



Covenant Village

DISCLOSURE STATEMENT

DATE: January 31, 2020

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 June 30, 2021.**
- ◆ **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 North Carolina corporation and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Covenant Village is also exempt from property taxes.

Affiliations

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

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

Accreditation

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

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 40-acre site in Gastonia, North Carolina. The main building consists of 142 single room, one-bedroom and two-bedroom apartments, a 72 bed Health Center consisting of nursing care and assisted living beds, and numerous public and service areas. The main building also includes a 9,700 square foot Wellness Center (WC) to serve the residents. The WC includes state-of-the-art cardio and strength equipment, and an indoor swimming pool and spa. Covenant Village also has 21 duplex cottages consisting of 42 two-bedroom cottages located on the western side of the property.

Mailing Address -	1351 Robinwood Road Gastonia, NC 28054
Telephone Number-	704-867-2319
Fax Number -	704-854-8738
Website -	covenantvillagenc.com

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.

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

Dale serves on the Board of the LeadingAge North Carolina Foundation, our state association, as well as on the Awards Selection Committee. He 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.

None of the officers, directors or persons involved in managing Covenant Village on a day-to-day basis has been convicted of a felony or pleaded nolo contendere to a felony charge, nor been held liable or enjoined in a civil action by final judgment which involved fraud, embezzlement, fraudulent conversion, or misappropriation of property; or is subject to a state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department related to the 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 similar facility.

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 office hundred dollars (\$500.00) or more within any year.

Covenant Village Board of Directors 2020 With Addresses and Professional Experience

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

Mr. Wade Huss
1356 Dove Creek Court
Gastonia, NC 28054
Ret., Manufacturing Exec.

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

Mrs. Nancy B. Paschall
P. O. Box 488
Gastonia, NC 28053
Attorney at Law

Mr. Rob Collis
103 E. 3rd Avenue 28052
Gastonia, NC
CPA, Collis & Associates

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

The Rev. Brack C. East
805 South York Street
Gastonia, NC 28052
Pastor, Holy Trinity
Lutheran Church

Dr. Kelly Shedd, MD
CaroMont,
Internal Medicine Assoc.
2391 Court Dr. Suite 110
Gastonia, NC 28054
Physician

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

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

Mrs. Christy Gliddon
100 Main Street
Lowell, NC 28098
Pharr, Executive VP for
Human Resources

Mrs. Nancy Paschall and Mr. David Smith are partners in their respective law firms. It is anticipated that such firms will provide legal services to Covenant Village, but the extent and cost of such services cannot be presently estimated.

COVENANT VILLAGE, INC.

2020 BOARD OF DIRECTORS

Officers and Members by Class

2020	2021	2022
Carol Carstarphen Brack C. East Wade Huss Robert S. Pearson David W. Smith III	William Current Timothy Efir Nancy Paschall	Rob Collis Christy Gliddon Kelly Shedd

At Large Member: Bill Rouse

EXECUTIVE OFFICERS

**Chairman - H. Timothy Efir
Vice-Chairman - Nancy Paschall
Secretary - Carol Carstarphen
Treasurer - David Smith
Chief Executive Officer - Dale Melton
Executive Assistant - Brenda M. Harris**

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

**Bill Rouse
Apartment A-101
Covenant Village, Inc.
Gastonia, NC 28054
704-865-9736**

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 confidential financial statement is required from the applicant to assist Covenant Village in planning.

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

AGE CRITERIA

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

CHANGES OF CONDITION PRIOR TO OCCUPANCY

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

APARTMENT TERMINATION AND REFUND PROVISIONS

- A. Resident may rescind this agreement within thirty days of the latter of the execution date of this contract or the receipt of the disclosure statement, with no penalty. Resident is not required to move into the unit before the expiration of the 30-day period. If Resident dies before occupying the apartment, or if, on account of illness, injury or incapacity a resident is precluded from occupying the apartment and such condition is certified in writing by a physician, then in either event the contract shall be deemed immediately cancelled. Any refund under this paragraph will be paid within 60 days after written notice has been received by Covenant Village. Resident or Resident's legal representative shall receive a refund of all money, less monthly fees specified in the Contract for the period of time unit was actually occupied by Resident, less non-standard costs specifically incurred by Covenant Village at the request of the Resident and described in the contract or any contract amendment signed by resident, and less a \$1,000.00 administrative fee. The entrance fee will be refunded without amortization reductions as specified herein below during the 30-day rescission period.

- B. After taking occupancy and becoming a resident of Covenant Village, should residency for any reason cease, whether voluntarily or involuntarily, Covenant Village shall be under no obligation to make a refund to Resident provided, however, that if such cessation of residency occurs within the first twenty-five (25) months of residency, Covenant Village will refund the Entrance Fee, less four percent (4%) thereof for each calendar month, or portion thereof of residency, and less one thousand dollars (\$1,000) as an administrative and refurbishing charge. Payment of any refund due Resident under this paragraph will be made when Covenant Village receives full payment of the Entrance Fee from a qualified substitute resident.
- C. No Entrance Fee refund will be made after twenty-five (25) months of residency and no refund will be made, at any time, for a resident transferring to Covenant Village's Health Center facilities.
- D. Covenant Village may terminate this Agreement at any time if there has been a material misrepresentation or omission made by Resident in Resident's Application for Admission, Personal Health History or Confidential 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, 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 Residents and Covenant Village.
- B. Resident agrees that Covenant Village shall have authority to determine when or if Resident should be transferred from Resident's Apartment to the Covenant Village Health Center or from one level of care to another level of care within the Covenant Village Health Center. Such determination shall be based on the professional opinion of the Medical Director and the Chief Executive Officer of Covenant Village and shall be made only after consultation to the extent practical with resident, a representative of Resident's family, or the sponsor of Resident, and Resident's attending physician.
- C. If it is determined by the Medical Director and the Chief Executive Officer that Resident needs care beyond that which can be provided by the facility and personnel of Covenant Village, Resident may be transferred to a hospital, center or institution equipped to give such care, which care will be at the expense of Resident. Such transfer of Resident will be made only after consultation with Resident, to the extent possible, a representative of Resident's family or the sponsor of Resident, and Resident's attending physician.
- D. If a determination is made by Covenant Village that any transfer described in Paragraph C. above is probably not temporary in nature, Resident agrees to surrender the cottage, apartment or the accommodation in the Health Center within 30 days after Resident has been notified by Covenant Village. If 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 the second person entrance fee, currently \$17,500 for a one-bedroom unit, and \$20,000 for a two-bedroom or cottage unit. 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
- Wellness Center
- 24-hour emergency call system and security
- Emergency nursing services
- Nursing care in a semi-private room in the Health Center

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

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

- Multi-station Cable TV, Phone and Wireless Internet
- 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
- Wellness Center
- 24-hour emergency call system and security
- Emergency nursing services
- Nursing care in a semi-private room in the Health Center

Services Available at an Extra Charge:

- 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

FEEES



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, 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, 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, 2019

<u>Unit</u>	<u>Entrance Fee</u>	<u>Monthly Fee</u>
Studio (single room) A-Unit		
Single Room (A1)	\$40,000	\$2,728.00
Second Person		<u>\$2,046.00</u>
		\$4,774.00
Single with Kitchenette (A2)		
Second Person	\$42,500	\$2,728.00
		<u>\$2,046.00</u>
		\$4,774.00
Single with Balcony and Kitchenette (A4)		
Second Person	\$45,500	\$2,728.00
		<u>\$2,046.00</u>
		\$4,774.00
One-Bedroom (two rooms) B-Unit		
Second Person	\$115,000	\$3,136.00
	\$17,500	<u>\$2,292.00</u>
		\$5,428.00
Two-Bedroom (three rooms) C-Unit		
Second Person	\$195,000	\$5,490.00
	\$20,000	<u>\$ 616.00</u>
		\$6,106.00
Cottage (two-bedroom, two bath)		
Second Person	\$235,000	\$3,311.00
	to \$327,640*	\$ 1,195.00
	\$20,000	<u>\$ 1,195.00</u>
		\$4,506.00

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 \$130.00.

Health Center daily rate for non-life care residents is \$281.00. Beginning 10/1/2019, there will be a \$20,000 non-refundable entrance fee.

*The entrance fee for cottages may include options such as a garage for \$15,000 and a fireplace for \$12,000.

A second person entrance fee of \$17,500 to \$20,000 will be charged for double occupancy. Studio units are excluded.

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

CHANGES IN MONTHLY FEES FOR THE PREVIOUS FIVE YEARS

Rates as of the First Day of October
And Average Annual Dollar Increases

	2019	2018	2017	2016	2015	2014
	Average	Average	10/1/2017	Average	Average	Average
	Increase	Increase	Actual Fee	Actual Fee	Actual Fee	Actual Fee
			Increase	Increase	Increase	Increase
Single Room	79	90	62	67	71	58
Second Person	61					
	\$2,728	\$2,649	\$ 2,559	\$ 2,497	\$ 2,430	\$ 2,359
	\$2,046	\$1,985				
One Bedroom	91	103	72	77	81	66
Second Person	67	75	52	56	59	48
	3,136	3,045	2,942	2,870	2,793	2,712
	2,292	2,225	2,150	2,098	2,042	1,983
Two Bedroom	(1)	197	137	147	155	-
Second Person			0			
	5,490	5,816	5,619	5,482	5,335	5,180
	616					
Cottage	96	109	76	81	86	97
Second Person	239	32	23	24	26	29
	3,311	3,215	3,106	3,030	2,949	2,863
	1,195	956	924	901	877	851

(1) Beginning 10/1/2019, the total for two people is \$6,106 and the single rate for a two-bedroom apartment is \$5,490.

SECTION VI
FINANCIAL INFORMATION



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 2020	\$13,565,307
Plus Debt Services	200,000
Less Depreciation	<u>(1,300,000)</u>
Balance	\$12,465,307
	<u>x.25</u>
Total Operating Reserve Required for 2019	\$3,116,327
Cash and	
Investments in Operating Reserve	\$3,116,327

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, 2019**

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 Income and Expense, 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.**
Covenant Village received \$2,371,000 in Fiscal 2019 from new entrance fees. This increase in cash receipts principally was used for:

Payments of required principal payment:	\$ 200,000
Additions to property over estimate:	1,187,000
Net increase in refundable entrance fees:	<u>1,006,000</u>
	\$2,393,000

2. **Deferred Entrance/Refundable Fees and Entrance Fee Income.**
Covenant Village completed the program of having cottages and apartments fully occupied, thus the increase in net refundable fees. Residents at Covenant Village are living longer, thus Entrance Fee income is less.

3. **Investments**
For 2019, Operating and Benevolent Fund investments gained 2.5% and exceeded the benchmark.

4. **Loss on Disposition of Asset.**
Covenant Village wrote off \$28,000 of old obsolete equipment in 2019 such as computers, etc.

5. **Property, Plant and Equipment and Depreciation**
Principal Additions to PP&E in 2019 include:

Nurse Call Bell System	\$114,000
New Fire Alarm System	156,000
Maintenance Shop Addition	41,000
Cottage Roof Project	200,000
Office Renovation Project	190,000
Flooring in Health Center	71,000
New Bus	80,000
New Car	30,000
Land	<u>80,000</u>
	\$962,000

Depreciation increased over the estimate mainly due to increased additions.

6. **Accrued Wages and Paid Time Off**
 Accrued wages at September 30, 2019 includes 16 days for hourly employees and 11 days for salaried employees. With payroll increases and additional days accrued, the total accrued wages are \$280,000. In September 2019, Covenant Village revised the accrual method for paid time off (PTO) from a lump sum at the employee's anniversary date, to a pro-rata method during the year, and accrued PTO is \$320,000.
7. **Accounts Payable**
 Accounts Payable at Covenant Village increased over forecast at September 30, 2019 due to the following:
- | | |
|---|------------------|
| Shop Addition paid in October | \$41,000 |
| Fire Alarm paid after September 30, 2019 | 25,000 |
| Flooring project in Health Care paid after September 30, 2019 | 71,000 |
| Continental Cabinet paid after September 30, 2019 | 41,000 |
| Benevolent payment paid after September 30, 2019 | <u>27,000</u> |
| | <u>\$205,000</u> |
8. **Residential Accounts**
 This account includes a 10% deposit on unit sales, and can fluctuate depending on the amount of turnover and pending sales of units.
9. **Inventories**
 Maintenance had a \$13,000 increase in supply inventory as more of work is being done by Covenant Village employees. Other departments had small inventory variances.
10. **Accounts Receivable**
 Resident Accounts Receivable being collected on a current basis.
11. **Prepaid Expenses**
 Additional amounts were required at renewal in 2019, no effect on year-end cost.
12. **Security**
 Security costs are less than forecast as the department operated with less part-time guards while ensuring the safety of Covenant Village.
13. **Administration and General**
 Administration and general over forecast by \$96,000. The excess is principally due to the following:
- | | |
|---|------------------|
| General insurance under forecast | (\$ 8,000) |
| Transition costs and promotions over forecast due to reorganization | 41,000 |
| Legal costs over forecast due to legal matters regarding: | |
| Covenant Village Pet Policy | |
| Personnel matters, and | |
| Time Warner Contract Negotiations | <u>58,000</u> |
| | <u>\$ 91,000</u> |
14. **Covenant Village Income**
 Contributions and other revenues for 2019 were \$336,000. The 2019 amount of \$336,000 is

\$41,000 over forecast and \$60,000 over 2018. Covenant Village received \$28,000 from Amerisure, our Workman's Compensation carrier, due to almost no lost time accidents. Covenant Village also received two (2) contributions totaling \$52,000. Covenant Village continues to be pleased with its support.

15. Maintenance

Maintenance under forecast by \$245,000. Principal reasons are:

Capitalization of air conditioning and carpet	\$83,000
Utilities under forecast	17,000
Automation and technology over forecast	(15,000)
Compensation over forecast	(5,000)
Supplies and outside services under forecast due to reorganization	123,000
Pool and grounds costs under forecast	<u>13,000</u>
	\$216,000

16. Interest

Interest expense is under forecast principally due to the principal payment made in December 2018.

17. Benevolence Expense

Benevolent expense in 2019 included \$175,000 to support financially needy residents and was funded from investment earnings, thus no effect on net increase in assets for Covenant Village. The remaining benevolent expense is fees paid to Covenant Village's investment advisor.

18. Total Assets / Net Assets – Liabilities

Over forecast by \$1,126,00. The differences is due to all the differences on the statement of Financial Condition and the Statement of Income and Expense. The principal reasons are:

Refundable entrance fees increase due to \$2,371,000 being received for unit sales which amount was also used for asset purchases.	\$1,187,000
Accounts payable increase due to timing of payments.	219,000
Year end loss being greater than forecast	<u>(298,000)</u>
Total Increase	\$1,108,000

Other differences of \$18,000 due to other explanation in notes 1 through 18.

Summary:

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

COVENANT VILLAGE
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, 2019.

Statement of Income and Expenses

	2019 <u>FORECAST</u>	2019 <u>ACTUAL</u>	<u>DIFFERENCE</u>	Percentage Favorable (Unfavorable)	<u>Notes</u>
Revenues					
Entrance Fees	\$ 1,810,000	\$ 1,459,000	\$ (351,000)	(19.4)	2
Investment Income	300,000	181,000	(119,000)	(39.7)	3
Residential	7,119,000	6,900,000	(219,000)	(3.08)	
Health Care	3,627,000	3,530,000	(97,000)	(2.7)	
Contributions	50,000	71,000	21,000	42.0	14
Other Revenue	245,000	265,000	20,000	8.2	14
TOTAL REVENUES	<u>13,151,000</u>	<u>12,406,000</u>	<u>(745,000)</u>	<u>(5.7)</u>	2,3
Expenses					
Nursing Service	3,146,000	3,125,000	(21,000)	(0.7)	
Housekeeping	1,100,000	1,055,000	(45,000)	(4.1)	
Dietary	2,398,000	2,320,000	(78,000)	(3.3)	
Maintenance	2,968,000	2,723,000	(245,000)	(8.3)	15
Activities/Wellness	505,000	488,000	(17,000)	(3.4)	
Security	289,000	260,000	(29,000)	(10.0)	12
Administrative and General	1,165,000	1,261,000	96,000	8.2	13
Depreciation	1,175,000	1,242,000	67,000	5.7	5
Benevolence Expense	200,000	28,000	(172,000)	(86.0)	17
Interest	50,000	47,000	(3,000)	(6.0)	16
Total Expenses	<u>12,996,000</u>	<u>12,549,000</u>	<u>(447,000)</u>	<u>(3.4)</u>	
INCREASE / DECREASE IN NET ASSETS	<u>\$ 155,000</u>	<u>\$ (143,000)</u>	<u>\$ (298,000)</u>		18

**COVENANT VILLAGE
STATEMENT OF FINANCIAL POSITION**

	2019 <u>FORECAST</u>	2019 <u>ACTUAL</u>	<u>DIFFERENCE</u> CHANGE	Percentage Favorable (Unfavorable)	<u>Notes</u>
ASSETS					
Cash & cash equivalents	\$1,200,000	\$1,339,000	\$ 139,000	11.6	1
Accounts receivable	54,000	48,000	(6,000)	(11.1)	10
Inventories	156,000	173,000	17,000	10.9	9
Prepaid expenses	30,000	41,000	11,000	36.7	11
Investments	2,513,000	2,321,000	(192,000)	(7.6)	3
Total Current Assets	<u>3,953,000</u>	<u>3,922,000</u>	<u>(31,000)</u>	<u>(0.8)</u>	
Property, plant and equipment	13,555,000	14,648,000	1,093,000	8.1	1,5
Operating Reserve as required by NC Statues	3,089,000	3,153,000	64,000	2.1	3
	<u>16,644,000</u>	<u>17,801,000</u>	<u>1,157,000</u>	<u>7.0</u>	
TOTAL ASSETS	<u>\$20,597,000</u>	<u>\$21,723,000</u>	<u>\$ 1,126,000</u>	<u>5.5</u>	18
LIABILITIES					
Note payable current	\$200,000	\$200,000	\$0	0.0	1
Accounts payable	214,000	433,000	219,000	102.3	7
Accrued Expenses	600,000	606,000	6,000	1.0	6
Residential accounts	50,000	71,000	21,000	42.0	8
Room deposits	92,000	92,000	0	0.0	
Current Liabilities	<u>1,156,000</u>	<u>1,402,000</u>	<u>246,000</u>	<u>21.3</u>	7,8
Unit Deposit	110,000	110,000	0	0.0	
Deferred entrance/refundable fees	9,938,000	11,116,000	1,178,000	11.9	1,2
Note payable Long Term	1,200,000	1,200,000	0	0.0	1
	<u>11,248,000</u>	<u>12,426,000</u>	<u>1,178,000</u>	<u>10.5</u>	18
TOTAL LIABILITIES	<u>12,404,000</u>	<u>13,828,000</u>	<u>1,424,000</u>	<u>11.5</u>	1,2
NET ASSETS					
Without Donor Restrictions	8,079,000	7,781,000	(298,000)	(3.7)	18
With Donor Restrictions	114,000	114,000	0	0.0	
	<u>8,193,000</u>	<u>7,895,000</u>	<u>(298,000)</u>	<u>(3.6)</u>	15
TOTAL NET ASSETS	<u>8,193,000</u>	<u>7,895,000</u>	<u>(298,000)</u>	<u>(3.6)</u>	
TOTAL LIABILITIES AND NET ASSETS	<u>\$20,597,000</u>	<u>\$21,723,000</u>	<u>\$ 1,126,000</u>	<u>5.5</u>	18

COVENANT VILLAGE
STATEMENT OF CASH FLOWS

	2019 <u>FORECAST</u>	2019 <u>ACTUAL</u>	<u>DIFFERENCE</u>	<u>NOTES</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Increase (decrease) in net assets	\$155,000	\$ (143,000)	\$ (298,000)	18
Depreciation	1,175,000	1,242,000	67,000	5
Net Gain on Investments	(50,000)	77,000	127,000	3
Loss on Disposition of Assets	-	28,000	28,000	4
Increase in operating Assets	(1,000)	(23,000)	(22,000)	9,10,11
Decrease in operating liabilities	(1,000)	224,000	225,000	6,7,8
Deferred Income	(11,000)	-	11,000	6,7,8
Deferred Residential accounts	(29,000)	(19,000)	10,000	6,7,8
Increase (Decrease) Deferred credits	(317,000)	861,000	1,178,000	2
Net cash from operating activities	<u>921,000</u>	<u>2,247,000</u>	1,326,000	
 Purchase of Property & Equipment	 <u>450,000</u>	 <u>1,637,000</u>	 1,187,000	 1,4,5
Principal Payment on Note	<u>200,000</u>	<u>200,000</u>	-	1
Net Increase in Cash	<u>271,000</u>	<u>410,000</u>	<u>139,000</u>	
Cash at Beginning of Year	<u>929,000</u>	<u>929,000</u>	-	
Cash at End of Year	<u><u>\$1,200,000</u></u>	<u><u>\$1,339,000</u></u>	<u><u>\$ 139,000</u></u>	1

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, 2019

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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, 2019 and 2018, 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, 2019 and 2018, 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.

Effect of Adopting New Accounting Standard

As discussed in Note A, the Organization adopted the Financial Accounting Standards Board's Accounting Standards update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) -- *Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended September 31, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

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 20-26 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.

McLannan, Rogers, Driscoll & Associates, L.L.P.

Gastonia, North Carolina
January 2, 2020

COVENANT VILLAGE, INC.

STATEMENTS OF FINANCIAL POSITION
September 30, 2019 and 2018

	Operating Fund	Benevolent Assistance Fund	2019	2018
ASSETS				
Cash and cash equivalents	\$ 1,339,270	\$ -	\$ 1,339,270	\$ 928,679
Accounts receivable - residents	14,840	-	14,840	24,669
Employee receivables	16,119	-	16,119	12,154
Sales tax refund	16,800	-	16,800	16,800
Inventories	172,619	-	172,619	155,582
Prepaid expenses	41,837	-	41,837	29,899
Due from Benevolent Fund	175,000	-	175,000	187,044
Investments	465,153	1,855,763	2,320,916	2,546,794
Total current assets	2,241,638	1,855,763	4,097,401	3,901,621
ASSETS LIMITED AS TO USE				
Operating reserve as required by North Carolina General Statutes	3,153,327	-	3,153,327	3,005,352
PROPERTY AND EQUIPMENT, NET	14,647,821	-	14,647,821	14,280,257
Total assets	\$ 20,042,786	\$ 1,855,763	\$ 21,898,549	\$ 21,187,230

See notes to financial statements

COVENANT VILLAGE, INC.

STATEMENTS OF FINANCIAL POSITION
September 30, 2019 and 2018

	Operating Fund	Benevolent Assistance Fund	2019	2018
LIABILITIES				
Note payable, current portion	\$ 200,000	\$ -	\$ 200,000	\$ 200,000
Accounts payable	432,472	-	432,472	213,510
Accrued wages	279,838	-	279,838	228,425
Accrued vacation	319,920	-	319,920	368,217
Other accrued expenses	6,448	-	6,448	4,505
Due to Operating Fund	-	175,000	175,000	187,044
Residential accounts	71,362	-	71,362	79,013
Room deposits	80,816	-	80,816	91,874
Total current liabilities	1,390,856	175,000	1,565,856	1,372,588
Deferred income	10,919	-	10,919	10,686
Unit deposits	110,000	-	110,000	110,000
Deferred entrance fees	8,161,724	-	8,161,724	8,306,900
Refundable entrance fees	2,954,845	-	2,954,845	1,948,260
Note payable, noncurrent portion	1,200,000	-	1,200,000	1,400,000
	<u>12,437,488</u>	<u>-</u>	<u>12,437,488</u>	<u>11,775,846</u>
Total liabilities	13,828,344	175,000	14,003,344	13,148,434
NET ASSETS				
Without donor restrictions				
Undesignated	2,654,415.84	1,593,182	4,247,598	4,504,097
Board designated				
Assets limited as to use	3,153,327	-	3,153,327	3,005,352
Capital reserve	379,699	-	379,699	419,858
	<u>6,187,442</u>	<u>1,593,182</u>	<u>7,780,624</u>	<u>7,929,307</u>
With donor restrictions	<u>27,000</u>	<u>87,581</u>	<u>114,581</u>	<u>109,489</u>
Total net assets	6,214,442	1,680,763	7,895,205	8,038,796
Total liabilities and net assets	<u>\$ 20,042,786</u>	<u>\$ 1,855,763</u>	<u>\$ 21,898,549</u>	<u>\$ 21,187,230</u>

See notes to financial statements

COVENANT VILLAGE, INC.

STATEMENTS OF ACTIVITIES
Years Ended September 30, 2019 and 2018

	Operating Fund	Benevolent Assistance Fund	2019	2018
Revenues				
Entrance fees	\$ 1,458,583	\$ -	\$ 1,458,583	\$ 1,357,574
Loss on disposition of property and equipment	(27,858)	-	(27,858)	(50,846)
Residential	6,899,899	-	6,899,899	6,627,057
Health care	3,530,285	-	3,530,285	3,217,613
Contributions	34,815	36,561	71,376	44,765
Fitness center	41,062	-	41,062	43,991
Unit sales	40,000	-	40,000	45,000
Other revenues	211,906	-	211,906	184,448
Investment income	120,512	60,063	180,575	396,829
Transfers between funds	261,594	(261,594)	-	-
Total revenues	12,570,798	(164,970)	12,405,828	11,866,431
Expenses				
Program Services				
Nursing services	3,124,660	-	3,124,660	2,905,463
Housekeeping	1,055,453	-	1,055,453	965,243
Dietary	2,320,154	-	2,320,154	2,418,612
Operating and maintenance	3,964,544	-	3,964,544	3,755,596
Security	260,032	-	260,032	263,057
Activities and wellness	488,473	-	488,473	380,719
Management and general	1,261,301	-	1,261,301	1,152,271
Investment fees	18,248	9,359	27,607	13,719
Interest	47,196	-	47,196	51,501
	<u>12,540,060</u>	<u>9,359</u>	<u>12,549,419</u>	<u>11,906,181</u>
Change in net assets	30,738	(174,329)	(143,591)	(39,750)
Net assets at beginning of year	6,183,704	1,855,092	8,038,796	8,078,546
Net assets at end of year	<u>\$ 6,214,442</u>	<u>\$ 1,680,763</u>	<u>\$ 7,895,205</u>	<u>\$ 8,038,796</u>

See notes to financial statements.

COVENANT VILLAGE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2019

	Resident Services						Support Services		Totals
	Nursing Services	Housekeeping	Dietary	Operating and Maintenance	Security	Activities and Wellness	Total Resident Services	Management and General	
Salaries and wages	\$ 2,361,216	\$ 667,719	\$ 1,180,916	\$ 814,708	\$ 204,483	\$ 333,582	\$ 5,562,624	\$ 583,726	\$ 6,146,350
Payroll taxes	178,129	50,315	92,217	62,794	15,871	24,954	424,280	42,792	467,072
Employee benefits	439,726	225,817	239,591	166,056	35,450	69,109	1,175,749	68,981	1,244,730
Automation and technology	-	-	-	305,140	-	-	305,140	-	305,140
Cleaning supplies	-	72,672	24,392	-	-	-	97,064	-	97,064
Consultants' fees	60,000	-	-	-	-	-	60,000	-	60,000
Food	-	-	721,520	-	-	-	721,520	-	721,520
Insurance	-	-	-	-	-	-	-	191,609	191,609
Legal and accounting	-	-	-	-	-	-	-	114,323	114,323
Medical supplies	30,459	-	-	-	-	-	30,459	-	30,459
Nourishments	18,521	-	-	-	-	-	18,521	-	18,521
Office expense	4,016	-	1,992	-	-	-	6,008	17,373	23,381
Other	6,428	318	8,546	4,979	2,535	7,205	30,011	50,318	80,329
Outside services	-	38,611	-	424,294	-	24,435	487,340	65,100	552,440
Paper supplies	-	-	32,278	-	-	-	32,278	-	32,278
Repairs and maintenance	-	-	18,702	307,738	-	-	326,440	1,660	328,100
Staff development	5,249	-	-	-	-	-	5,249	8,643	13,892
Supplies	-	-	-	56,445	1,693	29,188	87,326	-	87,326
Software maintenance	20,916	-	-	-	-	-	20,916	-	20,916
Transition expenses	-	-	-	-	-	-	-	100,686	100,686
Bad debts	-	-	-	-	-	-	-	16,090	16,090
Utilities	-	-	-	580,422	-	-	580,422	-	580,422
Total expenses before depreciation	3,124,660	1,055,453	2,320,154	2,722,576	260,032	488,473	9,971,347	1,261,301	11,232,648
Depreciation	-	-	-	1,241,968	-	-	1,241,968	-	1,241,968
Total expenses	\$ 3,124,660	\$ 1,055,453	\$ 2,320,154	\$ 3,964,544	\$ 260,032	\$ 488,473	\$ 11,213,315	\$ 1,261,301	\$ 12,474,616

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	Activities and Wellness	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	
Automation and technology	-	-	-	160,739	-	-	160,739	-	160,739	
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	15,596	-	-	-	-	-	15,596	-	15,596	
Legal and accounting	-	-	-	-	-	-	-	181,524	181,524	
Medical supplies	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	39,292	72,096	111,388	
Outside services	-	27,121	-	399,555	-	24,171	458,588	58,100	516,688	
Paper supplies	-	-	22,145	-	-	-	22,145	-	22,145	
Repairs and maintenance	15,063	-	30,721	336,810	-	-	382,594	19,625	402,219	
Staff development	4,302	-	-	53,727	550	29,546	88,125	3,311	91,436	
Supplies	-	-	-	588,087	-	-	588,087	-	588,087	
Utilities	-	-	-	-	-	-	-	15,491	15,491	
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.

STATEMENTS OF CASH FLOWS
Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (143,591)	\$ (39,750)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,241,968	1,226,219
Net loss on investments	(6,193)	(169,753)
Loss on disposition of property and equipment	27,858	50,846
(Increase) decrease in accounts receivable	9,829	(7,185)
Increase in inventories	(17,037)	(8,336)
(Increase) decrease in other receivables	(3,965)	9,800
Increase in prepaid expenses	(11,938)	(5,481)
Increase (decrease) in accounts payable	218,962	(102,833)
Increase in wages and salaries payable	51,413	1,332
Decrease in accrued vacation payable	(48,297)	(20,764)
Increase (decrease) in other accrued expenses	1,943	(4,211)
Decrease in resident accounts	(7,651)	(4,031)
Decrease in room deposits	(11,058)	(20,586)
Increase in deferred income	233	10,686
Increase (decrease) in refundable entrance fees	1,006,585	(139,811)
Increase (decrease) in deferred entrance fees	(145,176)	155,804
Net cash provided by operating activities	<u>2,163,885</u>	<u>931,946</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(182,574)	(258,120)
Proceeds from sale of investments	266,670	-
Purchase of property and equipment	(1,637,390)	(814,966)
Net cash used in investing activities	<u>(1,553,294)</u>	<u>(1,073,086)</u>
NET CASH FLOWS USED IN FINANCING ACTIVITIES		
Principal payments on note payable	(200,000)	(200,000)
Net increase (decrease) in cash and cash equivalents	410,591	(341,140)
Cash and cash equivalents at beginning of year	<u>928,679</u>	<u>1,269,819</u>
Cash and cash equivalents at end of year	<u>\$ 1,339,270</u>	<u>\$ 928,679</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 47,196</u>	<u>\$ 51,501</u>

See notes to financial statements.

COVENANT VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

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

Nature of Activities

Covenant Village, Inc. (the "Village") is a continuing life-care facility located in Gastonia, North Carolina and was organized as a not-for-profit corporation in 1977. The Village is a nonstock, nonprofit corporation organized under the laws of the state of North Carolina. As a nonstock corporation, the Village has no shareholders, and any surplus remains with corporation to build reserves for unforeseen financial needs and repairs and renovations to benefit residents.

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

New Accounting Pronouncement

On August 18, 2016, Financial Accounting Standards Board (FASB) issued (ASU) 2016-14, Not-for-Profit Entities Accounting Standards Codification (ASC) (Topic 958-205) – *Presentation of Financial Statements of Not-for-Profit Entities* effective January 1, 2018. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASC 985-205 has been applied retrospectively to all periods presented and had no effect on the changes in net assets of the Organization.

Basis of Presentation

The financial statements of the Village have been prepared on the accrual basis in accordance with GAAP. The financial statements are presented in accordance with ASC 958-205, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations".

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

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time. Designated net assets without donor restrictions consist of amounts to be used for the program activities.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Net assets with donor restrictions whose restrictions are satisfied in the same reporting period in which the contribution was received are reported as unrestricted support.

COVENANT VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2019

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

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

Accounts receivables consist of resident monthly service fees. Residents are not required to provide collateral for services rendered. Management has evaluated and determined all accounts receivable are collectible; 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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net asset with donor restrictions. When a restriction expires, net asset with donor restrictions are reclassified to net assets without donor restrictions.

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. There were no promises to give at September 30, 2019 and 2018.

Inventories

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

Investments

The Village carries investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in accordance with accounting requirements for certain investments held by nonprofit organizations, 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 net asset without donor restrictions 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.

Assets Limited as to Use

Investments whose use is limited to maintain an operating reserve as required by North Carolina General Statutes (See Note J)

COVENANT VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2019

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

Property and Equipment

The Village capitalizes property and equipment over \$500. Purchased property and equipment are recorded at cost and include additions and improvements that extend the useful lives of the assets. Expenditures for maintenance, repairs and minor renovations are charged to expense as incurred. Major renovations and improvements are capitalized. Depreciation is provided on a straight-line method over the following estimated useful lives:

Buildings and improvements	15 - 39 years
Land improvements	7 - 39 years
Equipment and furnishings	7 - 10 years
Land improvements	7 - 40 years
Motor vehicles	5 years

Donations of collectibles and property and equipment are recorded as support at their estimated fair value. Such donations are reported as net assets without donor restrictions 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 net assets with donor restrictions. 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 net assets with donor restrictions to net assets without donor restrictions. Property and equipment are depreciated using the straight-line method.

Deferred Income

Deferred income in the operating fund represents advance payments of residential fees for the year ending September 30, 2020.

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, 2019

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

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

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, 2019, 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 2016.

Note B - 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.

COVENANT VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2019

Note B - Fair Value Measurement – Continued

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, 2019 and 2018.

Mutual Funds: Valued at the daily closing price as reported by the fund. The mutual funds held by the Village 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. The Endowment Fund is with the Community Foundation of Gaston County and is maintained for the purpose of generating and distributing earnings. The entire endowment fund investment is available to the Village upon request by its Board of Directors and approval by the Foundation's Board of Directors.

COVENANT VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2019

Note B - Fair Value Measurements – Continued

The following table sets forth by level, within the fair value hierarchy, the Village's fair value measurements at September 30, 2019 and 2018.

	Assets at Fair Value as of September 30, 2019			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 5,154,891	\$ -	\$ -	\$ 5,154,891
Preferred rate securities	233,898	-	-	233,898
Endowment fund	-	-	85,454	85,454
	<u>\$ 5,388,789</u>	<u>\$ -</u>	<u>\$ 85,454</u>	<u>\$ 5,474,243</u>

	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>

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, 2019.

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)
Opening balance	\$ 84,801
Investment income/increase in market value	1,615
Less investment fees paid	<u>962</u>
Ending balance	<u>\$ 85,454</u>

COVENANT VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2019

Note C - Property and Equipment

Property and equipment consists of:

	<u>2019</u>	<u>2018</u>
Land	\$ 603,580	\$ 518,254
Land improvements	1,170,528	1,113,272
Buildings	19,765,910	19,318,370
Cottages	5,026,012	5,018,844
Medical facility	9,209,066	9,209,066
Furniture and fixtures	1,541,750	1,189,555
Equipment	2,118,884	1,874,002
Equipment - medical facility	391,440	368,220
Vehicles	292,902	281,202
Fitness center	607,729	607,729
Collectibles	25,300	25,300
Construction in progress	<u>224,540</u>	<u>200,218</u>
	40,977,641	39,724,032
Less accumulated depreciation	<u>26,329,820</u>	<u>25,443,775</u>
	<u>\$ 14,647,821</u>	<u>\$ 14,280,257</u>

Expenses of the Operating Fund include depreciation of \$1,241,968 and \$1,226,219 for the years ended September 30, 2019 and 2018, respectively.

Note D - Unit Deposits

The unit deposits of \$110,000 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 E - 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, 2019 and 2018, the Village recognized \$1,458,583 and \$1,357,574 amortization of the deferred revenue of entrance fees from the sale of units, respectively, and actual cash received was \$2,370,592 and \$1,376,500 for the years ended September 30, 2019 and 2018, respectively.

COVENANT VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2019

Note F - Note Payable

Note payable at September 30, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Unsecured note payable to a bank with interest payable monthly at 2.74% and annual principal payments of \$200,000. The note matures July 2021.	<u>\$ 1,400,000</u>	<u>\$ 1,600,000</u>

Future annual maturities of the note payable at September 30, 2019 are as follows:

September 30, 2020	\$ 200,000
September 30, 2021	<u>1,200,000</u>
	<u>\$ 1,400,000</u>

Interest expense related to the note payable charged to operations for the years ended September 30, 2019 and 2018 was \$40,537 and \$45,682, respectively.

Note G - 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 \$79,298 and \$71,564 for the years ended September 30, 2019 and 2018, respectively.

Note H - 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 months of residency for apartments or fifty months for cottages. 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 apartment residency and cottage residency, respectively. The refundable entrance fees were \$2,954,845 and \$1,948,260 at September 30, 2019 and 2018, 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 \$8,161,724 and \$8,306,900 at September 30, 2019 and 2018, respectively.

COVENANT VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2019

Note I - Concentration of Credit Risk

At September 30, 2019, the Village had deposits in excess of federally insured limits of \$1,088,520 with a national bank.

Note J - Statutory Operating Reserve

Under Section 58-64-33 of the North Carolina General Statutes, which is administered by the North Carolina Department of Insurance, continuing care retirement communities are required to maintain an operating reserve equal to 25% of the total operating costs, as defined, projected for the 12-month period following the period covered by the most recent annual statement filed with the North Carolina Department of Insurance, if occupancy levels are in excess of 90%. If occupancy levels are less than 90%, the operating reserve requirement is 50% of total operating costs, as defined. The Village has historically maintained an occupancy level in excess of 90%. The statutory operating reserve for 2019 and 2018 was \$3,153,227 and \$3,005,352, respectively. Use of the operating reserve by the Village is restricted under Section 58-64-33 of the North Carolina General Statutes. The North Carolina General Statutes do not require the Village to maintain such operating reserve in a separate escrow account.

Note K - Operating Lease

The Village leased 2 copiers and several printers 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 leased a copier during the year ended September 30, 2015 under a 51 month operating lease that expired July 2019. This lease was renewed with 2 additional copiers added during the year ending September 30, 2019. The lease term is a 60 month operating lease that expires April 2024. The payment required by this lease is \$776 per month.

Total lease expense for the year ending September 30, 2019 and 2018 was approximately \$45,500 and \$42,000, respectively.

Minimum future payments required by the operating leases as of September 30, 2019 are as follows:

September 2020	\$	44,171
September 2021		44,171
September 2022		18,027
September 2023		9,312
September 2024		<u>4,656</u>
	\$	<u>120,337</u>

COVENANT VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2019

Note L - 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, 2019 and 2018, there was an outstanding balance on these loans of \$16,119 and \$12,154, respectively. This amount has been included in employee receivables on the statements of financial position.

Note M - Net Assets with Donor Restrictions

Net assets with donor restrictions at September 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Operating Fund		
Gifts restricted by donor for employee loans	\$ 27,000	\$ 27,000
Benevolent Assistance Fund		
Gifts restricted by donor for scholarships	<u>87,581</u>	<u>82,489</u>
Total net asset with donor restrictions	<u>\$ 114,581</u>	<u>\$ 109,489</u>

Note N - Benevolent Funds Assistance

For the year ending September 30, 2019 and 2018 \$175,000 and \$187,044, respectively, was transferred to the operating income from the benevolent fund to support residents in financial need.

Note O - Liquidity and Availability

The Village's financial assets available for general expenditures without donor or other restrictions limiting their use, within one year of the statement of financial position sheet date, comprise the following at September 30, 2019:

Cash and cash equivalents	\$ 1,339,270
Receivables	14,840
Sales tax refunds	16,800
Investments	<u>5,474,243</u>
	<u>\$ 6,845,153</u>

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

COVENANT VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2019

Note P - Functional Expenses

The Village provides services to the residents of its facility that include independent living and health care services. Certain categories are attributable to more than one program or supporting function, therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated include salaries and benefits and other operating expenses, which are allocated on a time and effort basis and depreciation which is allocated on estimated basis.

Salaries and benefits	\$ 7,858,152
Depreciation	1,241,968
Other operating expenses	<u>3,374,496</u>
	<u>\$ 12,474,616</u>

Note R - Reclassifications

Certain items in the financial statements for the year ended September 30, 2018 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, 2019.

Note S - Subsequent Events

The Organization has evaluated subsequent events through January 2, 2020, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

COVENANT VILLAGE, INC.

SCHEDULES OF NURSING SERVICES
Years Ending September 30, 2019 and 2018

	2019		2018	
	Amount	Percent	Amount	Percent
Salaries and wages	\$ 2,361,216	75.57%	\$ 2,209,922	76.06%
Payroll taxes	178,129	5.70%	165,839	5.71%
Employee benefits	439,726	14.07%	415,259	14.29%
Consultants' fees	60,000	1.92%	42,000	1.45%
Medical supplies	30,459	0.97%	15,596	0.54%
Nourishments	18,521	0.59%	16,687	0.57%
Office expense	4,016	0.13%	13,054	0.45%
Other	6,428	0.21%	7,741	0.27%
Software maintenance	20,916	0.67%	15,063	0.52%
Staff development	5,249	0.17%	4,302	0.16%
	<u>\$ 3,124,660</u>	<u>100.00%</u>	<u>\$ 2,905,463</u>	<u>100.00%</u>

COVENANT VILLAGE, INC.
 SCHEDULES OF HOUSEKEEPING
 Years Ending September 30, 2019 and 2018

	2019		2018	
	Amount	Percent	Amount	Percent
Salaries and wages	\$ 667,719	63.26%	\$ 625,491	64.80%
Payroll taxes	50,315	4.77%	48,293	5.00%
Employee benefits	225,817	21.40%	189,490	19.63%
Cleaning supplies	72,672	6.89%	63,223	6.55%
Other	318	0.03%	11,625	1.20%
Outside services	38,611	3.66%	27,121	2.81%
	<u>\$ 1,055,453</u>	<u>100.00%</u>	<u>\$ 965,243</u>	<u>100.00%</u>

COVENANT VILLAGE, INC.

SCHEDULES OF DIETARY
 Years Ending September 30, 2019 and 2018

	2019		2018	
	Amount	Percent	Amount	Percent
Salaries and wages	\$ 1,180,916	50.90%	\$ 1,284,077	53.09%
Payroll taxes	92,217	3.97%	98,636	4.08%
Employee benefits	239,591	10.33%	237,859	9.83%
Cleaning supplies	24,392	1.05%	25,163	1.04%
Food	721,520	31.10%	699,610	28.93%
Office expense	1,992	0.09%	2,690	0.11%
Other	8,546	0.38%	17,711	0.73%
Repairs	18,702	0.81%	30,721	1.27%
Paper supplies	32,278	1.39%	22,145	0.92%
	<u>\$ 2,320,154</u>	<u>100.00%</u>	<u>\$ 2,418,612</u>	<u>100.00%</u>

COVENANT VILLAGE, INC.
 SCHEDULES OF OPERATING AND MAINTENANCE
 Years Ending September 30, 2019 and 2018

	2019		2018	
	Amount	Percent	Amount	Percent
Salaries and wages	\$ 814,708	20.55%	\$ 783,370	20.86%
Payroll taxes	62,794	1.58%	58,316	1.55%
Employee benefits	166,056	4.19%	152,269	4.05%
Automation and technology	305,140	7.70%	160,739	4.28%
Other	4,979	0.14%	4,504	0.12%
Outside services	424,294	10.70%	399,555	10.64%
Repairs and maintenance	307,738	7.76%	336,810	8.97%
Supplies	56,445	1.42%	53,727	1.43%
Utilities	580,422	14.64%	580,087	15.45%
Depreciation	1,241,968	31.33%	1,226,219	32.65%
	\$ 3,964,544	100.00%	\$ 3,755,596	100.00%

COVENANT VILLAGE, INC.

SCHEDULES OF SECURITY
 Years Ending September 30, 2019 and 2018

	2019		2018	
	Amount	Percent	Amount	Percent
Salaries and wages	\$ 204,483	78.64%	\$ 198,054	75.29%
Payroll taxes	15,871	6.10%	15,104	5.74%
Employee benefits	35,450	13.63%	46,731	17.76%
Other	2,535	0.97%	2,618	1.00%
Supplies	1,693	0.65%	550	0.21%
	<u>\$ 260,032</u>	<u>100.00%</u>	<u>\$ 263,057</u>	<u>100.00%</u>

COVENANT VILLAGE, INC.
 SCHEDULES OF ACTIVITIES AND WELLNESS
 Years Ending September 30, 2019 and 2018

	2019		2018	
	Amount	Percent	Amount	Percent
Salaries and wages	\$ 333,582	68.29%	\$ 250,328	65.75%
Payroll taxes	24,954	5.11%	17,454	4.58%
Employee benefits	69,109	14.15%	56,386	14.81%
Other	7,205	1.48%	2,834	0.74%
Outside services	24,435	5.00%	24,171	6.35%
Supplies	29,188	5.98%	29,546	7.76%
	<u>\$ 488,473</u>	<u>100.00%</u>	<u>\$ 380,719</u>	<u>100.00%</u>

COVENANT VILLAGE, INC.

SCHEDULES OF MANAGEMENT AND GENERAL
Years Ending September 30, 2019 and 2018

	2019		2018	
	Amount	Percent	Amount	Percent
Salaries and wages	\$ 583,726	46.28%	\$ 557,760	48.41%
Payroll taxes	42,792	3.39%	35,546	3.08%
Employee benefits	68,981	5.47%	90,414	7.85%
Insurance	191,609	15.19%	181,524	15.75%
Legal and accounting	114,323	9.06%	107,663	9.34%
Office expense	17,373	1.38%	10,741	0.93%
Other	50,318	4.00%	72,096	6.26%
Outside services	65,100	5.16%	58,100	5.04%
Repairs and maintenance	1,660	0.13%	19,625	1.70%
Staff development	8,643	0.69%	3,311	0.29%
Telephone	-	0.00%	15,491	1.34%
Bad debts	16,090	1.28%	-	0.00%
Transitions expenses	100,686	7.98%	-	0.00%
	<u>\$ 1,261,301</u>	<u>100.00%</u>	<u>\$ 1,152,271</u>	<u>100.00%</u>

ATTACHMENT 2

FIVE YEAR PROJECTION

COVENANT VILLAGE, INC.
COMPILATION OF FINANCIAL FORECAST
FOR THE YEARS ENDING
SEPTEMBER 30, 2020 THROUGH SEPTEMBER 30, 2024

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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 ACCOUNTANT'S COMPILATION REPORT

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

Management is responsible for the accompanying forecasted financial statements of Covenant Village, Inc. (The Village), which comprise the statements of forecasted financial position as of September 30, 2020, 2021, 2022, 2023, and 2024, and the related statements of forecasted activities and forecasted cash flows for the years then ending and the related summaries of significant assumptions and accounting policies in accordance with the guidelines for presentation of a financial forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the forecasted financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these forecasted financial statements or the assumptions. Furthermore, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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

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

Gastonia, North Carolina
December 26, 2019

Covenant Village, Inc

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

	September 30,				
	2020	2021	2022	2023	2024
Assets					
Cash and cash equivalents	\$ 1,307,147	\$ 1,536,982	\$ 1,844,516	\$ 2,271,352	\$ 2,791,069
Accounts receivable	48,000	48,000	48,000	48,000	48,000
Inventories	172,000	172,000	172,000	172,000	172,000
Prepaid expenses	30,000	30,000	30,000	30,000	30,000
Investments, unrestricted	2,407,916	2,381,413	2,354,941	2,325,942	2,294,815
Total current assets	3,965,063	4,168,395	4,449,458	4,847,293	5,335,884
Property and equipment, net	14,097,821	13,467,821	12,782,821	12,050,821	11,300,821
Operating reserves as required by North Carolina General Statutes	3,116,327	3,192,830	3,269,302	3,348,301	3,429,428
	17,214,148	16,660,651	16,052,123	15,399,122	14,730,249
Total assets	\$ 21,179,211	\$ 20,829,046	\$ 20,501,580	\$ 20,246,416	\$ 20,066,133
Liabilities					
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
Room Deposits	80,816	80,816	80,816	80,816	80,816
Residents accounts	50,000	50,000	50,000	50,000	50,000
Total current liabilities	1,144,816	1,144,816	1,144,816	1,144,816	1,144,816
Escrows and deposits	110,000	60,000	10,000	-	-
Deferred credits long-term	10,983,569	10,857,569	10,737,569	10,623,569	10,515,569
Note payable, less current portion	1,000,000	800,000	600,000	400,000	200,000
	12,093,569	11,717,569	11,347,569	11,023,569	10,715,569
Total liabilities	13,238,385	12,862,385	12,492,385	12,168,385	11,860,385
Net assets					
Without donor restrictions	7,801,245	7,827,080	7,869,614	7,938,450	8,066,167
With donor restrictions	139,581	139,581	139,581	139,581	139,581
	7,940,826	7,966,661	8,009,195	8,078,031	8,205,748
Total net assets	\$ 21,179,211	\$ 20,829,046	\$ 20,501,580	\$ 20,246,416	\$ 20,066,133

See summary of significant forecast assumptions and accounting policies.

Covenant Village, Inc.

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

	Years Ending September 30,				
	2020	2021	2022	2023	2024
CASH FLOWS FROM OPERATING ACTIVITIES					
Increase in net assets	\$ 45,621	\$ 25,835	\$ 42,534	\$ 68,836	\$ 127,717
Adjustments to reconcile increase in net assets to net cash provided by operating activities					
Depreciation	1,300,000	1,380,000	1,435,000	1,482,000	1,500,000
Decrease (increase) in operating assets					
Accounts receivable	(241)	-	-	-	-
Inventories	619	-	-	-	-
Prepaid expenses	11,837	-	-	-	-
Investments, long-term	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
Increase (decrease) in operating liabilities					
Accounts payable	(218,472)	-	-	-	-
Accrued expenses	(6,206)	-	-	-	-
Unit deposits	-	(50,000)	(50,000)	(10,000)	-
Deferred income	(10,919)	-	-	-	-
Resident accounts	(21,362)	-	-	-	-
Deferred credits	(133,000)	(128,000)	(120,000)	(114,000)	(108,000)
Net cash provided by operating activities	917,877	1,179,835	1,257,534	1,376,836	1,469,717
NET CASH FLOWS USED IN INVESTING ACTIVITIES					
Purchase of property and equipment	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)
NET CASH FLOWS USED IN FINANCING ACTIVITIES					
Principle payments on note payable	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
Increase (decrease) in cash and cash equivalents	(32,123)	229,835	307,534	426,836	519,717
Cash and cash equivalents at the beginning of the year	1,339,270	1,307,147	1,536,982	1,844,516	2,271,352
Cash and cash equivalents at the end of the year	\$ 1,307,147	\$ 1,536,982	\$ 1,844,516	\$ 2,271,352	\$ 2,791,069

See summary of significant forecast assumptions and accounting policies.

COVENANT VILLAGE, INC.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES
September 30, 2020, 2021, 2022, 2023 and 2024
See Independent Accountant's Compilation Report

Note A - Summary of Significant Forecast Assumptions

Basis of Presentation

These accompanying financial forecast, presents to the best of the knowledge and belief of management ("Management") of Covenant Village, Inc. (the "Village") expected statements of financial position, activities and cash flows as of and for each of the years in the five years ending September 30, 2024 (the "Forecast" or the "Forecast period").

Accordingly, these forecasts reflects Management's judgment as of December 26, 2019, the date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed are the assumptions which Management believes are significant to the financial forecast. However there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

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

Background of the Village

Covenant Village, Inc. is a continuing life-care facility located in Gastonia, North Carolina and was organized as a not-for-profit corporation in 1977. The Village is a nonstock, nonprofit corporation organized under the laws of the state of North Carolina. As a nonstock corporation, the Village has no shareholders, and any surplus remains with the corporation to build reserves for unforeseen financial needs and repairs and renovations to benefit residents.

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

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.

COVENANT VILLAGE, INC.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

September 30, 2020, 2021, 2022, 2023 and 2024
See Independent Accountant's Compilation Report

Note A - Summary of Significant Forecast Assumptions - Continued

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 2 nd person	42	40.50 20.00	96%
Two-bedroom 2 nd person	14	13.50 7.50	96%
One-bedroom 2 nd person 2 nd person	56	54.00 7.00	96%
Single room 2 nd person	72	67.00 2.00	93%

Health care

Health Care income assumes 88% occupancy of the 72 bed Health Center. Income is calculated at \$130.00 per day for 45 residents with life care contracts and \$281.00 per day for 18 full pay residents in nursing care. Beginning October 1, 2019 a full pay resident is also required to make a \$20,000 non-refundable entrance fee upon entering Covenant Village Health 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, 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 investment rate was calculated at 5%.

Departmental expenses

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

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

COVENANT VILLAGE, INC.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

September 30, 2020, 2021, 2022, 2023 and 2024

See Independent Accountant's Compilation Report

Note A - Summary of Significant Forecast Assumptions - Continued

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 \$598,000 in 2019 and \$601,000 was used for the forecast.

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.

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 \$1,200,000 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.

COVENANT VILLAGE, INC.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES
September 30, 2020, 2021, 2022, 2023 and 2024
See Independent Accountant's Compilation Report

Note B - Summary of Significant Accounting Policies

Basis of Accounting

The Village maintains its accounting and financial records according to the accrual basis of accounting, recognizing revenues when earned and expenses when incurred. The Village's financial forecast has been presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time. Designated net assets without donor restrictions consist of amounts to be used for the program activities.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Net assets with donor restrictions whose restrictions are satisfied in the same reporting period in which the contribution was received are reported as unrestricted support.

Use of Estimates

The preparation of forecasted 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 at the date of the forecasted financial statements. Actual results could differ from these 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.

COVENANT VILLAGE, INC.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES
September 30, 2020, 2021, 2022, 2023 and 2024
See Independent Accountant's Compilation Report

Note B - Summary of Significant Accounting Policies - Continued

Accounts Receivable

Accounts receivables consist of resident monthly service fees. Residents are not required to provide collateral for services rendered. Management has evaluated and determined all accounts receivable are collectible; 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.

Investments

The Village carries investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in accordance with accounting requirements for certain investments held by nonprofit organizations, 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 net asset without donor restrictions 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.

COVENANT VILLAGE, INC.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

September 30, 2020, 2021, 2022, 2023 and 2024
See Independent Accountant's Compilation Report

Note B - Summary of Significant Accounting Policies - Continued

Property and Equipment

The Village capitalizes property and equipment over \$500. Purchased property and equipment are recorded at cost and include additions and improvements that extend the useful lives of the assets. Expenditures for maintenance, repairs and minor renovations are charged to expense as incurred. Renovations and improvements are capitalized. Depreciation is provided on a straight-line method over the following estimated useful lives:

Buildings and improvements	15 - 39 years
Land improvements	7 - 39 years
Equipment and furnishings	7 - 10 years
Motor vehicles	5 years

Major renovations and improvements are capitalized. Depreciation is provided on a straight-line method over the following estimated useful lives:

Buildings and improvements	15 - 39 years
Land improvements	7 - 39 years
Equipment and furnishings	7 - 10 years
Motor vehicles	5 years

Donations of collectibles and property and equipment are recorded as support at their estimated fair value. Such donations are reported as net assets without donor restrictions 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 net assets with donor restrictions. 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 net assets with donor restrictions to net assets without donor restrictions. Property and equipment are depreciated using the straight-line method.

COVENANT VILLAGE, INC.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES
September 30, 2020, 2021, 2022, 2023 and 2024
See Independent 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, 2019, 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.

Assets Limited as to Use

Operating reserve under Section 58-64-33 of the North Carolina General Statutes, which is administered by the North Carolina Department of Insurance, requires that all continuing care retirement communities maintain an operating reserve equal to 25% of the total operating costs, as defined, forecasted for the twelve-month period following the period covered by the most recent annual statement filed with the North Carolina Department of Insurance, if occupancy levels are in excess of 90%. If occupancy levels are less than 90%, the operating reserve requirement is 50% of total operating costs, as defined. The Village has historically maintained an occupancy level in excess of 90%. Use of the operating reserve by the Village is restricted under Section 58-64-33 of the North Carolina General Statutes. The North Carolina General Statutes do not require the Village to maintain such operating reserve in a separate escrow account.

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 Residents 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. **Wellness Center for Cottages and Main Building.** The residents of Covenant Village enjoy the 9,700 square foot Wellness Center. Exercise on our new, state-of-the-art cardio or strength equipment while watching your favorite program on one of the three 46" flat screen televisions, or enjoy the comforts and benefits of the indoor swimming pool, or relax in the spa. If you like the social aspect of exercise, join in one of our many instructor-led group exercise classes and have a blast! If more individual guidance is needed, then set an appointment with our Director of Wellness for an evaluation and custom exercise program tailored just for you. For your convenience, there are locker rooms with shower facilities. Massage services are also available by appointment.

L. **Activities.** 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 a Cottage and using the facilities, programs and services provided by Covenant Village subject to the terms and conditions of the Agreement;

NOW THEREFORE, Resident and Covenant Village agree as follows:

I. ACCOMMODATIONS AND SERVICES

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

- A. **Living Accommodation.** A cottage located at _____ in Covenant Village (hereinafter referred to as the "Cottage"). Resident has the exclusive right to occupy and use the Cottage subject to the terms and conditions set forth in this Agreement.

- B. **Utilities.** Covenant Village will furnish water, sewer, trash removal and municipal services. Resident is responsible for any charges related to gas and electric. Resident is also responsible for any changes related to cable television, telephone and wireless internet outside of Covenant Village's bundling services.
- C. **Furnishings.** Covenant Village will provide: 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. **Wellness Center for Cottages and Main Building.** The residents of Covenant Village enjoy the 9,700 square foot Wellness Center. Exercise on our new, state-of-the-art cardio or strength equipment while watching your favorite program on one of the three 46" flat screen televisions, or enjoy the comforts and benefits of the indoor swimming pool, or relax in

the spa. If you like the social aspect of exercise, join in one of our many instructor-led group exercise classes and have a blast! If more individual guidance is needed, then set an appointment with our Director of Wellness for an evaluation and custom exercise program tailored just for you. For your convenience, there are locker rooms with shower facilities. Massage services are also available by appointment.

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

II. FINANCIAL AGREEMENTS

- A. **Entrance Fee.** In consideration for the living accommodations, services, and programs offered hereunder, Resident agrees to pay an Entrance Fee of \$ _____ (as provided in Exhibit I) less \$1,000.00 in consideration of the application fee paid. Upon signing this agreement, Resident will pay a deposit of 10% of the Entrance Fee, \$ _____. The balance of the entrance fee of \$ _____ is due in sixty days from the date of signing this agreement and Resident agrees that occupancy and monthly charges begin on this date. Resident further agrees to forfeit the deposit of 10% of the Entrance Fee if the balance of the entrance

fee and monthly charges are not paid within sixty days from the date of this agreement, except as provided herein below in Section VI.

- B. **Monthly Charge.** In addition to the Entrance Fee, Resident agrees to pay a Monthly Charge during the term of this Agreement which shall be payable in advance by the tenth day of each month. As of the date of this Agreement, Covenant Village estimates that the monthly charge associated with the Cottage will be \$ _____ per month plus an additional \$ _____ per month if a second Resident occupies the Cottage 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.
- C. **Adjustments in the Monthly Charge.** The Monthly Charge is assessed to provide the facilities, programs, and services described in this Agreement and is intended to meet the costs associated with the establishment, operation and management of Covenant Village. Covenant Village shall have the authority to adjust the Monthly Charge from time-to-time during the term of this Agreement as Covenant Village in its discretion deems necessary in order to reflect changes in such costs of providing such facilities, programs and services described herein consistent with operating on a sound financial basis and maintaining the quality of services called for herein. Any such increases in the Monthly Charge or other charges may be made by Covenant Village upon thirty (30) days written notice to Resident. Covenant Village also reserves the right to revise and amend the basis of all charges. Adjustments are not made in the Monthly Charge if Resident is absent from the facility, except as may be determined, from time to time, by Covenant Village
- D. **Monthly Statements.** Covenant Village will furnish Resident with a Monthly Statement showing the total amount of fees and other charges owed by Resident, which shall be payable by the tenth day of the month. Covenant Village may charge interest on

any unpaid balance owed by Resident 30 days after the Monthly Statement is furnished.

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

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

III. ADMISSION

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

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

- B. Resident shall submit for review by the Covenant Village Admissions Committee an Application for Admission, a Personal

Health History and Confidential Financial Statement, all on forms furnished by Covenant Village at the time of application.

- C. Resident shall have an interview with a representative from Covenant Village prior to acceptance at Covenant Village. After reviewing all information required to be furnished herein, additional personal interviews may be required by Covenant Village.
- D. Resident shall submit a report of a physical examination of Resident made by a physician selected by Resident. Such report shall include a statement by such physician that Resident is in good health, is ambulatory or can move about independently and is able to take care of himself or herself in normal living activities. Covenant Village may require Resident to have another physical examination by the Medical Director or by another physician approved by Covenant Village. If the health of Resident as disclosed by such physical examination differs materially from that disclosed in Resident's Application for Admission and Personal Health History, Covenant Village shall have the right to decline admission of Resident and to terminate this Agreement, or in the discretion of Covenant Village, to permit Resident to take occupancy of accommodations at Covenant Village suitable to the needs of Resident.
- E. Resident understands and agrees that the first ninety (90) days of occupancy will be known as a probationary period during which Resident will be required to live independently in the Cottage in order to qualify to receive nursing services in the Covenant Village Health Center at the reduced rate for residents with life care contracts. At the end of the initial ninety (90) day probationary period, the Admissions Committee may review Resident's ability to maintain an independent life-style. Residents who are unable to live in the Cottage at the time of the ninety (90) day review will be admitted to the Covenant Village Health Center, when space permits, at the full non-resident rate for nursing care. It is understood that the determination of the Admissions Committee will be final.

- F. It is understood that Covenant Village through its Admissions Committee has the right to reject any application for admission to Covenant Village.
- G. The Resident affirms that the representations made in the Application for Admission, Personal Health History and Confidential Financial Statement are true and correct and may be relied upon by Covenant Village as a basis for entering into this Agreement.

IV. TERMS OF RESIDENCY

- A. **Rights of Resident.** Resident has the right to occupy and enjoy the Cottage described in Paragraph I. A. of this Agreement during Resident's lifetime unless this Agreement is terminated as provided herein. It is understood that this Agreement does not transfer or grant any interest in the real or personal property owned by Covenant Village other than the right to use and occupy the Cottage, some other available residential unit or an accommodation in the Covenant Village Health Center in accordance with the terms hereof. Resident agrees that the rights of Resident under this Agreement are subject to and subordinate to the rights of a lender under any mortgage or deed of trust now or hereafter executed by Covenant Village creating a lien on any property of Covenant Village.
- B. **Rules and Regulations.** Resident will abide by Covenant Village's rules and regulations and such reasonable amendments, modifications and changes of the rules and regulations as may hereafter be adopted by Covenant Village. It is understood that Covenant Village has the right to make exception to the rules and regulations when deemed necessary by the Board of Directors or the management of Covenant Village.
- C. **Changes in the Cottage.** Covenant Village has the right to change the Cottage to meet requirements of any applicable statute, law or regulation. The Cottage may not be used in any manner in violation of any zoning ordinances or other governmental law or regulations.

- D. **Visitors.** Except for short term visitors or guests, no person other than Resident may reside in the Cottage without the approval of Covenant Village.
- E. **Loss of Property.** Covenant Village shall not be responsible for the loss of any property belonging to Resident due to theft, mysterious disappearance, fire or any other cause. It is understood that Resident will have the responsibility of providing any desired insurance protection covering any such loss.
- F. **Occupancy by Two Persons.** In the event that two persons occupy a Cottage under the terms of this Agreement, upon the permanent transfer to the Covenant Village Health Center or the death of one of such persons, or in the event of the termination of this Agreement with respect to one of such persons, the Agreement shall continue in effect as to the remaining or surviving Resident who shall have the option to retain the same Cottage in which event there will be no refund of the Entrance Fee. The remaining or surviving Resident will thereafter pay the Monthly Charge for one person associated with the Cottage occupied by Resident.
- G. **Medical Insurance.** Resident shall maintain Medicare Part A, Medicare Part B and one supplemental health insurance policy or equivalent insurance coverage acceptable to Covenant Village and shall furnish Covenant Village with evidence of such coverage upon request.
- H. **Personal Damages.** Except for matters of gross negligence on the part of Covenant Village, Resident agrees to assume all risks of personal damages by reason of any accident or injury while a resident of Covenant Village or by reason of the termination of residence in Covenant Village for misconduct or violation of Covenant Village's policies governing residents, or for any other reason.
- I. **Right of Entry.** Covenant Village has the right to enter the Cottage to perform routine maintenance, for purposes of inspection and to assist Resident in an emergency. Covenant

Village will make every effort to preserve Resident's rights to privacy.

V. TRANSFERS OR CHANGES IN LEVELS OF CARE

- A. It is understood that Covenant Village has the right to make or change living accommodation assignments if necessary, in order to best serve the needs of Resident and Covenant Village.
- B. Resident agrees that Covenant Village shall have authority to determine when or if Resident should be transferred from Resident's Cottage to the Covenant Village Health Center or from one level of care to another level of care within the Covenant Village Health Care Center. Such determination shall be based on professional opinion of the Medical Director and the 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 paid to Covenant Village, less monthly fees specified in the Contract for the period of time unit was actually occupied by Resident, less non-standard costs specifically incurred by Covenant Village at the request of the Resident and described in the Contract or any Contract amendment signed by Resident, and less a \$1,000 administrative fee. The entrance fee will be refunded without amortization reductions as specified herein below during the 30-day rescission period.
- B. After taking occupancy and becoming a Resident of Covenant Village, should residency for any reason cease, whether voluntarily or involuntarily, Covenant Village shall be under no obligation to make a refund to Resident provided, however, that if such cessation of residency occurs within the first fifty (50) months of residency, Covenant Village will refund the Entrance Fee less two percent (2%) thereof for each calendar month or portion thereof of residency and one thousand dollars (\$1,000) as an administrative and refurbishing charge. Payment of any refund due Resident under this paragraph will be made when Covenant Village receives full payment of the Entrance Fee from a qualified substitute Resident.

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

VII. GENERAL

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

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

Monthly fee	\$ _____ 1st
	\$ _____ 2 nd
Total	\$ _____