guardianship.

G. **Will.** Resident is strongly encouraged to have a will providing for the disposition of his or her real personal property and provision for proper burial at

his or her own expense. Resident agrees to notify the Senior Director of Marketing and Admissions as to the location of this will and the Executor.

**H. Transfer of Property.** Resident agrees not to make any gift or other transfer of property for less than adequate consideration for the purpose of evading Resident's obligations under this Agreement or if such gift or transfer would render such Resident unable to meet such obligations.

**I. Inability to Pay.** Resident will not be discharged by reason of poverty provided Covenant Village has the capability of meeting the Resident's needs.

**J. Governing Law.** This Agreement shall be governed by the laws of the State of North Carolina.

**IN WITNESS WHEREOF,** the parties have executed this Agreement as of the day and year above written.

**ATTEST:**

**COVENANT VILLAGE, INC.**

\_\_\_\_\_  
Witness:

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Witness:

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Witness:

\_\_\_\_\_  
Resident





# COVENANT VILLAGE

*Where Life Is Filled With Promise*

## **LIFE CARE AGREEMENT**

### **COVENANT VILLAGE, INC.**

#### **COTTAGE**

THIS AGREEMENT is made this \_\_\_\_\_ by and between Covenant Village, Inc., a North Carolina non-profit corporation, hereinafter called the "Covenant Village" \_\_\_\_\_ hereinafter called "Resident" (if husband and wife, or two other persons enter into this Agreement, the word "Resident" shall apply to them collectively unless the context otherwise requires).

WHEREAS, Covenant Village owns and operates a life care retirement community located on 1351 Robinwood Road in Gastonia, North Carolina; and,

WHEREAS, Resident is desirous of becoming a resident of Covenant Village and of living in a Cottage and using the facilities, programs and services provided by Covenant Village subject to the terms and conditions of the Agreement;

NOW THEREFORE, Resident and Covenant Village agree as follows:

#### **I. ACCOMMODATIONS AND SERVICES**

Subject to the terms and conditions set forth in this Agreement, Covenant Village agrees to provide Resident the living accommodations, services and programs at Covenant Village described as follows:

- A. **Living Accommodation.** A cottage located at \_\_\_\_\_ in Covenant Village (hereinafter referred to as the "Cottage"). Resident has the exclusive right to occupy and use the Cottage subject to the terms and conditions set forth in this Agreement.
- B. **Utilities.** Covenant Village will furnish water, sewer, trash removal and municipal services. Resident is responsible for any charges related to gas and electric. Resident is also responsible for

any changes related to cable television, telephone and wireless internet outside of Covenant Village's bundling services.

- C. **Furnishings.** Covenant Village will provide: LVT flooring throughout, plantation shutters for windows and patio doors and crown molding throughout the cottage; interior walls will be painted a standard neutral color; smooth ceilings, tiled walk in shower with frameless shower door, cast iron tub, grab bars and adjustable hand-held shower heads; an electric heater fan, and a mirror in each bathroom; lighting fixtures and bulbs in each closet, the carport or garage, the bathrooms and kitchen, with an additional light over the kitchen sink, a vanity light in each bathroom, an overhead light in the entry foyer and exterior light near the main entrance but any hanging or other light fixture in the dining areas must be provided by Resident; and central heat and split A/C and gas furnace with individual thermostats; electric and gas meter for each cottage; emergency call devices and automatic fire alarm to summon assistance from the Covenant Village main building; kitchen appliances including sink with sprayer, range with oven, dishwasher, disposal, quartz countertops with subway tile backsplash, microwave. Refrigerator and washer and dryer are provided by Resident. Gutters and downspouts; sound insulation between cottages; mailboxes and a cottage number for each cottage, cable television and telephone pre-wiring; washer-dryer hookups and adequate street lighting for cottage area. All furniture, furnishings, decorations, accessories, bed and bath linens and other personal property shall be provided by Resident. Resident may obtain bound carpet rug at their expense. Any area or carpet rug installed cannot be permanently affixed to the LVT flooring.
- D. **Meals.** Covenant Village will make three nutritionally well balanced meals available to Residents each day, which will be served in the central dining room. The cost of one meal each day is included in the monthly fee. Other meals may be purchased for an additional fee. Special diets will be provided when ordered by Resident's physician. A provision for credit for uneaten meals during a Resident's absence from Covenant Village will be made in accordance with the policies of Covenant Village, which currently call for credits to begin after seven consecutive days of absence from Covenant Village.

- E. **Housekeeping Services.** Covenant Village will provide regular housekeeping services including vacuum cleaning, dusting, cleaning of baths and kitchens and trash removal.
- F. **Laundry.** Covenant Village will change and launder Resident's bed and bath linens on a regular basis.
- G. **Maintenance and Repairs.** Covenant Village will maintain and keep in repair its improvements, furnishings and equipment. Resident will be responsible for the cost of repairing damage to property of Covenant Village caused by the negligence of Resident or any guest of Resident, ordinary wear and tear excepted. Any structural or physical change or redecoration of any kind within the Cottage will require the approval of Covenant Village. The cost of any change or cost of redecoration will be paid by Resident. Any such improvement or change will become property of Covenant Village upon termination of this Agreement.
- H. **Groundskeeping.** Covenant Village will furnish basic groundskeeping service for all the grounds of Covenant Village including lawn, tree and shrubbery care for Resident. Subject to approval by Covenant Village, Resident may plant certain areas designated for such purpose by Covenant Village. Resident is responsible for maintenance of such plantings.
- I. **Parking.** Covenant Village will provide parking areas for Resident's personal vehicles.
- J. **Common Facilities.** Common facilities provided by Covenant Village for the use and benefit of Resident are: a central dining room, living room, lobbies, beauty parlor, chapel, outdoor walkways and gardening areas.
- K. **Wellness Center for Cottages and Main Building.** The residents of Covenant Village enjoy the 9,700 square foot Wellness Center. Exercise on our new, state-of-the-art cardio or strength equipment while watching your favorite program on one of the three 46" flat screen televisions, or enjoy the comforts and benefits of the indoor swimming pool, or relax in the spa. If you like the social aspect of exercise, join in one of our many instructor-led group exercise classes and have a blast! If more individual guidance is needed, then set an appointment with our Director of Wellness for an evaluation

and custom exercise program tailored just for you. For your convenience, there are locker rooms with shower facilities. Massage services are also available by appointment.

- L. **Activities.** Any social, spiritual, educational, cultural activities, arts and crafts, provided by Covenant Village will be available to Residents.
- M. **Access to Apartments.** Covenant Village will provide Resident access to the apartments in the main buildings and to the Covenant Village Health Center when the Resident has a demonstrated need for such a move. Residents moving to apartments will be subject to Covenant Village's policies for apartment residents, including the prohibition of private duty sitters and personal attendants.
- N. **Usual Health Services of Covenant Village Health Center.** Covenant Village will provide Resident with nursing and health care in the Covenant Village Health Center as well as 24-hour nursing and professional staff for consultation, assistance and emergency needs.

## II. FINANCIAL AGREEMENTS

- A. **Entrance Fee.** In consideration for the living accommodations, services, and programs offered hereunder, Resident agrees to pay an Entrance Fee of \$\_\_\_\_\_ (as provided in Exhibit I) less **\$1,000.00** in consideration of the application fee paid. Upon signing this agreement, Resident will pay a deposit of 10% of the Entrance Fee, **\$\_\_\_\_\_**. The balance of the entrance fee of **\$\_\_\_\_\_** is due in sixty days from the date of signing this agreement and Resident agrees that occupancy and monthly charges begin on this date. Resident further agrees to forfeit the deposit of 10% of the Entrance Fee if the balance of the entrance fee and monthly charges are not paid within sixty days from the date of this agreement, except as provided herein below in Section VI
- B. **Monthly Charge.** In addition to the Entrance Fee, Resident agrees to pay a Monthly Charge during the term of this Agreement which shall be payable in advance by the tenth day of each month. As of the date of this Agreement, Covenant Village estimates that the monthly charge associated with the Cottage will be

\$ \_\_\_\_\_ per month plus an additional \$ \_\_\_\_\_ per month if a second Resident occupies the Cottage. For permanent residence in a private room in the Health Center, Resident agrees to pay a daily rate equal to 50% of direct admission daily rate at that time. The charges may be adjusted by Covenant Village prior to occupancy of the Cottage by Resident. The charges are also subject to change during the term of this Agreement as described in Paragraph C. below.

- C. **Adjustments in the Monthly Charge.** The Monthly Charge is assessed to provide the facilities, programs, and services described in this Agreement and is intended to meet the costs associated with the establishment, operations and management of Covenant Village. Covenant Village shall have the authority to adjust the Monthly Charge from time-to-time during the term of this Agreement as Covenant Village in its discretion deems necessary in order to reflect changes in such costs of providing such facilities, programs and services described herein consistent with operating on a sound financial basis and maintaining the quality of services called for herein. Any such increases in the Monthly Charge or other charges may be made by Covenant Village upon thirty (30) days written notice to Resident. Covenant Village also reserves the right to revise and amend the basis of all charges. Adjustments are not made in the Monthly Charge if Resident is absent from the facility, except as may be determined, from time to time, by Covenant Village
  
- D. **Monthly Statements.** Covenant Village will furnish Resident with a Monthly Statement showing the total amount of fees and other charges owed by Resident, which shall be payable by the tenth day of the month. Covenant Village may charge interest on any unpaid balance owed by Resident 30 days after the Monthly Statement is furnished.
  
- E. **Charges in the Covenant Village Health Center.** Should Resident qualify for nursing services in the Covenant Village Health Center, it is understood that Resident will be charged the published rate for a private room and will be charged an amount equal to the single person Monthly Charge in the accommodation occupied by Resident at the time of the transfer for temporary stays in semi-private rooms. In addition, charges may be made at the sole discretion of Covenant Village for extraordinary care, drugs, and

supplies. Resident is responsible for the cost of prescription and non-prescription medications; surgical, dental, and optical services; physical examinations, and any medical service beyond that available in the Covenant Village Health Center; dry-cleaning service and personal laundry service; and, wheelchairs and other medical equipment used exclusively by Resident. Also, any professional services (medical or otherwise) contracted by Resident or in behalf of Resident shall be billed directly to Resident.

- F. **Care in Other Institutions.** Should Resident require care that requires transfer to another institution, all expenses which will result from such transfer and care shall be borne entirely by Resident.

### III. ADMISSION

The admission requirements for residency with Covenant Village are nondiscriminatory except as to age. Covenant Village is open to both married and single men and women of all races and religions and without regard to place of former residence. The Resident is required to meet the following standards prior to admission to Covenant Village:

- A. Resident must be 65 years of age or older, except that in the case of a married couple in which one spouse is 65 years of age or older, the other spouse may be as young as 62 years of age.
- B. Resident shall submit for review by the Covenant Village Admissions Committee an Application for Admission, a Personal Health History and Confidential Financial Statement, all on forms furnished by Covenant Village at the time of application.
- C. Resident shall have an interview with a representative from Covenant Village prior to acceptance at Covenant Village. After reviewing all information required to be furnished herein, additional personal interviews may be required by Covenant Village.
- D. Resident shall submit a report of a physical examination of Resident made by a physician selected by Resident. Such report shall include a statement by such physician that Resident is in good health, is ambulatory or can move about independently and is able to take care of himself or herself in normal living activities. Covenant Village may require Resident to have another physical examination

by the Medical Director or by another physician approved by Covenant Village. If the health of Resident as disclosed by such physical examination differs materially from that disclosed in Resident's Application for Admission and Personal Health History, Covenant Village shall have the right to decline admission of Resident and to terminate this Agreement, or in the discretion of Covenant Village, to permit Resident to take occupancy of accommodations at Covenant Village suitable to the needs of Resident.

- E. Resident understands and agrees that the first ninety (90) days of occupancy will be known as a probationary period during which Resident will be required to live independently in the Cottage in order to qualify to receive nursing services in the Covenant Village Health Center at the reduced rate for residents with life care contracts. At the end of the initial ninety (90) day probationary period, the Admissions Committee may review Resident's ability to maintain an independent life-style. Residents who are unable to live in the Cottage at the time of the ninety (90) day review will be admitted to the Covenant Village Health Center, when space permits, at the full non-resident rate for nursing care. It is understood that the determination of the Admissions Committee will be final.
- F. It is understood that Covenant Village through its Admissions Committee has the right to reject any application for admission to Covenant Village.
- G. The Resident affirms 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 Covenant Village as a basis for entering into this Agreement.

#### **IV. TERMS OF RESIDENCY**

- A. **Rights of Resident.** Resident has the right to occupy and enjoy the Cottage described in Paragraph I. A. of this Agreement during Resident's 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 Covenant Village other than the right to use and occupy the

Cottage, some other available residential unit or an accommodation in the Covenant Village Health Center in accordance with the terms hereof. Resident agrees that the rights of Resident under this Agreement are subject to and subordinate to the rights of a lender under any mortgage or deed of trust now or hereafter executed by Covenant Village creating a lien on any property of Covenant Village.

- B. **Rules and Regulations.** Resident will abide by Covenant Village's rules and regulations and such reasonable amendments, modifications and changes of the rules and regulations as may hereafter be adopted by Covenant Village. It is understood that Covenant Village has the right to make exception to the rules and regulations when deemed necessary by the Board of Directors or the management of Covenant Village.
- C. **Changes in the Cottage.** Covenant Village has the right to change the Cottage to meet requirements of any applicable statute, law or regulation. The Cottage may not be used in any manner in violation of any zoning ordinances or other governmental law or regulations.
- D. **Visitors.** Except for short term visitors or guests, no person other than Resident may reside in the Cottage without the approval of Covenant Village.
- E. **Loss of Property.** Covenant Village shall not be responsible for the loss of any property belonging to Resident due to theft, mysterious disappearance, fire or any other cause. It is understood that Resident will have the responsibility of providing any desired insurance protection covering any such loss.
- F. **Occupancy by Two Persons.** In the event that two persons occupy a Cottage under the terms of this Agreement, upon the permanent transfer to the Covenant Village Health Center or the death of one of such persons, or in the event of the termination of this Agreement with respect to one of such persons, the Agreement shall continue in effect as to the remaining or surviving Resident who shall have the option to retain the same Cottage in which event there will be no refund of the Entrance Fee. The remaining or surviving Resident will thereafter pay the Monthly



Charge for one person associated with the Cottage occupied by Resident.

- G. **Medical Insurance.** Resident shall maintain Medicare Part A, Medicare Part B and one supplemental health insurance policy or equivalent insurance coverage acceptable to Covenant Village and shall furnish Covenant Village with evidence of such coverage upon request.
- H. **Personal Damages.** Except for matters of gross negligence on the part of Covenant Village, Resident agrees to assume all risks of personal damages by reason of any accident or injury while a resident of Covenant Village or by reason of the termination of residence in Covenant Village for misconduct or violation of Covenant Village's policies governing residents, or for any other reason.
- I. **Right of Entry.** Covenant Village has the right to enter the Cottage to perform routine maintenance, for purposes of inspection and to assist Resident in an emergency. Covenant Village will make every effort to preserve Resident's rights to privacy.

## V. TRANSFERS OR CHANGES IN LEVELS OF CARE

- A. It is understood that Covenant Village has the right to make or change living accommodation assignments if necessary, in order to best serve the needs of Resident and Covenant Village.
- B. Resident agrees that Covenant Village shall have authority to determine when or if Resident should be transferred from Resident's Cottage to the Covenant Village Health Center or from one level of care to another level of care within the Covenant Village Health Care Center. Such determination shall be based on professional opinion of the Medical Director and the Health Services Administrator of Covenant Village and shall be made only after consultation to the extent practical with Resident, a representative of Resident's family or the sponsor of Resident, and Resident's attending physician.
- C. If it is determined by the Medical Director and the Health Services Administrator that Resident needs care beyond that which can be provided by the facility and personnel of Covenant Village, Resident

may be transferred to a hospital, center or institution equipped to give such care, which care will be at the expense of Resident. Such transfer of Resident will be made only after consultation with Resident to the extent possible, a representative of Resident's family or the sponsor of Resident, and Resident's attending physician.

- D. If a determination is made by Covenant Village that any transfer described in Paragraph V. is probably not temporary in nature, Resident agrees to surrender the Cottage, apartment or the accommodation in the Health Center within thirty (30) days after Resident has been notified by Covenant Village. If Covenant Village subsequently determines upon the opinion of the Medical Director and the Chief Executive Officer that Resident can resume occupancy in accommodations comparable to those occupied by Resident prior to such transfer, Resident shall have priority to such accommodations as soon as they become available. If the living accommodation is not vacated within thirty (30) days, the Resident agrees to pay additional Monthly Charges.

## **VI. TERMINATION AND REFUND PROVISIONS**

- A. Resident may rescind this agreement within thirty days of the latter of the execution date of this contract or the receipt of the disclosure statement, with no penalty. Resident is not required to move into the unit before the expiration of the 30-day period. If Resident dies before occupying the cottage, or if, on account of illness, injury, or incapacity, a resident is precluded from occupying the cottage and such condition is certified in writing by a physician, then in either event the contract shall be deemed immediately cancelled. Any refund under this paragraph will be paid within sixty (60) days after written notice has been received by Covenant Village. Resident or Resident's legal representative shall receive a refund of all money paid to Covenant Village, less monthly fees specified in the Contract for the period of time unit was actually occupied by Resident, less non-standard costs specifically incurred by Covenant Village at the request of the Resident and described in the Contract or any Contract amendment signed by Resident, and less a \$1,000 administrative fee. The entrance fee will be refunded without amortization reductions as specified herein below during the 30-day rescission period.
- B. After taking occupancy and becoming a Resident of Covenant Village, should residency for any reason cease, whether voluntarily or

involuntarily, Covenant Village shall be under no obligation to make a refund to Resident provided, however, that if such cessation of residency occurs within the first fifty (50) months of residency, Covenant Village will refund the Entrance Fee less two percent (2%) thereof for each calendar month or portion thereof of residency and one thousand dollars (\$1,000) as an administrative and refurbishing charge. Payment of any refund due Resident under this paragraph will be made when Covenant Village receives full payment of the Entrance Fee from a qualified substitute Resident.

- C. In the event Resident should transfer to an apartment in the main building of Covenant Village during the first fifty (50) months of residency, a refund of the difference in Entrance Fees between the Cottage and the apartment will be made to Resident less two percent (2%) of the cottage entrance fee for each calendar month or portion thereof of residency. No refund will be made if the transfer occurs after fifty (50) months of residency and no refund will be made, at any time, for a Resident transferring to Covenant Village's Health Center facilities.
- D. Covenant Village may terminate this Agreement at any time if there has been a material misrepresentation or omission made by Resident in Resident's Application for Admission, Personal Health History or Confidential Financial Statement; if a material change in Resident's health takes place before occupancy; if Resident fails to make payment to Covenant Village of any fees or charges due Covenant Village within sixty (60) days of the date when due; or if Resident fails to abide by the rules and regulations adopted by Covenant Village or breaches any of the terms and conditions of this Agreement. In the event of termination for any of such causes, Resident shall be entitled to an appropriate refund if the Entrance Fee paid by Resident determined in accordance with the same manner provided in Paragraph VI. A., or VI. B., above.
- E. At the effective date of termination of this Agreement, Resident shall vacate the Cottage and shall leave it in good condition except for the normal wear and tear. Resident shall be liable to Covenant Village for any cost incurred in restoring the Cottage to good condition except for normal wear and tear. Monthly fees will be continued until all personal effects have been removed from the Cottage.

## **VII. GENERAL**

- A. **Assignment.** The rights and privileges of Resident under this Agreement are personal to Resident and may not be transferred or assigned. If Resident marries, the new spouse does not become a Resident for purpose of this Agreement. In order for the new spouse to be admitted to Covenant Village, the new spouse would need to be approved by the Admissions Committee. The new spouse would be required to pay an Entrance Fee for the unit occupied, and Resident and the new spouse would pay the two-person Monthly Fee if they occupy the same living unit.
- B. **Tax Status and Ownership.** Covenant Village is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. It is owned and operated by a non-profit corporation governed by a Board of Directors. Covenant Village is managed by its Board of Directors and its administrators.
- C. **Entire Agreement.** This Agreement with any Exhibits constitutes the entire contract between Covenant Village and resident. Covenant Village shall not be liable or bound in any manner by any statements, representations or promises made by any person representing or assuming to represent Covenant Village, unless such statements, representations or promises are set forth in this Agreement.
- D. **Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of Covenant Village and the heirs, executors, administrators and assigns of Resident.
- E. **Power of Attorney.** Resident is required to have a written Power of Attorney and an executed copy must be given to the Senior Director of Marketing and Admissions prior to admission.
- F. **Guardianship.** If Resident becomes legally incompetent or is unable properly to care for himself or herself or his or her property without having designated a person or legal entity to serve as his or her guardian, then Resident agrees that Covenant Village or its designee may initiate legal proceedings relating to Resident's competence and may act as Resident's legal guardian when qualified according to law. Resident agrees to pay to Covenant Village and its designee any attorney's fees and other expenses incurred in connection with any such guardianship.

- G. Will. Resident is strongly encouraged to have a will providing for the disposition of his or her real and personal property and provision for proper burial at his or her own expense. Resident agrees to notify the Senior Director of Marketing and Admissions as to the location of this will and the Executor.
- H. Transfer of Property. Resident agrees not to make any gift or other transfer for less than adequate consideration for the purpose of evading Resident's obligations under this Agreement or if such gift or transfer would render such Resident unable to meet such obligations.
- I. Inability to Pay. The Board of Directors is committed to fulfilling the policy that no resident will be discharged by reason of inability to pay monthly fees provided the resident has not impaired his or her ability to meet obligations by transfer of assets below market value or sale of assets and the organization has the capability of meeting needs of the resident.
- J. Governing Law. This Agreement shall be governed by the laws of the State of North Carolina.

IN WITNESS WHEREOF, the parties have executed this agreement as of the day and year above written.

ATTEST:

COVENANT VILLAGE, INC.

\_\_\_\_\_  
Witness:

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Witness:

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Witness:

\_\_\_\_\_  
Resident

Exhibit I  
Entrance Fee

Cottage Address: \_\_\_\_\_

The Entrance Fee is Payable as Follows:

Entrance Fee Cottage	\$ _____
Less Waiting List Fee	\$ 1,000.00
Less 10% Deposit	\$ _____
<b>Balance Due</b>	<b>\$ _____</b>
<b>Monthly fee 1<sup>st</sup> Person</b>	<b>\$ _____</b>
<b>Monthly fee 2<sup>nd</sup> Person</b>	<b>\$ _____</b>

Amendment to Contract

Mr. & Mrs. Glenn have agreed on the following upgrades that will be purchased and installed at their expense.

Purchase of a gas stove and gas dryer.

Pay for the installation of a gas line to the cottage for stove and dryer.

Install a cat door and replace the door back to the original condition when moving from the cottage at their expense.

Electrical box for the ceiling fan in the living room.

Existing built-ins in the den become the property of yours and Covenant Village is not longer responsible for repairs.

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

\_\_\_\_\_  
Date

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Date



## COVENANT VILLAGE

*Where Life Is Filled With Promise*

# FOUNDERS HALL AGREEMENT

THIS AGREEMENT is made this \_\_\_\_\_ by and between Covenant Village, Inc., a North Carolina a non-profit corporation, hereinafter called the "Covenant Village" and \_\_\_\_\_ hereinafter called "Resident" (if husband and wife, or two other persons enter into this Agreement, the word "Resident" shall apply to them collectively unless the context otherwise requires.)

WHEREAS, Covenant Village owns and operates a life care retirement community located on 1351 Robinwood Road in Gastonia, North Carolina, and,

WHEREAS Resident and Covenant Village hereby agree to the following terms and conditions:

1. **Accommodation:** The resident will occupy any apartment on the First Floor of B- Building, (hereafter "Founders Hall") in order to receive the services provided by the Enhanced Living Concierge
2. **Eligibility:** Only residents who function and remain functioning independently are eligible for admission to Founders Hall. Residents must provide a physician's report from their physician that they are able to live independently without needing any direct assistance to complete their ADL's (dressing, bathing, medication management, ambulatory assistance and cognitive impairment that would prevent them from completing their ADL's.
3. **Services Provided:** The concierge services offered on the Founders Hall are designed to enrich residents' daily living and are errand-type service not nursing services. The goal of the Founders Hall is to provide assistance to independent residents in order for them to maintain their independence for as long as possible. Concierge services provided will be determined by Covenant Village's staff and may change during the term of this agreement. The services may include and are not limited to, assistance with laundry, assistance with arranging doctor's appointments, reminders to attend planned



- group activity programs, reminders to take medications (concierge cannot take medications out of pill box or bubble packs and administer or fill medication pill boxes), mail pick-up or delivery, assistance in addressing greeting cards, assistance in arranging for guest meals or planning small parties, return and pick-up library books, personal or grocery shopping, etc.
4. **Staff:** A Founders Hall Concierge is available five days a week, on a schedule to be determined by Covenant Village's staff. Adjustments in daily schedule may be made from time to time to meet individual needs of our residents.
  5. **Cost:** The fee for the services provided in this agreement is in addition to the apartment monthly service fee. The monthly fee for this agreement is based the enhanced living services provided and shall be determined on an annual basis by Covenant Village. As of the date of this agreement, Covenant Village has determined the fee for the services provided, under this contract will be \$\_\_\_\_\_ per Resident per month. This fee will be pro-rated during a temporary admission to the Health Center. Residents will be given no less than 30 days' notice of any fee changes.
  6. **Cancellation of this Agreement.** Either the Resident or Covenant Village may terminate this agreement if and when either party determines that the resident no longer needs these services and needs additional nursing services provided in the Health Care Center or Assisted Living. Covenant Village may cancel this agreement upon 90 days' notice to resident with the understanding that any prepaid and unused monthly fee will be returned to the resident. Upon cancellation of this Agreement, the resident will vacate his/her apartment within 30 days. The resident will continue to be billed on a prorated basis for the Founders Hall services until the unit is vacated.

This is an agreement between the resident and Covenant Village, as evidenced by their signatures below. The resident's agreement shall remain in full force and effect. Any conflicts between the previously executed Life Care Contract and this Founder's Hall agreement shall be determined in favor of this supplemental agreement.

**IN WITNESS WHEREOF**, the parties have executed this Agreement as of the day and year above written.

**ATTEST:**

**COVENANT VILLAGE, INC.**

\_\_\_\_\_  
Witness:

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Witness:

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Witness:

\_\_\_\_\_  
Resident

## **XI. ATTACHMENT 4**

### **Ancillary Service Fees**



COVENANT  
VILLAGE

Where Life Is Filled With Promise

# Ancillary Services

All ancillary services prices subject to change based on cost, staffing capacity,  
and supply chain availability.

## **Administrative Support Services**

12-Months of Billing Statement Copies for Tax Purposes (each).....	\$6.00
Copy of Medical Records or Administrative File Records (per page) .....	\$0.50
Copier Fees (Black/White) (per page).....	\$0.16
Copier Fees (Color) (per page) .....	\$0.32
Fax Fees (per page) .....	\$0.32
NSF (non-sufficient funds fee) for a returned check or ACH payment .....	\$50.00
Scan & email (Black/White & Color) (per page).....	\$0.45
Stamps (Books only) .....	USPS Rate
Finance Fee for Late Payments .....	20% per annum
Notary Public (Initial Signature is Free) .....	Each Additional Signature is \$10
Lockbox Rental .....	\$25/year
Lock for Lockbox .....	\$5 (smaller key)
Replacement of Lockbox (if key is lost) .....	\$25

### Office Supplies:

Plain White Letter Envelope .....	\$0.10
Manila Folder .....	\$0.20
Clasp Envelope.....	\$0.25
Ream of Paper (500 sheets) .....	\$10
Individual Sheets of Paper .....	\$0.05/sheet

Non-Vacating Fee for Unit (Depending on Unit Size).....\$250+/Day  
(Apartments & Cottages have 30 days; Health Center Rooms have 7 days to  
vacate before charges occur)

## **Beauty Shop Services**

Dry Cut (Women).....	\$20+
Dry Cut (Men) .....	\$18+
Shampoo/Cut, Condition/Style (Men) .....	\$23+

Shampoo/Condition/Set or Blow Dry Style (Women).....	\$23+
Shampoo/Cut, Condition/Set or Blow Dry Style (Women) .....	\$35+
Re-Style .....	\$15+
Weekly Rinse .....	\$3+
Perm (Includes Style) .....	\$68+
Perm (Includes Cut and Style) .....	\$75+
Hi-Lites (Includes Style).....	\$80+
With Cut.....	\$15, Extra
Color, Conditioner, Style .....	\$60+
With Cut.....	\$15, Extra
Trim Eyebrows.....	\$12
Trim Nose Hair.....	\$10

*“+” indicates price could be higher than what is listed depending on length of hair and/or product usage*

**No Tipping is allowed for above Beauty Salon Services. Above services are provided by Covenant Village Employees**

### **Manicure Services**

Standard Manicure .....	\$25
French Manicure .....	\$28
Gel Polish Manicure .....	\$35
Acrylic Nail (Set).....	\$40
Acrylic Nail (Fill-in).....	\$25
Polish (Only).....	\$7
French Polish (Only).....	\$10
Fingernail Trim (Only).....	\$7
Fingernail Trim (Soak).....	\$12

### **Pedicure Services**

Standard Pedicure .....	\$35
French Pedicure .....	\$38
Polish (Only).....	\$10
French Polish (Only).....	\$15
Toenail Trim (Only).....	\$10
Toenail Trim (Soak).....	\$20
Polish/Toenail Trim.....	\$20

Toenail Restructuring..... \$35

**Nail Services: Payment only by cash or check to outside vendor,  
with tipping allowed**

## **Dining Services**

Catering Services..... See Food & Nutrition Director

Set-up/Breakdown Fee:

### Card Room Only:

Catering drop-off services with table setting..... \$19.95

Catering drop-off services with no table settings.....\$9.95

Catering drop-off services with hot buffet with table settings ..... \$34.95

Catering drop-off services with hot buffet with no table settings ..... \$24.95

Party set-up and catering on Saturdays.....\$150

Party set-up and catering on Sundays.....\$250

Bar area set-up & breakdown will require an additional charge of: ..... \$19.95

Parties requiring servers/bartenders will be charged..... 18% gratuity fee

### Private Dining Room:

Table setup and breakdown..... \$19.95 per room

Table setup with hot buffet..... \$34.94 per room

Parties requiring servers/bartenders will be charged..... 18% gratuity fee

Guest Meals.....\$7 (Breakfast); \$8 (Lunch); \$10 (Dinner)

Holiday Guest Meals ..... \$23-\$30

(Holidays include Easter, Mother's Day, Father's Day, Thanksgiving, and Christmas)

Bar Area Storage ..... \$10/month

## **Health Care Services**

Rapid COVID Test (for IL Residents only)..... \$15

Laundry Services in the Health Center.....\$15/load

Ironing Services in the Health Center..... \$2.50/item

Medical Supplies ..... Cost Varies

## **Wellness Services**

Personal Training – 25 minutes ..... \$30

Personal Training – 55 minutes..... \$45

Personal Training – 55 minutes (w/ Partner)..... \$75

Massage Services – 30 minutes ..... \$40

Massage Services – 60 minutes .....	\$70
Massage Services – 90 minutes .....	\$100

**Massage Services: Payment only by cash or check to outside vendor, with tipping allowed**

### **Guest Services**

Guest Room – Studio.....	\$85/night
Guest Room Cancellation Fee (less than 48-hour notice).....	\$50
Guest Meals .....	\$7 (Breakfast); \$8 (Lunch); \$10 (Dinner)

### **Transportation Services**

Covenant Village provides transportation for scheduled, non-emergency medical appointments Monday through Friday, except holidays, and inside the city limits of Gastonia. Seventy-two (72) hours' notice is required to schedule and guarantee transportation (980.677.0609).

If you are having an emergency, call 911.

#### Normal Service Hours:

To better ensure more efficient pick-up and return transports, ambulatory or non-wheelchair medical appointments should be made with the physician/medical office from 8:00 a.m. to 4:00 p.m. If you need wheelchair transport, we recommend you schedule your appointments with the physician/medical office from 8:30 a.m. to 2:30 p.m. By scheduling appointments no later than 2:30 helps to ensure getting back to campus during normal service hours.

If, by no fault of yours or Covenant Village, your appointment goes later than normal service hours:

- Security is on call to pick up ambulatory Residents
- Medical Transportation Staff will be called to pick up wheelchair Residents.

Additional fees will be incurred for appointments:

- Exceeding a total of four (4) transports per month
- Outside of normal service hours and for Residents who require staff accompaniment.

For each appointment over 4 per month (without CNA or staff person).....\$60

Before or after normal service hours (without CNA or staff person).....	\$75
CNA or staff person accompaniment (during normal service hours) .....	\$140
CNA or staff person accompaniment (before or after normal service hours) .....	\$180

### **Technology Services**

PAL (personal alert line) replacement (includes necklace).....	\$200
PAL Lanyard.....	\$10
PAL - Small or large wrist bracelet .....	\$14
Name Tag/Access Card replacement.....	\$14
Wellzesta iPad replacement.....	\$315
Wellzesta iPad Charger replacement .....	\$50

### **Property/Maintenance Services**

Additional Trash Removal .....Varies by Quantity (Minimum \$50)  
 This pertains to trash removal over and above normal Housekeeping services

Furniture Removal, Disposal, or Donation to Charity—requiring Staff resources  
 First, there is an Administrative Fee ..... \$250  
 Next, there is a Per Item Charge on Removal/Disposal ..... Minimum \$150

Additional Maintenance, Grounds & Housekeeping Special Services (upon request  
 by Resident & approval by Department Heads, if over and above normal  
 services):  
 During normal service hours ..... \$50/hour  
 Overtime or outside normal service hours..... \$75/hour  
 Supplies..... Costs + 20%

### **Miscellaneous Services**

Pet Deposit..... \$600  
*(One-time, non-refundable pet fee for each pet that meets Covenant Village's Resident  
 Pet Policy)*

Pet Fees (Monthly).....\$30-\$50 (based on size of pet)

Covenant Village Note & Special Occasion Cards (Sold through Front Desk)

Blank Note Cards.....	\$4 or Packet of 8 for \$24
Birthday, Anniversary, Get Well.....	\$0.50
New Birthday .....	\$0.75



## **How and When will Ancillary Service fees be charged?**

- Ancillary Service fees will originate with the Department who oversees that service. That Department will submit the fee charge to the Finance Office under the categories described above.
- Every attempt will be made to charge Ancillary Service fees to Residents on next month's bill.

Updates: September 28, 2023; November 15, 2023; January 15, 2024

Effective: February 1, 2024