



## *Covenant Village*

### **DISCLOSURE STATEMENT**

**DATE: January 1, 2019**

**Name of Facility: Covenant Village, Inc.**  
**located at 1351 Robinwood Road**  
**Gastonia, North Carolina 28054**  
**704 867-2319**

**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 May 31, 2020.**
- ◆ **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.**

**Note: Covenant Village believes this information is accurate and complete in all material respects, so far as compliance with the disclosure requirements for Continuing Care Facilities in the State of North Carolina.**

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**SECTION I**

**ORGANIZATION, INTRODUCTION AND INFORMATION**



## *Covenant Village*

### **DISCLOSURE STATEMENT**

#### 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 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.

## **SECTION II**

### **FACILITY INTRODUCTION AND INFORMATION**



## ***Covenant Village***

### **DISCLOSURE STATEMENT**

#### **Facility Introduction and Information**

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

Covenant Village is a full-service retirement community located on a 32-acre site at 1351 Robinwood Road, Gastonia, North Carolina. The main building consists of 140 single room, one-bedroom and two-bedroom apartments, a 70 bed Health Center consisting of nursing care and assisted living beds, and numerous public and service areas. Covenant Village also has 21 duplex cottages consisting of 42 two-bedroom cottages located on the western side of the property.

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

See Section I

##### **Affiliations**

See Section I

##### **Accreditation**

See Section I

##### **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.

##### **Identification and Background**

The Board of Directors of Covenant Village, Inc. employs a Chief Executive Officer to manage Covenant Village on a day-to-day basis. Thomas P. Hauer served as the Executive Director for more than twenty years and retired in February 2018.

On October 1, 2018, Dale Melton was called as 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. In addition to serving as the chief fundraising officer for Salemtowne, Dale facilitated the planning and communication of the community's current Strategic Visioning process, the centerpiece of which was the new \$42.5 million, 120-room Babcock Health Care Center that opened in July 2017.

Dale was Vice President for Seminary Relations at Louisville Presbyterian Theological Seminary in Louisville, KY, where he served over 15 years from 1997-2012. There he led the development efforts for one of the ten Presbyterian Church (USA) theological institutions and held a central role in the Seminary's strategic planning efforts. A native of North Carolina, Dale is a graduate of Wake Forest University and Southeastern Baptist Theological Seminary in Wake Forest, NC.

Other Officers and Directors serve as volunteers and have no professional experience in the operation and management of facilities similar to Covenant Village.

There is no professional service firm, association, trust, partnership, or corporation in which the officers, directors or any person who will be managing the facility on a day to day basis, has, or which has in this person a ten percent (10%) or greater interest, and which it is presently intended shall currently or in the future provide goods, leases, or services to the facility, or to residents of the facility, of an aggregate value of one hundred dollars (\$100.00) or more within any year.



**Covenant Village Board of Directors 2019  
With Addresses and Professional Experience**

Mrs. Carol Carstarphen  
11 Circle Drive  
Belmont, NC 28012  
Artist

Dr. William A. Current, Jr.  
224 S. New Hope Road  
Gastonia, NC 28054  
Dentist

The Rev. Brack C. East  
805 South York Street  
Gastonia, NC 280552  
Pastor  
Holy Trinity Lutheran Church  
Gastonia

Mr. H. Timothy Efird  
2522 Sheffield Drive  
Gastonia, NC 28054  
Beverage Distributor

Mr. Wade Huss (Resident)  
1356 Dove Creek Court  
Gastonia, NC 28054  
Retired-Former  
Manufacturing Executive

Mr. J. Benjamin Morrow  
P. O. Box 116  
Gastonia, NC 28053  
Attorney at Law

Mrs. Nancy B. Paschall  
Post Office Box 488  
Gastonia, NC 28053  
Attorney at Law

Mr. Robert S. Pearson  
3611 St. Andrews Lane  
Gastonia, NC 28056  
Real Estate Developer

Mr. David W. Smith III  
516 S. New Hope Road  
P. O. Box 2636  
Gastonia, NC 28053-2636  
Attorney at Law

Mr. Don Warren (Resident)  
Apartment B-204  
1351 Robinwood Road  
Gastonia, NC 28054  
Manufacturing Executive

**COVENANT VILLAGE, INC.**

**2019 BOARD OF DIRECTORS**

**Officers and Members by Class**

<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Robert Pearson David W. Smith III Wade Huss</b>	<b>Carol Carstarphen Braxton C. East J. Ben Morrow</b>	<b>H. Timothy Efir Nancy Paschall William A. Current, Jr.</b>

**At Large Member: Don Warren**

**EXECUTIVE OFFICERS**

**Chairman – Robert S. Pearson  
Vice-Chairman and Treasurer – H. Timothy Efir  
Secretary – Carol Carstarphen  
Chief Executive Officer – Dale Melton  
Assistant Secretary - Brenda M. Harris**

**President of Residents' Association  
Ex-Officio**

**Don Warren  
1351 Robinwood Road  
Apartment B-204  
Gastonia, NC 28054  
704-865-4853**

**Criminal Violations Statement**

Neither the Chief Executive Officer nor any member of the Board of Directors has been convicted of a felony or pleaded nolo contendere to a felony charge or judgement, for a felony or civil action involved in fraud, embezzlement, fraudulent conversion, or misappropriation of property; or is subject to a currently effective injunction or restrictive court order, or within the past five years has had any State or federal license or permit suspended or revoked as a result of any action brought by a governmental agency or department, arising out of or relative to business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, Home for the Aged or facility subject to the North Carolina G.S.58-64 or similar law in another state.

**Location and Description of Physical Property**

See the description of the facility.

**Estimated Number of Residents**

Covenant Village is currently serving about 270 residents.

**SECTION III**

**POLICIES**



## *Covenant Village*

### **DISCLOSURE STATEMENT**

#### **Policies**

##### **Admission**

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

##### **Health Criteria**

Following this are the guidelines used by Covenant Village to help future residents decide if their needs will be met, entitled "Covenant Village is for Active Seniors".



## *Covenant Village*

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

Covenant Village is committed to providing a safe and secure environment where active seniors can lead the independent life-style 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 is 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 of 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.

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 or not 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 financial statement is required from the applicant to assist Covenant Village in planning. The financial statement is not used for screening applicants for admission.

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. 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 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 \$1,000.00 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 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 sixth (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 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 \$1,000.00 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 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.

## MOVES

### Main Building Apartments

- 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 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 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. If the living accommodation is not vacated within 30 days, the Resident agrees to pay additional Monthly Charges.

## **MARRIAGES/NEW SECOND OCCUPANT**

Should a resident marry, a new spouse does not have rights under the resident's 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 50% of the current fee for the unit occupied, and 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.

**SECTION IV**

**SERVICES**

## DISCLOSURE STATEMENT

### Services

#### 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
- 3 meals per day
- Special diets when ordered by a physician
- All utilities
- Trash removal
- Weekly housekeeping services
- Launder and change of bed and bath linens weekly
- Maintenance and repair of property owned by Covenant
- Grounds-keeping
- Parking spaces
- Use of common facilities
- Scheduled shopping trips and transportation to local medical appointments
- Social activities program
- Fitness 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
- 1 meal per day
- Special diets when ordered by a physician
- Water, sewer and trash removal  
(Residents pay their own electric and gas)
- Weekly housekeeping services

- Launder and change of bed and bath linens weekly
- Maintenance and repair of property owned by Covenant
- Grounds keeping
- Parking spaces
- Use of common facilities
- Scheduled shopping trips and transportation to local medical appointment.
- Social activities program
- Fitness 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:**

- Extra meals for cottage residents
- Guest meals and catering
- Repair of personal properties
- Guest Room
- Private room in the Health Center, when available
- Supplies, drugs and equipment used for care in the Health Center
- Personal laundry (Health Center only)
- Beauty and barber shop

#### **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 the 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.

**SECTION V**

**FEES**

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## *Covenant Village*

### DISCLOSURE STATEMENT

#### Fees

##### **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 Refunds**

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.

#### **APARTMENT TERMINATION AND REFUND PROVISIONS**

- A. Resident may rescind this agreement within thirty days of the latter of the execution 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 \$1,000.00 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 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 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 \$1000 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.

#### **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.

Covenant Village Fee Schedule  
October 1, 2018

<u>Unit</u>	<u>Entrance Fee</u>	<u>Monthly Fee</u>
<b>Studio (single room) A-Unit</b>		
Single Room (A1)	\$35,000	\$2,649.00
Second Person		<u>\$1,986.00</u>
		\$4,635.00
<b>Single with Kitchenette (A2)</b>		
Second Person	\$37,000	\$2,649.00
		<u>\$1,986.00</u>
		\$4,635.00
<b>Single with Balcony and Kitchenette (A4)</b>		
Second Person	\$40,000	\$2,649.00
		<u>\$1,986.00</u>
		\$4,635.00
<b>One-Bedroom (two rooms) B-Unit</b>		
Second Person	\$102,250	\$3,045.00
	\$15,000	<u>\$2,225.00</u>
		\$5,270.00
<b>Two-Bedroom (three rooms) C-Unit</b>		
Second Person	\$158,000	\$5,816.00
	\$15,000	0
<b>Cottage (two-bedroom, two bath)</b>		
Second Person	\$214,500	\$3,215.00
	to \$273,000*	<u>\$ 956.00</u>
	\$15,000	\$4,171.00

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 \$126.20.

Health Center daily rate for non-life care residents is \$235.00 for Assisted Living and \$255.00 for Skilled Care. There is a \$10,000 non-refundable entrance fee.

\*The entrance fee for cottages may include options such as a garage for \$12,000 and a fireplace for \$10,000.

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

A second person entrance fee of \$15,000 will be charged for double occupancy. Studio units are excluded.

CHANGES IN MONTHLY FEES FOR THE PREVIOUS FIVE YEARS

	Rates as of the First Day of October And Average Annual Dollar Increases									
	2018		2017		2016		2015		2014	
	Average Increase	Actual Fee	Average Increase	Actual Fee	Average Increase	Actual Fee	Average Increase	Actual Fee	Average Increase	Actual Fee
Single Room	90	\$ 2,649	62	\$ 2,497	67	\$ 2,430	71	\$ 2,359	58	\$ 2,301
One Bedroom Second Person	103 75	3,045 2,225	72 52	2,870 2,098	77 56	2,793 2,042	81 59	2,712 1,983	66 48	2,646 1,935
Two Bedroom Second Person	197 0	5,816	137	5,482	147	5,335	155	5,180	-	5,180
Cottage Second Person	103 32	3,215 956	76 23	3,030 901	81 24	2,949 877	86 26	2,863 851	97 29	2,766 822

Note that starting in 2013 \$59 per month was added to monthly fees to cover the cost of Cable TV, Phone and Internet

**SECTION VI**  
**FINANCIAL INFORMATION**

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## *Covenant Village*

### DISCLOSURE STATEMENT

#### Financial Information

##### Financial Overview

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

##### Operating Reserves

Covenant Village maintains an occupancy rate in excess of 90% and therefore is required to maintain an operating reserve of 25% of operating costs, including debt service but excluding depreciation.

Covenant Village possesses sufficient reserves as shown below:

Total Operating Costs Forecast for 2019	\$12,996,408
Plus Debt Services	200,000
Less Depreciation	<u>(1,175,000)</u>
Balance	\$12,021,408
	<u>x.25</u>
<b>Total Operating Reserve Required for 2018</b>	<b>\$3,005,352</b>
<b>Cash and</b>	
<b>Investments in Operating Reserve</b>	<b>\$3,005,352</b>

The security by which Covenant Village intends to fulfill its contractual and financial obligations rests with the financial strength of the organization, its conservative methods of operation and the integrity of the Board of Directors. The financial strength of the organization was made possible in large part to the original \$2.5 million in contributions from the community to establish Covenant Village. The integrity and conservative nature of the individuals who serve on the Board of Directors and the churches they represent is well known in Covenant Village's service area.

All of Covenant's investments are handled under the direction of the Finance Committee of the Board of Directors. The Benevolent Fund is managed by The Granzow Consulting Group of Wells Fargo Advisors, under the direction of the Finance Committee.

There are no expansion or significant renovation projects under way at this time.



**Material Differences Between Forecasted and Actual Data**  
**Filed with Disclosure Statements**  
**Year Ended September 30, 2018**

The schedules that follow herein are a comparison of forecasted and actual data as filed in the disclosure statements of Covenant Village. Covenant Village considers a material difference to be 5% or greater.

Notes regarding material differences for the Statement of Financial Position, Statement of Activities and Statement of Cash Flows are as follows:

NOTES – Please see corresponding note numbers on the Statements.

1. **Cash, Property, Plant and Equipment and Notes Payable.**  
Additions to property totaled \$815,000 and Covenant Village made the required \$200,000 principal payment. These costs were funded from entrance fees as Covenant Village received \$1,376,000 in entrance fees. Covenant Village did not borrow additional funds. Special equipment additions include; “Refurbish of Elevator”; \$65,000, deposits on “Nurse Call Bell System” project, \$193,000 and “Cottage Roof Project”, \$99,000.
2. **Deferred Entrance/Refundable Fees and Entrance Fee Income.**  
Residents at Covenant Village are living longer, thus Deferred Entrance/Refundable Fees are greater and Entrance Fee income is less.
3. **Investments, Unrestricted and Restricted.**  
For 2018, Benevolent Fund investments gained over 6.5% and exceeded the benchmark.
4. **Loss on Disposition of Asset.**  
Covenant Village (CV) gave the former Executive Director his 2017 Outback Car, loss to CV of \$21,000 and write-off of asphalt paving of \$30,000.
5. **Covenant Village Income.**  
Contributions and other Revenue Charges for 2018 was \$441,000. The 2018 amount of \$441,000 is \$91,000 over forecast and \$50,000 over 2017. Covenant Village received (2) contributions totaling \$30,000. Covenant Village continues to be pleased with its support.
6. **Operating Assets and Liabilities.**  
Accounts can and do change from year to year. In 2018 Covenant Village experienced good collection efforts; however, the total for all these differences was not material to the overall operation of Covenant Village.
7. **Accrued Wages and Vacation.**  
Our current biweekly payroll is approximately \$15,000 per day. Accrued wages at September 30, 2018 includes 14 days for hourly employees and 10 days for salaried employees and is \$250,000. The estimate for accrued vacation at September 30,2018 is \$350,000.
8. **Residential Accounts.**  
This account includes 10% deposits on unit sales and can fluctuate depending on the amount of turnover and pending sales of units.

9. Maintenance.

Maintenance under forecast by \$271,000. Principal reasons are:

Capitalization of carpet and air conditioning	\$110,000
Utilities under forecast	40,000
Salaries under forecast	55,000
Supplies and outside services under forecast due to reorganization	<u>60,000</u>
TOTAL	<u>\$265,000</u>

10. Administration and General.

2018 Forecast included \$100,000 for transition costs which were funded from Entrance Fees.

11. Covenant Village continues to have a strong Waiting List, and occupancy exceeds 95% for all residential units.

12. Benevolent Assistance.

Beginning in 2018, operating income includes \$187,044 from the benevolent fund, to support financially needy residents. There is no affect on total income of Covenant Village.

13. Security

Security costs were less than forecasted as the department worked with two less part-time guards while ensuring the safety of Covenant Village.

14. Interest

Interest expense is under forecast principally due to the principal payment made in December 2017.

15. Net Assets – Unrestricted and restricted.

Net Assets – Unrestricted and Restricted were under forecast by \$607,283. The difference is due to all the differences on the Statement of Financial Condition and the Statement of Income and Expenses. The principal reasons are:

Cash less than forecast due to additions being more than estimate and less initial entrance fees as units not available	(\$656,671)
Deferred entrance fees over forecast as residents living longer	(\$360,993)
Asset purchases over forecast	<u>\$364,966</u>
TOTAL DECREASE	<u>(\$652,698)</u>

Other differences of \$45,419 due to other differences as explained in notes 1 through 14.

**Report on Material Differences in Forecast vs. Actual  
(Income and Expenses)**

As required, the following schedules report the differences in income and expense forecasts, statement of financial position forecasts and statement of cashflows forecasts from last year's disclosure statement and the actual results, for the year ending September 30, 2018.

Statement of Income and Expenses

	<u>FORECAST</u>	<u>ACTUAL</u>	<u>DIFFERENCE</u>	Percentage Favorable (Unfavorable)	<u>Notes</u>
<b>UNRESTRICTED NET ASSETS</b>					
<b>Revenues</b>					
Entrance Fees	\$ 1,800,000	\$ 1,357,574	\$ (442,426)	(25)	2
Loss on Disposition of Asset		(50,846)	(50,846)		4
Interest, and investment income	300,000	396,830	96,830	32.3	3,5
Residential	6,923,977	6,627,057	(296,920)	(4.29)	
Health Care	3,371,839	3,217,613	(154,226)	(4.6)	
Contributions	50,000	44,765	(5,235)	(10.5)	5
Other Revenue	281,050	273,439	(7,611)	(2.7)	
<b>TOTAL UNRESTRICTED REVENUES</b>	<u>12,726,866</u>	<u>11,866,432</u>	<u>(860,434)</u>	<u>(6.8)</u>	
<b>Expenses</b>					
Nursing Service	2,920,656	2,905,463	(15,193)	(0.5)	
Housekeeping	985,454	965,243	(20,211)	(2.1)	
Dietary	2,533,743	2,418,612	(115,131)	(4.5)	
Maintenance	2,800,521	2,529,377	(271,144)	(9.7)	9
Activities/Fitness	386,400	380,719	(5,681)	(1.5)	
Security	284,724	263,057	(21,667)	(7.6)	13
Administrative and General	1,068,642	1,152,272	83,630	7.8	10
Depreciation	1,195,000	1,226,219	31,219	2.6	
Benevolence Expense	204,000	13,719	(190,281)	(93.3)	1
Interest	55,920	51,501	(4,419)	(7.9)	14
<b>Total unrestricted expenses</b>	<u>12,435,060</u>	<u>11,906,182</u>	<u>(528,878)</u>	<u>(4.3)</u>	
<b>INCREASE / DECREASE IN UNRESTRICTED NET ASSETS</b>	<u>\$ 291,806</u>	<u>\$ (39,750)</u>	<u>\$ (331,556)</u>		

## STATEMENT OF FINANCIAL POSITION

	2018 <u>FORECAST</u>	<u>ACTUAL</u>	<u>DIFFERENCE</u>	Percentage Favorable (Unfavorable)	<u>Notes</u>
<b>ASSETS</b>					
Cash & cash equivalents	\$1,585,350	\$928,679	\$ (656,671)	(41.4)	1
Accounts receivable	57,000	53,623	(3,377)	(5.9)	6
Inventories	148,000	155,582	7,582	5.1	6
Prepaid expenses	25,000	29,899	4,899	19.6	6
Investments, unrestricted	2,514,347	2,546,794	32,447	1.3	3
<b>Total Current Assets</b>	<u>4,329,697</u>	<u>3,714,577</u>	<u>(615,120)</u>	<u>(14.2)</u>	
Property, plant and e quipment	13,972,056	14,254,957	282,901	2.0	1
Collectibles	25,300	25,300	0	0.0	
Investments, restricted	2,935,653	3,005,352	69,699	2.4	3
	<u>16,933,009</u>	<u>17,285,609</u>	<u>352,600</u>	<u>2.1</u>	
<b>TOTAL ASSETS</b>	<u>\$21,262,706</u>	<u>\$21,000,186</u>	<u>\$ (262,520)</u>	<u>(1.2)</u>	
<b>LIABILITIES</b>					
Note payable current	\$200,000	\$200,000	\$0	0.0	1
Accounts payable	300,000	213,510	(86,490)	(28.8)	6
Accrued wage and vacation	600,000	601,147	1,147	0.2	7
Residentail accounts	50,000	79,013	29,013	58.0	8
<b>Current Liabilities</b>	<u>1,150,000</u>	<u>1,093,670</u>	<u>(56,330)</u>	<u>(4.9)</u>	
Escrow Deposit	172,460	212,560	40,100	23.3	8
Deferred entrance/refundable fees	9,894,167	10,255,160	360,993	3.6	1,2
Note payable, noncurrent	1,400,000	1,400,000	0	0.0	1
	<u>11,466,627</u>	<u>11,867,720</u>	<u>401,093</u>	<u>3.5</u>	
<b>TOTAL LIABILITIES</b>	<u>12,616,627</u>	<u>12,961,390</u>	<u>344,763</u>	<u>2.7</u>	
<b>NET ASSETS</b>					
Unrestricted	5,710,426	4,923,955	(786,471)	(13.8)	
	<u>5,710,426</u>	<u>4,923,955</u>	<u>(786,471)</u>	<u>(13.8)</u>	15
Restricted	2,935,653	3,114,841	179,188	6.1	
	<u>2,935,653</u>	<u>3,114,841</u>	<u>179,188</u>	<u>6.1</u>	15
<b>TOTAL NET ASSETS</b>	<u>8,646,079</u>	<u>8,038,796</u>	<u>(607,283)</u>	<u>(7.0)</u>	15
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$21,262,706</u>	<u>\$21,000,186</u>	<u>\$ (262,520)</u>	<u>(1.2)</u>	

STATEMENT OF CASH FLOWS

	2018 FORECAST	2018 ACTUAL	DIFFERENCE	NOTES
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Increase (decrease) in net assets	\$291,806	\$ (39,750)	\$ (331,556)	
Depreciation	1,195,000	1,226,219	31,219	1
Net Gain on Investments		(169,753)	(169,753)	3
Loss on Disposition of Assets		50,846	50,846	4
Increase in operating Assets	(52,098)	(11,202)	40,896	6
Decrease in operating liabilities	(91,133)	(126,476)	(35,343)	6
Residential accounts	(33,044)	(13,931)	19,113	8
Deferred credits	(345,000)	15,993	(360,993)	2
Net cash from operating activities	<u>965,531</u>	<u>931,946</u>	<u>(33,585)</u>	
Purchase of investments		(258,120)	(258,120)	3
Purchase of property and equipment	<u>(450,000)</u>	<u>(814,966)</u>	<u>(364,966)</u>	1
Principal payments on notes payable	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>	1
Increase (decrease) in Cash	315,531	(341,140)	(656,671)	
Cash and cash equivalents, beginning of year	<u>1,269,819</u>	<u>1,269,819</u>		
Cash and cash equivalents, end of year	<u>\$1,585,350</u>	<u>\$928,679</u>	<u>\$ (656,671)</u>	

**SECTION VII**  
**OTHER MATERIAL INFORMATION**  
**AS APPLICABLE**

**DISCLOSURE STATEMENT**

**Other Material Information, as Applicable**

**NONE**

**SECTION VIII**

**CERTIFIED FINANCIAL STATEMENTS**



**ATTACHMENT 1**

**CERTIFIED FINANCIAL STATEMENTS**

COVENANT VILLAGE, INC.

FINANCIAL REPORT

September 30, 2018

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McCANNON • ROGERS • DRISCOLL  
& ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:

BENJAMIN P. ALBRIGHT, III, CPA  
RANDY G. BOYD, CPA

PARTNERS:

STEPHEN B. DRISCOLL, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Covenant Village, Inc.

We have audited the accompanying financial statements of Covenant Village, Inc. (a nonprofit organization) which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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.

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Covenant Village, Inc. as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 19-24 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on it.

Gastonia, North Carolina  
December 17, 2018

*McCannon, Rogers, Driscoll & Associates, L.L.P.*

COVENANT VILLAGE, INC.

STATEMENTS OF FINANCIAL POSITION

September 30, 2018 and 2017

	Operating Fund	Benevolent Assistance Fund	2018	2017
<b>ASSETS</b>				
Cash and cash equivalents	\$ 928,679	\$ -	\$ 928,679	\$ 1,269,819
Accounts receivable	24,669	-	24,669	17,484
Employee receivables	12,154	-	12,154	21,954
Sales tax refund	16,800	-	16,800	16,800
Inventories	155,582	-	155,582	147,246
Prepaid expenses	29,899	-	29,899	24,418
Due from Benevolent Fund	187,044	-	187,044	-
Investments - unrestricted	504,658	2,042,136	2,546,794	2,188,620
	<u>1,859,485</u>	<u>2,042,136</u>	<u>3,901,621</u>	<u>3,686,341</u>
Total current assets				
Property, plant and equipment, net	14,254,957	-	14,254,957	14,717,056
Collectibles	25,300	-	25,300	25,300
Investments - restricted	-	3,005,352	3,005,352	2,935,653
	<u>14,280,257</u>	<u>3,005,352</u>	<u>17,285,609</u>	<u>17,678,009</u>
Total assets	<u>\$ 16,139,742</u>	<u>\$ 5,047,488</u>	<u>\$ 21,187,230</u>	<u>\$ 21,364,350</u>

See notes to financial statements

COVENANT VILLAGE, INC.

STATEMENTS OF FINANCIAL POSITION  
September 30, 2018 and 2017

	Operating Fund	Benevolent Assistance Fund	2018	2017
<b>LIABILITIES</b>				
Note payable, current portion	\$ 200,000	\$ -	\$ 200,000	\$ 200,000
Accounts payable	213,510	-	213,510	316,343
Accrued wages	228,425	-	228,425	227,093
Accrued vacation	368,217	-	368,217	388,981
Other accrued expenses	4,505	-	4,505	8,716
Due to Operating Fund	-	187,044	187,044	-
Residential accounts	79,013	-	79,013	83,044
Room deposits	91,874	-	91,874	112,460
<b>Total current liabilities</b>	<b>1,185,544</b>	<b>187,044</b>	<b>1,372,588</b>	<b>1,336,637</b>
Deferred income	10,686	-	10,686	-
Unit deposits	110,000	-	110,000	110,000
Deferred entrance fees	8,306,900	-	8,306,900	8,151,096
Refundable entrance fees	1,948,260	-	1,948,260	2,088,071
Note payable, noncurrent portion	1,400,000	-	1,400,000	1,600,000
	<u>11,775,846</u>	<u>-</u>	<u>11,775,846</u>	<u>11,949,167</u>
<b>Total liabilities</b>	<b>12,961,390</b>	<b>187,044</b>	<b>13,148,434</b>	<b>13,285,804</b>
<b>NET ASSETS</b>				
<b>Unrestricted</b>				
Operating	2,709,539	1,772,603	4,482,142	4,571,165
Board designated - capital reserve	419,858	-	419,858	422,773
Operating reserve	-	-	-	100,000
Board designated - employee loans	21,955	-	21,955	21,955
	<u>3,151,352</u>	<u>1,772,603</u>	<u>4,923,955</u>	<u>5,115,893</u>
<b>Restricted</b>				
<b>Temporary</b>				
Operating reserve	-	3,005,352	3,005,352	2,860,015
Other	16,000	82,489	98,489	91,638
Permanent	11,000	-	11,000	11,000
	<u>27,000</u>	<u>3,087,841</u>	<u>3,114,841</u>	<u>2,962,653</u>
<b>Total net assets</b>	<b>3,178,352</b>	<b>4,860,444</b>	<b>8,038,796</b>	<b>8,078,546</b>
<b>Total liabilities and net assets</b>	<b>\$ 16,139,742</b>	<b>\$ 5,047,488</b>	<b>\$ 21,187,230</b>	<b>\$ 21,364,350</b>

See notes to financial statements

COVENANT VILLAGE, INC.

STATEMENTS OF ACTIVITIES  
Years Ended September 30, 2018 and 2017

	Operating Fund	Benevolent Assistance Fund	2018	2017
Unrestricted net assets				
Revenues				
Entrance fees	\$ 1,357,574	\$ -	\$ 1,357,574	\$ 1,365,476
Loss on disposition of property and equipment	(50,846)	-	(50,846)	(11,776)
Residential	6,627,057	-	6,627,057	6,638,556
Health care	3,217,613	-	3,217,613	3,258,979
Contributions	853	-	853	13,522
Fitness center	43,991	-	43,991	35,394
Unit sales	45,000	-	45,000	34,000
Other revenues	184,448	-	184,448	239,741
Net assets released from restrictions used for benevolent assistance	187,044	-	187,044	3,383
Total unrestricted revenues	11,612,734	-	11,612,734	11,577,275
Expenses				
Program Services				
Nursing services	2,905,463	-	2,905,463	2,796,266
Housekeeping	965,243	-	965,243	953,226
Dietary	2,418,612	-	2,418,612	2,397,551
Operating and maintenance	3,755,596	-	3,755,596	4,170,295
Security	263,057	-	263,057	253,403
Special services	380,719	-	380,719	369,155
Management and general	1,152,271	-	1,152,271	1,047,956
Investment fees	-	13,719	13,719	24,335
Interest	51,501	-	51,501	59,557
	11,892,462	13,719	11,906,181	12,071,744
Decrease in unrestricted net assets	(279,728)	(13,719)	(293,447)	(494,469)
Changes in temporarily restricted net assets				
Investment income	-	184,672	184,672	159,405
Unrealized gain on investments	-	212,157	212,157	444,878
Contributions	-	43,912	43,912	55,837
Net assets released from restrictions	-	(187,044)	(187,044)	(3,383)
Increase in temporarily restricted net assets	-	253,697	253,697	656,737
Change in net assets	(279,728)	239,978	(39,750)	162,268
Net assets at beginning of year	3,458,080	4,620,466	8,078,546	7,916,278
Net assets at end of year	<u>\$ 3,178,352</u>	<u>\$ 4,860,444</u>	<u>\$ 8,038,796</u>	<u>\$ 8,078,546</u>

See notes to financial statements.



COVENANT VILLAGE, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended September 30, 2018

	Resident Services						Support Services		Totals
	Nursing Services	Housekeeping	Dietary	Operating and Maintenance	Security	Special Services	Total Resident Services	Management and General	
Salaries and wages	\$ 2,209,922	\$ 625,491	\$ 1,284,077	\$ 783,370	\$ 198,054	\$ 250,328	\$ 5,351,242	\$ 557,760	\$ 5,909,002
Payroll taxes	165,839	48,293	98,636	58,316	15,104	17,454	403,642	35,546	439,188
Employee benefits	415,259	189,490	237,859	152,269	46,731	56,386	1,097,994	90,414	1,188,408
Cleaning supplies	-	63,223	25,163	-	-	-	88,386	-	88,386
Consultants' fees	42,000	-	-	-	-	-	42,000	-	42,000
Food	-	-	699,610	-	-	-	699,610	-	699,610
Insurance	-	-	-	-	-	-	-	181,524	181,524
Legal and accounting	-	-	-	-	-	-	-	107,663	107,663
Medical supplies	15,596	-	-	-	-	-	15,596	-	15,596
Nourishments	16,687	-	-	-	-	-	16,687	-	16,687
Office expense	13,054	-	2,690	-	-	-	15,744	10,741	26,485
Other	7,741	11,625	17,711	4,504	2,618	2,834	47,033	72,096	119,129
Outside services	-	27,121	22,145	399,555	-	24,171	450,847	58,100	508,947
Paper supplies	-	-	30,721	-	-	-	22,145	-	22,145
Repairs and maintenance	-	-	-	336,810	-	-	567,531	19,625	387,156
Staff development	4,302	-	-	53,727	550	29,546	4,302	3,311	7,613
Supplies	15,063	-	-	160,739	-	-	83,823	-	83,823
Software maintenance	-	-	-	-	-	-	15,063	-	15,063
Television	-	-	-	580,087	-	-	160,739	-	160,739
Utilities	-	-	-	-	-	-	580,087	15,491	595,578
Total expenses before depreciation	2,905,463	965,243	2,418,612	2,529,377	263,057	380,719	9,462,471	1,152,271	10,614,742
Depreciation	-	-	-	1,226,219	-	-	1,226,219	-	1,226,219
Total expenses	\$ 2,905,463	\$ 965,243	\$ 2,418,612	\$ 3,755,596	\$ 263,057	\$ 380,719	\$ 10,688,690	\$ 1,152,271	\$ 11,840,961

See notes to financial statements.

COVENANT VILLAGE, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended September 30, 2017

	Resident Services						Support Services		Totals
	Nursing Services	Housekeeping	Dietary	Operating and Maintenance	Security	Special Services	Total Resident Services	Management and General	
Salaries and wages	\$ 2,094,471	\$ 626,369	\$ 1,249,280	\$ 701,112	\$ 190,723	\$ 241,087	\$ 5,103,042	\$ 566,924	\$ 5,669,966
Payroll taxes	159,945	48,063	95,465	53,960	14,742	17,069	389,244	33,015	422,259
Employee benefits	415,430	179,876	240,255	150,552	45,413	56,024	1,087,530	72,066	1,159,616
Cleaning supplies	-	54,625	22,575	-	-	-	77,200	-	77,200
Consumables' fees	42,000	-	-	-	-	-	42,000	-	42,000
Food	-	-	709,388	-	-	-	709,388	-	709,388
Insurance	-	-	-	-	-	-	-	-	-
Legal and accounting	-	-	-	-	-	-	-	178,702	178,702
Medical supplies	20,940	-	-	-	-	-	20,940	-	20,940
Nourishments	19,813	-	-	-	-	-	19,813	-	19,813
Office expense	9,077	-	2,960	-	-	-	12,037	-	25,154
Other	22,273	12,921	20,649	39,332	1,887	1,879	98,941	63,423	162,364
Outside services	-	31,372	-	569,701	614	24,320	626,007	18,000	644,007
Paper supplies	-	-	34,860	-	-	-	34,860	-	34,860
Repairs and maintenance	-	-	22,119	576,266	-	-	598,385	39,997	638,382
Staff development	923	-	-	-	-	-	923	5,136	6,059
Supplies	-	-	-	42,740	-	28,776	71,540	-	71,540
Software maintenance	11,394	-	-	-	-	-	11,394	-	11,394
Television	-	-	-	152,851	-	-	152,851	-	152,851
Utilities	-	-	-	589,409	-	-	589,409	10,705	600,114
Total expenses before depreciation	2,796,266	953,226	2,397,551	2,875,923	253,403	369,155	9,645,524	1,047,956	10,693,480
Depreciation	-	-	-	1,294,372	-	-	1,294,372	-	1,294,372
Total expenses	\$ 2,796,266	\$ 953,226	\$ 2,397,551	\$ 4,170,295	\$ 253,403	\$ 369,155	\$ 10,939,896	\$ 1,047,956	\$ 11,987,852

See notes to financial statements.

COVENANT VILLAGE, INC.

STATEMENTS OF CASH FLOWS  
Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (39,750)	\$ 162,268
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,226,219	1,294,372
Net gain on investments	(169,753)	(444,878)
Loss on disposition of property and equipment	50,846	11,776
(Increase) decrease in accounts receivable	(7,185)	34,060
Increase in inventories	(8,336)	(3,009)
Decrease in other receivables	9,800	936
(Increase) decrease in prepaid expenses	(5,481)	100,397
Increase (decrease) in accounts payable	(102,833)	94,713
Increase in wages and salaries payable	1,332	18,828
Increase (decrease) in accrued vacation payable	(20,764)	4,429
Increase (decrease) in other accrued expenses	(4,211)	3,606
Increase (decrease) in resident accounts	(4,031)	18,510
Increase (decrease) in room deposits	(20,586)	16,197
Increase (decrease) in deferred income	10,686	(23,327)
Decrease in refundable entrance fees	(139,811)	(77,004)
Increase in deferred entrance fees	155,804	261,281
Decrease in unit deposits	-	(56,000)
Net cash provided by operating activities	<u>931,946</u>	<u>1,417,155</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(258,120)	(504,903)
Proceeds from sale of investments	-	8,409
Purchase of property and equipment	<u>(814,966)</u>	<u>(451,536)</u>
Net cash used in investing activities	<u>(1,073,086)</u>	<u>(948,030)</u>
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>		
Principal payments on note payable	<u>(200,000)</u>	<u>(200,000)</u>
Net increase (decrease) in cash and cash equivalents	<u>(341,140)</u>	<u>269,125</u>
Cash and cash equivalents at beginning of year	<u>1,269,819</u>	<u>1,000,694</u>
Cash and cash equivalents at end of year	<u>\$ 928,679</u>	<u>\$ 1,269,819</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 51,501</u>	<u>\$ 51,360</u>

See notes to financial statements.

COVENANT VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

Note A - Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Covenant Village, Inc. (the "Village") is a life-care facility and was organized as a not-for-profit corporation in 1977. The financial statements are prepared on the accrual method of accounting, recognizing revenues when earned and expenses when incurred.

A summary of the Village's significant accounting policies follows:

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Village considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Management has evaluated and determined all accounts receivable are collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when the determination is made.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Village uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Inventories

Inventories are stated at cost and are accounted for on the first-in, first-out method.

COVENANT VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2018

Note A - Nature of Business and Summary of Significant Accounting Policies - Continued

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the statements of activities. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized. Long-term investments consist of debt securities with original maturities greater than twelve months.

Property and Equipment

The Village capitalizes property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment are recorded at cost and include additions and improvements that extend the useful lives of the assets. Expenditures for repairs and maintenance are charged to expense as incurred.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Village reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Village reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

Collectibles

Collectibles, which were donated to the Village, were recorded at fair market value at date of receipt.

Deferred Income

Deferred income in the operating fund represents advance payments of residential fees and insurance proceeds for repairs.

Contributed Services

No amounts have been reflected in the financial statements for donated services. However, many individuals volunteer their time and perform a variety of tasks that assist the Village.

COVENANT VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2018

Note A - Nature of Business and Summary of Significant Accounting Policies - Continued

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Village reports the support as unrestricted.

Income Taxes

The Village is a not-for-profit association that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the State of North Carolina has granted the Village tax-exempt status.

Accounting principles generally accepted in the United States of America require the Village's management to evaluate tax positions taken by the Village and recognize a tax liability (or asset) if the Village has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Village, and has concluded that as of September 30, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Village is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2015.

Note B - Restrictions of Net Assets

Temporarily restricted net assets at September 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Operating Fund		
Gifts restricted by donor	\$ <u>16,000</u>	\$ <u>16,000</u>
Benevolent Assistance Fund		
Operating reserves	\$ 3,005,352	\$ 2,860,015
Gifts restricted by donor (Leigh Scholarship)	<u>82,489</u>	<u>75,638</u>
	<u>\$ 3,087,841</u>	<u>\$ 2,935,653</u>

Permanently restricted net assets at September 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Operating Fund		
Gifts restricted by donor	\$ <u>11,000</u>	\$ <u>11,000</u>

COVENANT VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2018

Note C - Fair Value Measurement

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

**Level 1** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

**Level 2** Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value. There has been no change in the methodologies used at September 30, 2018 and 2017.

*Mutual Funds:* Valued at the daily closing price as reported by the fund. The mutual funds held by the Plan are deemed to be actively traded.

*Preferred rate securities:* Valued at the daily closing price as reported on active markets.

*Endowment Fund:* The Endowment Fund is valued based on the underlying investments held by the Endowment. It consist 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.

COVENANT VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2018

Note C - Fair Value Measurements – Continued

The following table sets forth by level, within the fair value hierarchy, the plan's fair value measurements at September 30, 2018 and 2017.

	Assets at Fair Value as of September 30, 2018			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 5,205,303	\$ -	\$ -	\$ 5,205,303
Preferred rate securities	262,042	-	-	262,042
Endowment fund	-	-	84,801	84,801
	<u>\$ 5,467,345</u>	<u>\$ -</u>	<u>\$ 84,801</u>	<u>\$ 5,552,146</u>

	Assets at Fair Value as of September 30, 2017			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 4,763,567	\$ -	\$ -	\$ 4,763,567
Preferred rate securities	279,672	-	-	279,672
Endowment fund	-	-	81,034	81,034
	<u>\$ 5,043,239</u>	<u>\$ -</u>	<u>\$ 81,034</u>	<u>\$ 5,124,273</u>

The following table sets forth a summary of changes in the fair value of the Organization's level 3 assets for the year ended September 30, 2018.

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)
Opening balance	\$ 81,034
Investment income/increase in market value	4,328
Less investment fees paid	<u>561</u>
Ending balance	<u>\$ 84,801</u>



COVENANT VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2018

Note D - Property and Equipment

Property and equipment consists of:

	<u>2018</u>	<u>2017</u>
Land	\$ 518,254	\$ 518,254
Land improvements	1,113,272	1,101,815
Buildings	19,318,370	19,054,750
Cottages	5,018,844	5,015,484
Medical facility	9,209,066	9,209,066
Furniture and fixtures	1,189,555	1,239,489
Equipment	1,874,002	1,739,577
Equipment - medical facility	368,220	412,109
Vehicles	281,202	293,044
Fitness center	607,729	607,729
Construction in progress	<u>200,218</u>	<u>37,025</u>
	39,698,732	39,228,342
Less accumulated depreciation	<u>25,443,775</u>	<u>24,511,286</u>
	<u>\$ 14,254,957</u>	<u>\$ 14,717,056</u>

Expenses of the Operating Fund include depreciation of \$1,226,219 and \$1,294,372 for the years ended September 30, 2018 and 2017, respectively.

Note E - Unit Deposits

The unit deposits shown on the statements of financial position represent monies received as advanced entrance fees from individuals who wish to occupy facilities of Covenant Village, Inc. in the future. The Village is paying 6% interest per annum on the unit deposits to the individuals.

Note F - Sale of Units

Sale of units represents income from entrance fees. Entrance fees are amortized to income based on the estimated life of each resident, using a straight-line method based on the 2000 Individual Annuitant Mortality Table - A. During the years ended September 30, 2018 and 2017, the Village recognized \$1,357,574 and \$1,365,476 amortization of the deferred revenue of entrance fees from the sale of units, respectively, and actual cash received was \$1,376,500 and \$1,550,750 for the years ended September 30, 2018 and 2017, respectively.

COVENANT VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2018

Note G - Note Payable

Note payable at September 30, 2018 and 2017 consists of the following:

	<u>2018</u>	<u>2017</u>
Unsecured note payable to a bank with interest payable monthly at 2.74%. Annual principal payments of \$200,000. Matures July 2021.	<u>\$ 1,600,000</u>	<u>\$ 1,800,000</u>

Future annual maturities of the note payable at September 30, 2018 are as follows:

September 30, 2019	\$ 200,000
September 30, 2020	200,000
September 30, 2021	<u>1,200,000</u>
	<u>\$ 1,600,000</u>

Interest expense charged to operations for September 30, 2018 and 2016 was \$45,682 and \$51,360, respectively.

Note H - Retirement Plan

The Village 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 the Village matches 50% of the contributions made by eligible employees, up to 3% of the employees' annual salary. Contributions to the plan by the Village were \$71,564 and \$75,465 for the years ended September 30, 2018 and 2017, respectively.

COVENANT VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2018

Note I - Contingencies

Under the terms of the life-care agreement with the residents, Covenant Village, Inc. is contingently liable for refunds of entrance fees. The refund is applicable to residents whose residency ceases, whether voluntarily or involuntarily, within the first twenty-five or fifty months of residency, for normal residency and cottage residency, respectively. Covenant Village, Inc. 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 normal residency and cottage residency, respectively. The refundable entrance fees were \$1,948,260 and \$2,088,071 at September 30, 2018 and 2017, respectively.

Additionally, generally accepted accounting principles require that residence fees must be accounted for ratably over the life expectancy of the residents. The portions of the entrance fees that have not been earned and that are in excess of the contingent refund listed above are reported as deferred entrance fees. The deferred entrance fees were \$8,306,900 and \$8,151,096 at September 30, 2018 and 2017.

Note J - Concentration of Credit Risk

At September 30, 2018, the Village had deposits in excess of federally insured limits of \$677,929. Additionally, the Village had \$5,469,325 invested in cash equivalents, mutual funds and fixed rate securities at a national bank trust department.

Note K - Board Designated Funds

The Board of Directors has adopted a policy designating the Benevolent Assistance Fund to be used in order to meet the operating reserve requirements specified by the North Carolina Department of Insurance. The operating reserve requirement is determined using total operating expenses plus debt service less depreciation times a factor of 25%. At September 30, 2018, the required operating reserve was \$3,005,352 and the Village met this requirement.

Note L - Operating Lease

The Village leased 2 copiers during the year ending September 30, 2016 under a 63 month operating lease that expires December 2021. The payment required by this lease is \$2,905 per month.

The Village also leased a copier during the year ended September 30, 2015 under a 51 month operating lease that expires July 2019. The payment required by the lease is \$601 per month.

Total lease expense for the year ending September 30, 2018 and 2017 was approximately \$42,000 and \$45,400, respectively.

COVENANT VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2018

Note L - Operating Lease - Continued

Minimum future payments required by the operating leases as of September 30, 2018 are as follows:

September 2019	\$ 41,470
September 2020	34,859
September 2021	34,859
September 2022	<u>8,715</u>
	<u>\$ 119,903</u>

Note M - Related Party Transactions

The Village 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, 2018 and 2017, there was an outstanding balance on these loans of \$12,154 and \$21,954, respectively. This amount has been included in employee receivables on the statements of financial position.

Note N - Benevolent Funds Assistance

In past years income to support financially needy residents was brought into operating income from income earned by the benevolent fund. For the year ending September 30, 2018, \$187,044 was transferred to the operating income.

For the year ending September 30, 2018, \$236,469 was taken as a loss of income from the operating fund rather than being funded by the benevolent fund due to the market conditions affecting the stock market.

Note O - Subsequent Events

The Organization has evaluated subsequent events through December 17, 2018, the date on which the financial statements were available to be issued.

Note P - Reclassifications

Certain items in the financial statements for the year ended September 30, 2017 have been reclassified, with no effect on change in net assets or net assets, to be consistent with the classification adopted for the year ended September 30, 2018.

SUPPLEMENTARY INFORMATION

COVENANT VILLAGE, INC.

SCHEDULES OF NURSING SERVICES  
 Years Ended September 30, 2018 and 2017

	2018		2017	
	Amount	Percent	Amount	Percent
Salaries and wages	\$ 2,209,922	76.06%	\$ 2,094,471	74.90%
Payroll taxes	165,839	5.71%	159,945	5.72%
Employee benefits	415,259	14.29%	415,430	14.86%
Consultants' fees	42,000	1.45%	42,000	1.50%
Medical supplies	15,596	0.54%	20,940	0.75%
Nourishments	16,687	0.57%	19,813	0.71%
Office expense	13,054	0.45%	9,077	0.32%
Other	7,741	0.27%	22,273	0.80%
Software maintenance	15,063	0.52%	11,394	0.41%
Staff development	4,302	0.15%	923	0.04%
	<u>\$ 2,905,463</u>	<u>100.00%</u>	<u>\$ 2,796,266</u>	<u>100.00%</u>

COVENANT VILLAGE, INC.

SCHEDULES OF HOUSEKEEPING  
 Years Ended September 30, 2018 and 2017

	2018		2017	
	Amount	Percent	Amount	Percent
Salaries and wages	\$ 625,491	64.80%	\$ 626,369	65.71%
Payroll taxes	48,293	5.00%	48,063	5.04%
Employee benefits	189,490	19.63%	179,876	18.87%
Cleaning supplies	63,223	6.55%	54,625	5.73%
Other	11,625	1.20%	12,921	1.36%
Outside services	27,121	2.81%	31,372	3.29%
	<u>\$ 965,243</u>	<u>100.00%</u>	<u>\$ 953,226</u>	<u>100.00%</u>

COVENANT VILLAGE, INC.

SCHEDULES OF DIETARY  
 Years Ended September 30, 2018 and 2017

	2018		2017	
	Amount	Percent	Amount	Percent
Salaries and wages	\$ 1,284,077	53.09%	\$ 1,249,280	52.11%
Payroll taxes	98,636	4.08%	95,465	3.98%
Employee benefits	237,859	9.83%	240,255	10.02%
Cleaning supplies	25,163	1.04%	22,575	0.94%
Food	699,610	28.93%	709,388	29.59%
Office expense	2,690	0.11%	2,960	0.12%
Other	17,711	0.74%	20,649	0.86%
Repairs	30,721	1.27%	22,119	0.92%
Paper supplies	22,145	0.92%	34,860	1.45%
	<u>\$ 2,418,612</u>	<u>100.00%</u>	<u>\$ 2,397,551</u>	<u>100.00%</u>



COVENANT VILLAGE, INC.

SCHEDULES OF OPERATING AND MAINTENANCE  
 Years Ended September 30, 2018 and 2017

	2018		2017	
	Amount	Percent	Amount	Percent
Salaries and wages	\$ 783,370	20.86%	\$ 701,112	16.81%
Payroll taxes	58,316	1.55%	53,960	1.29%
Employee benefits	152,269	4.05%	150,552	3.61%
Other	4,504	0.13%	39,332	0.94%
Outside services	399,555	10.64%	569,701	13.66%
Repairs and maintenance	336,810	8.97%	576,266	13.82%
Supplies	53,727	1.43%	42,740	1.02%
Television	160,739	4.28%	152,851	3.67%
Utilities	580,087	15.45%	589,409	14.13%
Depreciation	1,226,219	32.65%	1,294,372	31.04%
	<u>\$ 3,755,596</u>	<u>100.00%</u>	<u>\$ 4,170,295</u>	<u>100.00%</u>

COVENANT VILLAGE, INC.

SCHEDULES OF SECURITY  
 Years Ended September 30, 2018 and 2017

	2018		2017	
	Amount	Percent	Amount	Percent
Salaries and wages	\$ 198,054	75.29%	\$ 190,723	75.26%
Payroll taxes	15,104	5.74%	14,742	5.82%
Employee benefits	46,731	17.76%	45,413	17.92%
Other	2,618	1.00%	1,887	0.74%
Outside services	-	0.00%	614	0.24%
Supplies	550	0.21%	24	0.01%
	<u>\$ 263,057</u>	<u>100.00%</u>	<u>\$ 253,403</u>	<u>100.00%</u>

COVENANT VILLAGE, INC.

SCHEDULES OF SPECIAL SERVICES  
 Years Ended September 30, 2018 and 2017

	2018		2017	
	Amount	Percent	Amount	Percent
Salaries and wages	\$ 250,328	65.75%	\$ 241,087	65.31%
Payroll taxes	17,454	4.58%	17,069	4.62%
Employee benefits	56,386	14.81%	56,024	15.18%
Other	2,834	0.74%	1,879	0.51%
Outside services	24,171	6.35%	24,320	6.59%
Supplies	29,546	7.76%	28,776	7.80%
	<u>\$ 380,719</u>	<u>100.00%</u>	<u>\$ 369,155</u>	<u>100.00%</u>

COVENANT VILLAGE, INC.

SCHEDULES OF MANAGEMENT AND GENERAL  
Years Ended September 30, 2018 and 2017

	2018		2017	
	Amount	Percent	Amount	Percent
Salaries and wages	\$ 557,760	48.41%	\$ 566,924	54.10%
Payroll taxes	35,546	3.08%	33,015	3.15%
Employee benefits	90,414	7.85%	72,066	6.88%
Insurance	181,524	15.75%	178,702	17.05%
Legal and accounting	107,663	9.34%	46,871	4.47%
Office expense	10,741	0.93%	13,117	1.25%
Other	72,096	6.27%	63,423	6.04%
Outside services	58,100	5.04%	18,000	1.72%
Repairs and maintenance	19,625	1.70%	39,997	3.82%
Staff development	3,311	0.29%	5,136	0.49%
Utilities	15,491	1.34%	10,705	1.02%
	<u>\$ 1,152,271</u>	<u>100.00%</u>	<u>\$ 1,047,956</u>	<u>100.00%</u>

**ATTACHMENT 2**

**FIVE YEAR PROJECTION**

COVENANT VILLAGE, INC.

FORECASTED STATEMENTS  
ALL FUNDS

Years Ending  
September 30, 2019, 2020, 2021, 2022 and 2023

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McCANNON • ROGERS • DRISCOLL  
& ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:

BENJAMIN P. ALBRIGHT, III, CPA  
RANDY G. BOYD, CPA

PARTNERS:

STEPHEN B. DRISCOLL, CPA

ACCOUNTANT'S COMPILATION REPORT

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

We have compiled the accompanying statements of forecasted financial position – all funds, statements of forecasted activities – all funds and statements of forecasted cash flows – all funds of Covenant Village, Inc. as of September 30, 2019, 2020, 2021, 2022, and 2023 and for the years then ending, in accordance with attestation standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of a forecast information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast. We have not examined the forecast, and accordingly, do not express an opinion or any other form of assurance on the accompanying statements or assumptions. Furthermore, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

*McCannon, Rogers, Driscoll & Associates, L.L.P.*

Gastonia, North Carolina  
January 2, 2019



Covenant Village, Inc

Statements of Forecasted Financial Position - All Funds  
See Accountant's Compilation Report

	September 30,				
	2019	2020	2021	2022	2023
<b>Assets</b>					
Cash and cash equivalents	\$ 1,200,195	\$ 1,660,617	\$ 2,311,235	\$ 2,967,552	\$ 3,608,229
Accounts receivable	54,000	54,000	54,000	54,000	54,000
Inventories	156,000	156,000	156,000	156,000	156,000
Prepaid expenses	30,000	30,000	30,000	30,000	30,000
Investments, unrestricted	2,512,805	2,490,567	2,466,023	2,439,610	2,411,282
<b>Total current assets</b>	<b>3,953,000</b>	<b>4,391,185</b>	<b>5,017,258</b>	<b>5,647,162</b>	<b>6,258,512</b>
Property and equipment, net	13,529,957	12,846,957	12,125,957	11,397,957	10,688,957
Collectibles	25,300	25,300	25,300	25,300	25,300
Investments, restricted	3,089,341	3,161,579	3,236,123	3,312,536	3,390,864
	<u>16,644,598</u>	<u>16,033,836</u>	<u>15,387,380</u>	<u>14,735,793</u>	<u>14,085,121</u>
<b>Total assets</b>	<b>\$ 20,597,598</b>	<b>\$ 20,425,020</b>	<b>\$ 20,404,638</b>	<b>\$ 20,382,955</b>	<b>\$ 20,344,632</b>
<b>Liabilities</b>					
Notes payable, current	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Accounts payable	214,000	214,000	214,000	214,000	214,000
Accrued expenses	600,000	600,000	600,000	600,000	600,000
Residents accounts	50,000	50,000	50,000	50,000	50,000
<b>Total current liabilities</b>	<b>1,064,000</b>	<b>1,064,000</b>	<b>1,064,000</b>	<b>1,064,000</b>	<b>1,064,000</b>
Escrows and deposits	202,000	152,000	102,000	92,000	92,000
Deferred credits long-term	9,938,160	9,708,160	9,556,160	9,364,160	9,137,160
Note payable, less current portion	1,200,000	1,000,000	800,000	600,000	400,000
	<u>11,340,160</u>	<u>10,860,160</u>	<u>10,458,160</u>	<u>10,056,160</u>	<u>9,629,160</u>
<b>Total liabilities</b>	<b>12,404,160</b>	<b>11,924,160</b>	<b>11,522,160</b>	<b>11,120,160</b>	<b>10,693,160</b>
<b>Net assets</b>					
Unrestricted	5,104,097	5,339,282	5,646,355	5,950,259	6,260,609
Restricted	3,089,341	3,161,579	3,236,123	3,312,536	3,390,864
	<u>8,193,438</u>	<u>8,500,860</u>	<u>8,882,478</u>	<u>9,262,795</u>	<u>9,651,472</u>
<b>Total net assets</b>	<b>\$ 20,597,598</b>	<b>\$ 20,425,020</b>	<b>\$ 20,404,638</b>	<b>\$ 20,382,955</b>	<b>\$ 20,344,632</b>

See summary of significant forecast assumptions and accounting policies.

Covenant Village, Inc

Statements of Forecasted Activities - All Funds  
See Accountant's Compilation Report

	Years Ending September 30,				
	2019	2020	2021	2022	2023
Unrestricted net assets					
Revenue					
Entrance fees	\$ 1,810,000	\$ 1,865,000	\$ 1,920,000	\$ 1,865,000	\$ 1,810,000
Interest and investment income	300,000	315,000	330,750	347,288	364,652
Residential	7,119,000	7,332,570	7,552,547	7,779,124	8,012,497
Health care	3,627,000	3,735,810	3,847,884	3,963,321	4,082,220
Contributions	50,000	50,000	50,000	50,000	50,000
Other revenues	245,050	252,402	259,974	267,773	275,806
Total unrestricted net assets	13,151,050	13,550,782	13,961,155	14,272,505	14,595,175
Expenses					
Nursing service	3,145,787	3,224,432	3,305,042	3,387,669	3,472,360
Housekeeping	1,100,422	1,127,933	1,156,131	1,185,034	1,214,660
Dietary	2,397,603	2,457,543	2,518,982	2,581,956	2,646,505
Operating and maintenance	2,968,716	3,042,934	3,119,007	3,196,982	3,276,907
Activities/Fitness	504,834	517,455	530,391	543,651	557,242
Special Services/Security	289,018	296,243	303,650	311,241	319,022
Management and general	1,164,588	1,193,703	1,223,545	1,254,134	1,285,487
Depreciation	1,175,000	1,133,000	1,171,000	1,178,000	1,179,000
Benevolence expense	200,000	206,000	212,180	218,545	225,102
Interest, unit deposits	6,600	6,600	6,600	6,600	6,600
Interest, long-term debt	43,840	37,517	33,009	28,375	23,613
	12,996,408	13,243,359	13,579,537	13,892,187	14,206,498
Increase in net assets	\$ 154,642	\$ 307,422	\$ 381,618	\$ 380,317	\$ 388,677

See summary of significant forecast assumptions and accounting policies.

Covenant Village, Inc.

Statements of Forecasted Cash Flows - All Funds  
See Accountant's Compilation Report

	Years Ending September 30,				
	2019	2020	2021	2022	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Increase in net assets	\$ 154,642	\$ 307,422	\$ 381,618	\$ 380,317	\$ 388,677
Adjustments to reconcile increase in net assets to net cash provided by operating activities					
Depreciation	1,175,000	1,133,000	1,171,000	1,178,000	1,179,000
Decrease (increase) in operating assets					
Accounts receivable	(377)	-	-	-	-
Inventories	(418)	-	-	-	-
Prepaid expenses	(101)	-	-	-	-
Investments, long-term	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
Increase (decrease) in operating liabilities					
Accounts payable	490	-	-	-	-
Accrued expenses	(1,147)	-	-	-	-
Escrow and deposits	126	(50,000)	(50,000)	(10,000)	-
Deferred income	(10,686)	-	-	-	-
Resident accounts	(29,013)	-	-	-	-
Deferred credits	(317,000)	(230,000)	(152,000)	(192,000)	(227,000)
Net cash provided by operating activities	921,516	1,110,422	1,300,618	1,306,317	1,290,677
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>					
Purchase of property and equipment	(450,000)	(450,000)	(450,000)	(450,000)	(450,000)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>					
Principle payments on note payable	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
Increase (decrease) in cash and cash equivalents	271,516	460,422	650,618	656,317	640,677
Cash and cash equivalents at the beginning of the year	928,679	1,200,195	1,660,617	2,311,235	2,967,552
Cash and cash equivalents at the end of the year	\$ 1,200,195	\$ 1,660,617	\$ 2,311,235	\$ 2,967,552	\$ 3,608,229

See summary of significant forecast assumptions and accounting policies.

COVENANT VILLAGE, INC.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

September 30, 2019, 2020, 2021, 2022 and 2023

See Accountant's Compilation Report

Note A - Summary of Significant Forecast Assumptions

These financial forecasts are based on the estimated resident census levels and present to the best of management's knowledge and belief Covenant Village's expected results of operations and significant changes in financial position for the forecast if such census levels are obtained. Accordingly, these forecasts reflect the judgment of management as of January 2, 2019, the date of these forecasts, of the expected conditions and its expected course of action. The presentations are for the purpose of meeting the disclosures requirements under G.S. 58-64-30 and should not be considered to be a presentation of expected future results. Accordingly, these forecasts may not be used for other purposes. The assumptions disclosed herein are those that management believes are significant to the forecasts. Furthermore, even if resident census levels are attained, 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.

Covenant Village, Inc. is currently operating 142 apartments, 42 cottages and a 72 bed health center.

Amounts shown in this projection have been rounded to the nearest dollar.

Sale of units

Sale of units represents income from entrance fees. Entrance fees are amortized to income based on the estimated life of each resident, using a straight-line method based on the 2000 Individual Annuitant Mortality Table-A. Additionally, turnover due to mortality is expected to be 10% per year.

Contributions

Contributions are the amount of undesignated cash contributions and bequests.

Residential

Residential income includes monthly fee payments made by residents in apartments and cottages. A 3% increase in monthly fees is projected for each year. The census assumptions are as follows:

Type of Unit	Actual Number of Units	Budget Number of Units	Percent of Occupancy
Cottages	42	41.00	98%
2 <sup>nd</sup> person		22.00	
Two-bedroom	14	13.00	93%
2 <sup>nd</sup> person		13.00	
One-bedroom 2 <sup>nd</sup> person	55	53.00	96%
2 <sup>nd</sup> person		8.00	
Single room	73	68.00	93%
2 <sup>nd</sup> person		2.00	

COVENANT VILLAGE, INC.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES  
September 30, 2019, 2020, 2021, 2022 and 2023  
See Accountant's Compilation Report

Note A - Summary of Significant Forecast Assumptions - Continued

Health care

Health Care income assumes 85% occupancy of the 72 bed Health Center. Income is calculated at \$126.20 per day for 45 residents with life care contracts, \$235.00 per day for 2 full pay residents in assisted living and \$255.00 per day for 14 full pay residents in nursing care. An annual fee increase of 3% is projected.

Other revenues

Other revenues include barber and beauty shop earnings, employee meals, guest meals and lodging, net gift shop receipts, medical supplies charged to residents, laundry fees and cable TV.

Interest and investment income

Income is the investment earnings from the Benevolent Fund/operating reserve and other operating funds with an average balance of \$5,500,000. It is assumed that approximately \$50,000 will be added to these funds each year. The interest rate was calculated at 6%.

Departmental expenses

Operating expenses including the nursing, housekeeping, dietary, maintenance, special services and administrative departments were calculated based on actual results from previous years.

All departmental expenses are based on a 2.5% annual increase.

Renovation expenses

The expenses associated with refurbishing Health Center rooms, cottages and apartments when they turnover is included in the forecast under operating and maintenance. These expenses were approximately \$576,000 in 2018 and \$670,000 was used for the forecast.

Development and marketing expenses

Covenant Village, Inc. relies on word-of-mouth to maintain occupancies. Expenses related to this are minimal and included in the budget for Administration. There is no paid advertising, budget or paid staff positions for marketing or development.

COVENANT VILLAGE, INC.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

September 30, 2019, 2020, 2021, 2022 and 2023

See Accountant's Compilation Report

Note A - Summary of Significant Forecast Assumptions - Continued

Depreciation

This non-cash expense represents the allocation of costs associated with expenditures for property and equipment which are capitalized at cost; the fair market value of donated property and equipment is similarly capitalized. Depreciation is provided over the estimated useful life of assets, computed on the straight-line method.

Interest expense future residents

Interest expense is the interest paid to future apartment residents with entrance fees on deposit. Interest is paid at an annual rate of 6%. It is anticipated that this debt will not be reduced.

Interest on long-term debt

Interest on long term debt is the interest that will be paid on \$1,600,000 borrowed to finance the Health Center addition and renovation. The debt matures in July 2021. An interest rate of 2.74% and a \$200,000 per year principal reduction is assumed for these projections. It is also assumed the debt will be refinanced in July 2021 for the same terms currently in effect.

Equipment replacement

This amount is based on experiences and reflects the amount needed to replace equipment and refurbishing.

Note B - Summary of Significant Accounting Policies

The financial forecast has been prepared on the basis of accounting principles generally accepted in the United States of America expected to be used in the financial statements covering the forecast period, which are the same as those used to prepare the historical financial statements for the year ended September 30, 2018, as described below.

Background

Covenant Village, Inc. (the "Village") is a life-care facility and was organized as a not-for-profit corporation in 1977. The financial statements are prepared on the accrual method of accounting, recognizing revenues when earned and expenses when incurred.

COVENANT VILLAGE, INC.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

September 30, 2019, 2020, 2021, 2022 and 2023

See Accountant's Compilation Report

Note B - Summary of Significant Accounting Policies - Continued

A summary of the significant accounting policies are described as follows:

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Village considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Management deems all accounts receivable collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when the determination is made.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Village that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Village uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Inventories

Inventories are stated at cost and are accounted for on the first-in first-out method.

Contributed Services

No amounts have been reflected in the financial statements for donated services. However, many individuals volunteer their time and perform a variety of tasks that assist the Village.

COVENANT VILLAGE, INC.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

September 30, 2019, 2020, 2021, 2022 and 2023

See Accountant's Compilation Report

Note B - Summary of Significant Accounting Policies - Continued

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Property and Equipment

The Village capitalizes property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment are recorded at cost and include additions and improvements that extend the useful lives of the assets. Expenditures for repairs and maintenance are charged to expense as incurred.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Village reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Village reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

Collectibles

Collectibles, which are donated to the Village, were recorded at fair market value at date of receipt.

Financial Statement Presentation

The Village is required to report information regarding its financial position and activities according to two classes of net assets; unrestricted net assets and temporarily restricted net assets. In addition, the Village is required to present a statement of cash flows.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Village reports the support as unrestricted.



COVENANT VILLAGE, INC.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

September 30, 2019, 2020, 2021, 2022 and 2023

See Accountant's Compilation Report

Note B - Summary of Significant Accounting Policies -- Continued

Income taxes

The Village is a not-for-profit association that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the State of North Carolina has granted the Village tax-exempt status.

Accounting principles generally accepted in the United States of America require the Village's management to evaluate tax positions taken by the Village and recognize a tax liability (or asset) if the Village has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Village, and has concluded that as of September 30, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Village is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2015.

Deferred revenue

Deferred income in the operating fund represents advance payments of residential fees and insurance proceeds for repairs.

**ATTACHMENT 3**

**RESIDENT'S AGREEMENT / CONTRACT**



## *Covenant Village*

### LIFE CARE AGREEMENT

### COVENANT VILLAGE, INC.

### MAIN BUILDING APARTMENTS

THIS AGREEMENT is made this \_\_\_\_\_ day of 20\_\_\_\_, 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 telephone, cable television and wireless internet services outside of Covenant Village's bundling services.

**C. Furnishings.** Covenant Village will provide: wall-to-wall carpeting except in the kitchen and bathrooms where sheet vinyl will be provided; interior walls will be painted sheetrock; tubs and showers of molded acrylic or fiberglass with grab bars; 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. All furniture, furnishings, decorations, accessories, bed and bath linens and other personal property shall be provided by Resident.

**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 weekly 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 weekly 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, tree 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 \$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 Apartment will be \$ \_\_\_\_\_ per month plus an additional \$ \_\_\_\_\_ per month if a second Resident occupies the Apartment and \$ \_\_\_\_\_ per day for a private room in the Covenant Village Health Center. The charges may be adjusted by Covenant Village prior to occupancy of the Apartment 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 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, operation 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 monthly 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 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; 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, 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 a 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 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 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 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 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 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 whose members are selected to represent the original religious denominations and the community at large. The churches are in no way responsible for the financial or contractual obligations of Covenant Village, Inc. Covenant Village is managed by its Board of Directors and its Chief Executive Officer at the direction of the Board of Directors.

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 CEO of Covenant Village.

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 CEO of Covenant Village 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.** 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

(Seal)

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

\_\_\_\_\_  
Resident

(Seal)



## *Covenant Village*

### LIFE CARE AGREEMENT

### COVENANT VILLAGE, INC.

### COTTAGE

THIS AGREEMENT is made this \_\_\_\_ day of \_\_\_\_\_ 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 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 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: wall-to-wall carpeting except in the kitchen and bathrooms where sheet vinyl will be provided; interior walls will be painted sheetrock except for kitchens and bathrooms where walls will be prepared for wallpaper; 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; tubs and showers of molded acrylic or fiberglass with built-in seats, grab bars and adjustable hand-held shower heads; central heat and air conditioning with individual thermostat; electric 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; overhead heat lamp or an electric heater; fan and a mirror in each bathroom; lever door hardware; gutters and downspouts; sound insulation between cottages; mail boxes and a cottage number for each cottage; crown moldings in living and dining rooms and each bedroom or study; 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.
- 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 weekly 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 weekly 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. **Activities.** Any social, spiritual, educational, cultural activities, arts and crafts, exercise and health program provided by Covenant Village will be available to Residents.



- L. **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.
  
- M. **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 and \$ \_\_\_\_\_ per day for a private room in the Covenant Village Health Center. 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.

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- 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.
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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.

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- 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 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 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 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 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 whose members are selected by local churches. The churches are in no way responsible for the financial or contractual obligations of Covenant Village, Inc. Covenant Village is managed by its Board of Directors and its administrators at the direction of the Board of Directors.

- 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 CEO of Covenant Village.
- 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 CEO of Covenant Village 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 (Seal)

\_\_\_\_\_  
WITNESS:

\_\_\_\_\_  
Resident (Seal)

Exhibit 1  
Entrance Fee

Cottage Address:

The Entrance Fee is Payable as Follows:	\$
Entrance Fee Cottage	\$ _____
Second Person Entrance Fee	\$ _____
Garage	\$ _____
Fireplace	\$ _____
Total	\$ _____
Less	\$ _____
<b>TOTAL ENTRANCE FEE</b>	\$ _____

Monthly fee	\$ _____ 1 Person
	\$ _____ 2 <sup>nd</sup> Person
	\$ _____