



COVENANT VILLAGE

Where Life Is Filled With Promise

DISCLOSURE STATEMENT

June 20, 2023

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

- ◆ This Disclosure Statement may be delivered until revised, but not after February 28, 2024.
- ◆ 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.

Covenant Village Inc.
1351 Robinwood Road
Gastonia, NC 28054

Phone: 704-867-2319
www.covenantvillagenc.com

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I. ORGANIZATION INTRODUCTION AND INFORMATION

Description of the Organization and its Operation

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

Non-Profit/For Profit Status

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

Affiliations

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

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

Accreditation

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

II. FACILITY INTRODUCTION AND INFORMATION

Description of the Facility and Its Operation

Covenant Village is a full-service retirement community located on a 60-acre site in Gastonia, North Carolina. The main building consists of 137 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 - | www.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.

Location and Description of Physical Property

See the Description of the Facility and Its Operation.

Estimated Number of Residents

As of September 30, 2022, Covenant Village is currently serving about 255 residents.

Strategic Vision and Master Planning at Covenant Village

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

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

At this time, the Board of Directors has approved or are reviewing the following options as we now enter the financial feasibility and financing phase of the Strategic Visioning and Master Plan:

1. Launch of a new Brand image and platform (Completed)
2. Acquisition of key parcels around and contiguous to the main campus.
 - a. Four separate parcels along Hillgate Avenue (totaling nearly six acres – Completed)
 - b. 13-acre parcel along Robinwood Road (formerly known as the Smyre Property – Completed)
 - c. Various other contiguous parcels (In negotiations)
3. Cottage Exterior Renovations (Windows – Completed; Siding, Gutters, and Soffits)
4. Dining and Main Hall Renovations
5. Front Entrance Signage and Retention Walls
6. Health Center Hallway Renovated into Enhanced Living Units (4 Studios and 4 One-Bedroom Suites) – (Completed in November 2022)
7. New Employee Parking
8. Outdoor Pavilion
9. Service Lane Expansion
10. Southwest Neighborhood Expansion (“Pocket Home” Concept of Cottages)
11. One large and two small Villa Expansion

Identification and Background of Officers, Directors, Management and Staff

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. 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 of one hundred dollars (\$100.00) or more within any year.

Covenant Village Board of Directors 2023-2024

With Professional Experience

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

John McDonald, Jr.
1351 Robinwood Road
Gastonia, NC 28054
Retired, Broadcast Software Sales

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

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

Rob Collis, Treasurer
1351 Robinwood Road
Gastonia, NC 28054
CPA, Collis & Associates

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

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

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

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

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

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

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

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

Covenant Village Board of Directors 2023-25

Members by Class Year and Officers

| 2023 | 2024 | 2025 |
|-------------------|---------------------|-----------------|
| Carol Carstarphen | William Current Jr. | Rob Collis |
| Rick Craig | Tim Efird | Christy Gliddon |
| John McDonald Jr. | Adrian Miller | Kelly Shedd, MD |
| Wes Styers | Nancy Paschall | Lauren Vanacore |

At-large Member: Sarah Wentz

OFFICERS

| | |
|-------------------------|----------------------|
| Chair | Nancy Paschall |
| Vice-Chair | William Current, Jr. |
| Secretary | Carol Carstarphen |
| Treasurer | Rob Collis |
| Chief Executive Officer | Dale Melton |

Resident's Association President (Ex-officio)

Sarah Wentz
1351 Robinwood Road
Gastonia, NC 28054
704-867-2319

III. RESIDENCY POLICIES AND ADMISSIONS

Admission

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

Health Criteria

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

COVENANT VILLAGE IS FOR ACTIVE SENIORS

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

Staff 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. Home Health Care Agencies or personal caregivers that provide direct personal assistance for Residents living independently must have prior approval from the CEO or the Health Services Administrator.

Residents must be able to live independently for the first ninety (90) days of occupancy to qualify for the health care daily rate for a Life Care resident. To assure that residents have the functional ability needed to live in our cottages and

apartments, we offer an orientation stay in our guest room for a few days, free of charge. Our goal is to make sure we can meet resident needs. Approval for residency comes after orientation.

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

Financial and Insurance Criteria

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

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

Age Criteria

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

Changes of Condition Prior to Occupancy

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

Apartment Termination and Refund Provisions

- A. Resident may rescind this agreement within thirty days of the latter of the execution date of this contract or the receipt of the disclosure statement, with no penalty. Resident is not required to move into the unit before the expiration of the 30-day period. If Resident dies before occupying the apartment, or if, on account of illness, injury, or incapacity a resident is precluded from occupying the apartment and such condition is certified in writing by a physician, then in either event the contract shall be deemed

immediately cancelled. Any refund under this paragraph will be paid within 60 days after written notice has been received by Covenant Village. Resident or Resident's legal representative shall receive a refund of all money, less monthly fees specified in the Contract for the period of time unit was actually occupied by Resident, less non-standard costs specifically incurred by Covenant Village at the request of the Resident and described in the contract or any contract amendment signed by resident, and less a \$1,000.00 administrative fee. The entrance fee will be refunded without amortization reductions as specified herein below during the 30-day rescission period.

- B. After taking occupancy and becoming a resident of Covenant Village, should residency for any reason cease, whether voluntarily or involuntarily, Covenant Village shall be under no obligation to make a refund to Resident provided, however, that if such cessation of residency occurs within the first twenty-five (25) months of residency, Covenant Village will refund the Entrance Fee, less four percent (4%) thereof for each calendar month, or portion thereof of residency, and less one thousand dollars (\$1,000) as an administrative and refurbishing charge. Payment of any refund due Resident under this paragraph will be made when Covenant Village receives full payment of the Entrance Fee from a qualified substitute resident.
- C. No Entrance Fee refund will be made after twenty-five (25) months of residency and no refund will be made, at any time, for a resident transferring to Covenant Village's Health Center facilities.
- D. Covenant Village may terminate this Agreement at any time if there has been a material misrepresentation or omission made by Resident in Resident's Application for Admission, Personal Health History or Confidential Financial Statement; if a material change in Resident's health takes place before occupancy; if Resident fails to make payment to Covenant Village of any fees or charges due Covenant Village within sixty (60) days of the date when due; or if Resident fails to abide by the rules or regulations adopted by Covenant Village or breaches any of the terms and conditions of this Agreement. In the event of termination for any of such causes, Resident shall be entitled to an appropriate refund of the Entrance Fee paid by Resident determined in accordance with the same manner provided in Paragraph V.A. or V.B.
- E. At the effective date of termination of this Agreement, Resident shall vacate the Apartment and shall leave it in good condition except for normal wear and

tear. Resident shall be liable to Covenant Village for any cost incurred in restoring the Apartment to good condition except for normal wear and tear. Monthly Fees will be continued until all personal effects have been removed from Covenant Village.

Cottage Termination and Refund Provisions

- A. Resident may rescind this agreement within thirty days of the latter of the execution date of this contract or the receipt of the disclosure statement, with no penalty. Resident is not required to move into the unit before the expiration of the 30-day period. If Resident dies before occupying the cottage, or if, on account of illness, injury or incapacity, a resident is precluded from occupying the cottage and such condition is certified in writing by a physician, then in either event the contract shall be deemed immediately cancelled. Any refund under this paragraph will be paid within 60 days after written notice has been received by Covenant Village. Resident or Resident's legal representative shall receive a refund of all money, less monthly fees specified in the Contract for the period of time unit was actually occupied by Resident, less non-standard costs specifically incurred by Covenant Village at the request of the Resident and described in the contract or any contract amendment signed by resident, and less a \$1,000.00 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.

Change of Accommodations

- A. It is understood that Covenant Village has the right to make or change living accommodation assignments, if necessary, to best serve the needs of Residents and Covenant Village.
- B. Resident agrees that Covenant Village shall have authority to determine when or if Resident should be transferred from Resident's Apartment to the Covenant Village Health Center or from one level of care to another level of care within the Covenant Village Health Center. Such determination shall be based on the professional opinion of the Medical Director and the Chief Executive Officer of Covenant Village and shall be made only after consultation to the extent practical with resident, a representative of Resident's family, or the sponsor of Resident, and Resident's attending physician.

- C. If it is determined by the Medical Director and the Chief Executive Officer that Resident needs care beyond that which can be provided by the facility and personnel of Covenant Village, Resident may be transferred to a hospital, center or institution equipped to give such care, which care will be at the expense of Resident. Such transfer of Resident will be made only after consultation with Resident, to the extent possible, a representative of Resident's family or the sponsor of Resident, and Resident's attending physician.
- D. If a determination is made by Covenant Village that any transfer described in Paragraph C. above is probably not temporary in nature, Resident agrees to surrender the cottage, apartment, or the accommodation in the health center within 30 days after Resident has been notified by Covenant Village. If the living accommodation is not vacated within 30 days, the Resident agrees to pay additional Monthly Charges. If Covenant Village subsequently determines upon the opinion of the Medical Director and the Chief Executive Officer that Resident can resume occupancy in accommodations comparable to those occupied by Resident prior to such transfer, Resident shall have priority to such accommodation as soon as they become available.

Marriages/New Second Occupant

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

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

Inability to Pay

The Board of Directors is committed to fulfilling the policy that no resident will be discharged by reason of inability to pay monthly fees provided the resident has not impaired his or her ability to meet obligations by transfer of assets below market value or sale of assets and the organization has the capability of meeting needs of the resident.

IV. SERVICES

General Overview

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

Covenant Village holds quarterly Resident Association Meetings. Meeting dates during 2022 were February 8, 2022, April 19, 2022, July 19, 2022, and October 25, 2022.

Standard Services Available

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

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

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

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

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

- Multi-station Cable TV, Phone and Wireless Internet
- One meal per day
- Special diets when ordered by a physician
- Water, sewer, and trash removal
(Residents pay their own electric and gas)
- Housekeeping services
- Launder and change of bed and bath linens weekly
- Maintenance and repair of property owned by Covenant
- 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 addition to the services normally provided by a licensed nursing home, Covenant Village also has a contract with a contract therapy firm to provide physical therapy, speech therapy and occupational therapy. The billing for this as well as other outside professional services is done directly between the resident and the provider.

Personal Services Available

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

V. FEES AND REFUNDS

Application Registration Fees

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

Entrance Fees

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

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

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

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

Monthly Fee

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

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

Covenant Village Fee Schedule

(Contracts signed before 10/01/2022)

October 1, 2022 to September 30, 2023

| Unit | Entrance Fee | Monthly Fee |
|---|-----------------------------------|--------------------------------------|
| Studio (single room) (A1) Second Person | \$49,450 | \$3,039 <u>\$2,279</u> \$5,318 |
| Studio with Kitchenette (single room) (A2) Second Person | \$52,650 | \$3,039 <u>\$2,279</u> \$5,318 |
| Studio with Balcony and Kitchenette (single room) (A4) Second Person | \$55,850 | \$3,039 <u>\$2,279</u> \$5,318 |
| One-Bedroom (two rooms) (B) Second Person | \$150,450 \$40,000 | \$3,493 <u>\$2,554</u> \$6,047 |
| Two-Bedroom (three rooms) (C) Second Person | \$241,950 \$50,000 | \$6,116 <u>\$ 687</u> \$6,803 |
| *Enhanced Living Studio with Kitchenette (single room) (A2) Second Person | \$48,950 | \$3,554 <u>\$2,794</u> \$6,348 |
| *Enhanced Living One-Bedroom with Kitchenette (two rooms) (B) Second Person | \$132,950 \$40,000 | \$4,008 <u>\$3,069</u> \$7,077 |
| **Cottage (two-bedroom, two bath) Second Person | \$302,450 - \$417,950 \$50,000 | \$3,688 <u>\$1,331</u> \$5,019 |

*Enhanced Living Concierge service fee is \$515/month per person. This fee is reflected in the Enhanced Living Monthly Fees listed above.

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

A second person entrance fee of \$40,000 to \$50,000 will be charged for double occupancy. Studio units are excluded.

Health Center Fee Schedule

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

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

Health Center daily rate for non-life care (or direct admit) Residents is \$313. There will be a non-refundable entrance fee, ranging from \$25,000-\$40,000.

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

EXPLANATION OF FEES

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

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

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

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

When two individuals share an apartment or cottage, the monthly fee for the second individual is substantially less than the first-person fee. This discount does not apply when one or both move temporarily to the Health Center. Each pays the first-person fee for the living accommodation he or she occupies. With a permanent move to the Health Center, the individual pays a daily rate for living accommodations. This daily rate is a percentage of the non-life care Resident daily rate.

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

OTHER CHARGES

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

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

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

Covenant Village Fee Schedule

(Contracts signed after 10/01/2022)

October 1, 2022 to September 30, 2023

| Unit | Entrance Fee | Monthly Fee |
|---|-----------------------------------|--------------------------------------|
| Studio (single room) (A1) Second Person | \$49,450 | \$3,130 <u>\$2,348</u> \$5,478 |
| Studio with Kitchenette (single room) (A2) Second Person | \$52,650 | \$3,130 <u>\$2,348</u> \$5,478 |
| Studio with Balcony and Kitchenette (single room) (A4) Second Person | \$55,850 | \$3,130 <u>\$2,348</u> \$5,478 |
| One-Bedroom (two rooms) (B) Second Person | \$150,450 \$40,000 | \$3,598 <u>\$2,630</u> \$6,228 |
| Two-Bedroom (three rooms) (C) Second Person | \$241,950 \$50,000 | \$6,299 <u>\$ 707</u> \$7,006 |
| *Enhanced Living Studio with Kitchenette (single room) (A2) Second Person | \$48,950 | \$3,645 <u>\$2,863</u> \$6,508 |
| *Enhanced Living One-Bedroom with Kitchenette (two rooms) (B) Second Person | \$132,950 \$40,000 | \$4,113 <u>\$3,145</u> \$7,258 |
| **Cottage (two-bedroom, two bath) Second Person | \$302,450 - \$417,950 \$50,000 | \$3,799 <u>\$1,371</u> \$5,170 |

*Enhanced Living Concierge service fee is \$515/month per person. This fee is reflected in the Enhanced Living Monthly Fees listed above.

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

A second person entrance fee of \$40,000 to \$50,000 will be charged for double occupancy. Studio units are excluded.

Health Center Fee Schedule

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

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

Health Center daily rate for non-life care (or direct admit) Residents is \$313. There will be a non-refundable entrance fee, ranging from \$25,000-\$40,000.

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

EXPLANATION OF FEES

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

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

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

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

When two individuals share an apartment or cottage, the monthly fee for the second individual is substantially less than the first-person fee. This discount does not apply when one or both move temporarily to the Health Center. Each pays the first-person fee for the living accommodation he or she occupies. With a permanent move to the Health Center, the individual pays a daily rate for living accommodations. This daily rate is a percentage of the non-life care Resident daily rate.

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

OTHER CHARGES

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

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

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

The following outlines the fee structure for Covenant Village for the last five years, including the incremental increases from the previous year. All fees for each year become effective on October 1. Beginning 10/01/2022, Covenant Village implemented a tiered monthly rate. The rate increase for existing residents increased 3%. Monthly fees for residents signing contracts after 10/01/2022 were an additional 3% increase.

CHANGES IN FEES FOR THE PREVIOUS FIVE YEARS

| Daily Fee (Health Center) | 2022/2023 | Dollar Increase | 2021/2022 | Dollar Increase | 2020/2021 | Dollar Increase | 2019/2020 | Dollar Increase | 2018/2019 | Dollar Increase | 5-year Average |
|---------------------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|----------------|
| Life Care Residents | \$145 | \$7 | \$138 | \$3 | \$135 | \$5 | \$130 | \$4 | \$126 | \$4 | \$5 |
| Non-Life Care Residents | \$313 | \$15 | \$298 | \$9 | \$289 | \$8 | \$281 | \$26 | \$255 | \$20 | \$16 |

| Monthly Fee (Residential Living) Residents prior to 10/01/2022 | 2022/2023 | Dollar Increase | 2021/2022 | Dollar Increase | 2020/2021 | Dollar Increase | 2019/2020 | Dollar Increase | 2018/2019 | Dollar Increase | 5-year Average |
|---|-----------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|----------------|
| Studio | \$3,039 | \$145 | \$2,894 | \$84 | \$2,810 | \$82 | \$2,728 | \$79 | \$2,649 | \$90 | \$96 |
| Second Person | \$2,279 | \$108 | \$2,171 | \$64 | \$2,107 | \$61 | \$2,046 | \$61 | \$1,985 | N/A | \$74 |
| One Bedroom | \$3,493 | \$166 | \$3,327 | \$97 | \$3,230 | \$94 | \$3,136 | \$91 | \$3,045 | \$103 | \$110 |
| Second Person | \$2,554 | \$122 | \$2,432 | \$71 | \$2,361 | \$69 | \$2,292 | \$67 | \$2,225 | N/A | \$82 |
| Two Bedroom | \$6,116 | \$291 | \$5,825 | \$170 | \$5,655 | \$165 | \$5,490 | | \$5,816 | \$197 | \$206 |
| Second Person | \$687 | \$33 | \$654 | \$19 | \$635 | \$19 | \$616 | N/A | \$0 | | \$24 |
| Enhanced Living - Studio | \$3,554 | | | | | | | | | | |
| Enhanced Living - Second Person | \$2,794 | | | | | | | | | | |
| Enhanced Living - One Bedroom | \$4,008 | | | | | | | | | | |
| Enhanced Living - Second Person | \$3,069 | | | | | | | | | | |
| Cottage | \$3,688 | \$176 | \$3,512 | \$102 | \$3,410 | \$99 | \$3,311 | \$96 | \$3,215 | \$109 | \$116 |
| Second Person | \$1,331 | \$63 | \$1,268 | \$37 | \$1,231 | \$36 | \$1,195 | \$239 | \$956 | \$32 | \$81 |

| Monthly Fee (Residential Living) Residents after 10/01/2022 | 2022/2023 | Dollar Increase | 2021/2022 | Dollar Increase | 2020/2021 | Dollar Increase | 2019/2020 | Dollar Increase | 2018/2019 | Dollar Increase | 5-year Average |
|--|-----------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|----------------|
| Studio | \$3,130 | | | | | | | | | | |
| Second Person | \$2,348 | | | | | | | | | | |
| One Bedroom | \$3,598 | | | | | | | | | | |
| Second Person | \$2,630 | | | | | | | | | | |
| Two Bedroom | \$6,299 | | | | | | | | | | |
| Second Person | \$707 | | | | | | | | | | |
| Enhanced Living - Studio | \$3,645 | | | | | | | | | | |
| Enhanced Living - Second Person | \$2,863 | | | | | | | | | | |
| Enhanced Living - One Bedroom | \$4,113 | | | | | | | | | | |
| Enhanced Living - Second Person | \$3,145 | | | | | | | | | | |
| Cottage | \$3,799 | | | | | | | | | | |
| Second Person | \$1,371 | | | | | | | | | | |

VI. FINANCIAL INFORMATION

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

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

Operating Reserves

General Statute chapter 58, Article 64 requires Covenant Village to establish and maintain an operating reserve equal to twenty-five percent of the total operating costs, including debt service but excluding depreciation and amortization, or fifty percent of total operating costs if occupancy at Covenant Village is less than ninety percent. Covenant Village maintains an occupancy rate more than 90% and therefore is required to maintain an operating reserve of 25%. The projected amount of the Operating Reserve Requirement for the forecasted year ending September 30, 2023, is below.

| | |
|---------------------------|---------------------|
| Total Operating Expenses: | \$15,087,500 |
| Principal Payment | 200,000 |
| Less Depreciation Expense | (1,596,000) |
| Less Amortization Expense | <u>(150,000)</u> |
| | <u>\$13,415,000</u> |

Operating Reserve Requirement

| | |
|--|--------------------|
| Total Forecasted Operating Costs for FY 2023 | \$13,415,000 |
| Multiplied by Required Percentage | x 25% |
| Total Operating Reserve Required for FY 2023 | <u>\$3,385,375</u> |

Assets Available to Fund Operating Reserve

| | |
|---|--------------------|
| Portion of reserve corpus whose use is limited – Board designated | <u>\$4,660,961</u> |
| Necessary funds available to fund operating reserve | <u>\$3,385,375</u> |

Covenant Village's operating reserve consists of cash, cash equivalents, and marketable securities, principally mutual funds that are more than the above requirement. 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 overseen under the direction of the Finance Committee of the Board of Directors and deposited with the Gaston Community Foundation and managed by Alex Brown Institutional Consulting.

Facility Development/Expansion

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

Explanation of Material Differences in Forecast to Actual

As required by Section 58-64-30(a) of the North Carolina General Statutes, we are required to provide a narrative explaining any material differences between the previous forecast financial statements and the actual results of operations. Covenant Village considers a material difference to be \$250,000 which is equivalent to 1% of our total assets or 1.5% of our total revenues.

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

Covenant Village, Inc.
Statement of Financial Position

(In Thousands of Dollars)

| | 9/30/2022 <u>FORECAST</u> | 9/30/2022 <u>ACTUAL</u> | <u>Variance</u> | <u>% Variance</u> | <u>Notes</u> |
|--|------------------------------|----------------------------|-----------------|-------------------|--------------|
| ASSETS | | | | | |
| Cash & cash equivalents | 1,866 | 334 | (1,532) | -82.10% | 1 |
| Accounts receivable | 48 | 84 | 36 | 75.00% | |
| Grant receivable - employee retention credit | - | 2,999 | 2,999 | 100.00% | 1,2 |
| Other receivables | - | 46 | 46 | 100.00% | |
| Inventories | 172 | 135 | (37) | -21.51% | |
| Prepaid expenses | 30 | 35 | 5 | 16.67% | |
| Investments | 4,131 | 1,488 | (2,643) | -63.98% | 1,3 |
| Total Current Assets | <u>6,247</u> | <u>5,121</u> | <u>(1,126)</u> | <u>-18.02%</u> | |
| Property, and equipment net | 14,249 | 15,513 | 1,264 | 8.87% | 1,4 |
| Operating reserve | 3,450 | 3,385 | (65) | -1.88% | |
| Intangibles, net | 341 | 796 | 455 | 133.43% | 1,3,5 |
| | <u>18,040</u> | <u>19,694</u> | <u>1,654</u> | <u>9.17%</u> | |
| TOTAL ASSETS | <u>\$ 24,287</u> | <u>\$ 24,815</u> | <u>\$ 528</u> | <u>2.17%</u> | |
| LIABILITIES | | | | | |
| Note payable current | 200 | 200 | - | 0.00% | |
| Accounts payable | 214 | 327 | 113 | 52.80% | |
| Accrued Expenses | 600 | 589 | (11) | -1.83% | |
| Residential accounts and deposits | 60 | 21 | (39) | -65.00% | |
| Current Liabilities | <u>1,074</u> | <u>1,137</u> | <u>63</u> | <u>5.87%</u> | |
| Escrow & Deposits | 28 | 129 | 101 | 360.71% | |
| Deferred Revenue from Entrance Fees | | | | | |
| Non-refundable contracts | 8,521 | 9,226 | 705 | 8.27% | 6 |
| Refundable contracts | 2,784 | 3,018 | 234 | 8.41% | 6 |
| Note payable Long Term | 1,300 | 1,300 | - | 0.00% | |
| TOTAL | <u>12,633</u> | <u>13,673</u> | <u>1,040</u> | <u>8.23%</u> | |
| TOTAL LIABILITIES | <u>13,707</u> | <u>14,810</u> | <u>1,103</u> | <u>8.05%</u> | |
| NET ASSETS | | | | | |
| Without Donor Restrictions | 10,402 | 9,858 | (544) | -5.23% | 7 |
| With Donor Restrictions | 178 | 147 | (31) | -17.42% | |
| TOTAL NET ASSETS | <u>10,580</u> | <u>10,005</u> | <u>(575)</u> | <u>-5.43%</u> | |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 24,287</u> | <u>\$ 24,815</u> | <u>\$ 528</u> | <u>2.17%</u> | |

Covenant Village Inc.**Statement of Activities**

(In Thousands of Dollars)

| | 9/30/2022 <u>Forecast</u> | 9/30/2022 <u>Actual</u> | <u>Variance</u> | <u>% Variance</u> | <u>Notes</u> |
|---|------------------------------|----------------------------|-------------------|-------------------|--------------|
| Revenues | | | | | |
| Amortization of deferred entrance fees | 2,100 | 1,469 | (631) | -30.05% | 6 |
| Resident service revenue | 7,311 | 7,071 | (240) | -3.28% | |
| Health care revenue | 4,529 | 3,977 | (552) | -12.19% | 8 |
| Contributions | 176 | 40 | (136) | -77.27% | |
| Grant income - employee retention credit | 1,000 | 2,999 | 1,999 | 199.90% | 2 |
| Other revenues | 146 | 209 | 63 | 43.15% | |
| Net investment income (loss) | 429 | (1,044) | (1,473) | -343.36% | 3 |
| Loss on disposal of property and equipment | - | (32) | (32) | 100.00% | |
| TOTAL REVENUES | <u>\$ 15,691</u> | <u>\$ 14,689</u> | <u>\$ (1,002)</u> | <u>-6.39%</u> | |
| Expenses | | | | | |
| Nursing Services | 3,600 | 3,569 | (31) | -0.86% | |
| Housekeeping | 1,187 | 1,066 | (121) | -10.19% | |
| Food and Nutrition | 2,457 | 2,384 | (73) | -2.97% | |
| Operating and Maintenance | 2,434 | 2,199 | (235) | -9.65% | |
| Resident Care and Services | 851 | 726 | (125) | -14.69% | |
| Security | 389 | 362 | (27) | -6.94% | |
| Technology | 548 | 585 | 37 | 6.75% | |
| Management and General | 1,668 | 1,827 | 159 | 9.53% | |
| Depreciation and Amortization | 1,571 | 1,540 | (31) | -1.97% | |
| Interest | 51 | 46 | (5) | -9.80% | |
| TOTAL EXPENSES | <u>\$ 14,756</u> | <u>\$ 14,304</u> | <u>\$ (452)</u> | <u>-3.06%</u> | |
| Change in Net Assets without donor restrictions | <u>\$ 935</u> | <u>\$ 385</u> | <u>\$ (550)</u> | <u>-58.82%</u> | 7 |
| Change in Net Assets with donor restrictions | | | | | |
| Net Investment income (loss) | - | (24) | (24) | 100.00% | |
| Change in Net Assets | <u>\$ 935</u> | <u>\$ 361</u> | <u>\$ (574)</u> | <u>-61.39%</u> | 7 |

Covenant Village Inc.
Statement of Cash Flows

(In Thousands of Dollars)

| | 9/30/2022 <u>FORECAST</u> | 9/30/2022 <u>ACTUAL</u> | Dollar <u>Variance</u> | Percent <u>Variance</u> | <u>Notes</u> |
|---|------------------------------|----------------------------|---------------------------|----------------------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Change in net assets | \$ 935 | \$ 361 | \$ (574) | -61.39% | 7 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities | | | | | |
| Depreciation | 1,533 | 1,525 | (8) | -0.52% | |
| Amortization | 38 | 14 | (24) | -63.16% | |
| Amortization of deferred entrance fees | (2,100) | (1,469) | 631 | -30.05% | 6 |
| Proceeds from entrance fees | 2,103 | 2,411 | 308 | 14.65% | 6 |
| Decrease (increase) in fair value of investments | (429) | 1,063 | 1,492 | -347.79% | 3 |
| Loss on disposition of property and equipment | - | 32 | 32 | 100.00% | |
| Decrease (increase) in operating assets | | | | | |
| Accounts receivable | 79 | 6 | (73) | -92.41% | |
| Inventories | (28) | 9 | 37 | -132.14% | |
| Increase in grant and other receivables | - | (3,008) | (3,008) | 100.00% | 2 |
| Prepaid expenses | 1 | (3) | (4) | -400.00% | |
| Increase (decrease) in operating liabilities | | | | | |
| Accounts payable | 1 | 113 | 112 | 11200.00% | |
| Accrued expenses | 85 | 75 | (10) | -11.76% | |
| Unit deposits | (101) | (20) | 81 | -80.20% | |
| Resident accounts | 3 | (17) | (20) | -666.67% | |
| Net cash provided by operating activities | <u>2,120</u> | <u>1,092</u> | <u>(1,028)</u> | <u>-48.49%</u> | |
| NET CASH FLOWS USED IN INVESTING ACTIVITIES | | | | | |
| Purchase of property and equipment | (750) | (2,038) | (1,288) | 171.73% | 1,4 |
| Net purchases of investments | (50) | (5,180) | (5,130) | 10260.00% | 1,3 |
| Proceeds from sale of investments | - | 6,345 | 6,345 | 100.00% | 1,3 |
| Purchase of intangible assets | - | (431) | (431) | 100.00% | 1,5 |
| Net Cash used in investing activities | <u>(800)</u> | <u>(1,304)</u> | <u>(504)</u> | <u>63.00%</u> | |
| NET CASH FLOWS USED IN FINANCING ACTIVITIES | | | | | |
| Principle payments on note payable | (200) | (200) | - | 0.00% | |
| Increase (decrease) in cash and cash equivalents | <u>1,120</u> | <u>(412)</u> | <u>(1,532)</u> | <u>-136.79%</u> | 1 |
| Cash and cash equivalents at the beginning of the year | 746 | 746 | - | 0.00% | |
| Cash and cash equivalents at the end of the year | <u>\$ 1,866</u> | <u>\$ 334</u> | <u>\$ (1,532)</u> | <u>-82.10%</u> | 1 |

Material Differences Between Forecasted and Actual Data Year Ended September 30, 2022

NOTE – Please see corresponding note numbers on the Statements.

I. Cash, Property and Equipment, and Intangible Assets

During 2022, Covenant Village continued through the planning phase of a Strategic Visioning process. Several of the initiatives included in the Comprehensive Strategic Plan have been made (See Note 4 and the section titled Vision of Covenant Village and Master Planning under Facility Introduction and Information). Covenant Village utilized cash and investments to pay for these completed renovations that will be included in future bank financings.

Reasons for the variance in Cash and Cash Equivalents s at 09/30/2022 are:

| | |
|--|-----------------------------|
| Property and Equipment Purchases over forecast | \$(1,264,000) |
| Intangible Assets Costs greater than forecasted | (455,000) |
| Proceeds from Investment Sales retained as cash | 1,178,000 |
| Grant income forecasted as cash rather than a receivable | (1,000,000) |
| Other Management Decisions | <u>9,000</u> |
| Actual Cash Under Forecast | <u><u>\$(1,532,000)</u></u> |

2. Grant Receivable and Grant Income

As noted above, the grant receivable for the employee retention credit was forecasted as cash during 2022 rather than a receivable. For the 2022 forecast, management only forecasted \$1 million in revenue of the actual \$2.9 million grant.

3. Investments and Investment Income

In August 2022, Covenant Village moved our investment accounts from a brokerage firm to the Gaston Community Foundation. As a part of the transaction, sale proceeds from two investment accounts without donor restrictions were retained as cash to pay for strategic planning costs, which was not projected (see Note I above). The remaining unfavorable variance is the result of a forecasted market gain of 6% where actual losses were

approximately 15%.

4. Property and Equipment and Loss on Disposition of Assets

During 2022, Covenant Village completed the renovations of an independent living hallway into an “Enhanced Living” level of independent living apartments. This newly renovated hallway named as Founder’s Hall is a part of Covenant Village’s strategic plan. By bringing the project in house to be completed by our own maintenance and renovations teams the project was completed earlier than anticipated and under projected costs by the architect. Property and equipment for this renovation was projected in later years in the 5-year forecast. The cost of the project was \$604,000. Several HVAC units and a dehumidification system for the Wellness Center were replaced during 2022. The costs of these units were \$165,000 and were not included in the 2022 Forecast. Strategic planning costs associated with construction in progress totaling \$408,000 was also incurred during 2022 that was not included in the forecast. The remaining variance was due to higher material costs than anticipated for unit turnover renovations.

Covenant Village wrote off approximately \$233,000 of obsolete fixed assets in 2022 resulting in a loss on disposition of \$32,000.

5. Intangible Assets

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

The costs of this process including brand image and platform, visioning discussions with current and future residents, architectural studies and drawings, financial feasibility studies and discussions and estimates from project managers and construction companies have been collected and will be included in construction loans for Covenant Village. It was anticipated that these loans would be obtained in the latter half of 2022. We now anticipate that the strategic master plan project decisioning will be completed before year end September 30, 2023, and we can move forward with financing. Costs associated with the Strategic Plan have been higher than was forecasted.

6. Deferred Revenue from Entrance Fees and Entrance Fee Revenue

The balance of deferred revenue fees increased from 2021 to 2022. The increase in entrance fees from the prior year is due to a higher number of unit turnovers. While deaths were higher in 2021 than in 2022, the units did not become available for re-sale until 2022 due to supply chain issues.

Revenue recognition from the amortization of the deferred revenue was less than forecasted which also contributed to the higher deferred fee variance. Deferred fee balances were forecast to decrease by 5% due to mortality. Actual amortization of deferred fees due to mortality was only 1.5%.

Deferred revenue balances for 2022 were higher than forecast due to:

Revenue Variance:

| | |
|--|-------------------------|
| Lower amortization due to lower mortality turnover | \$391,000 |
| Lower actual amortization than schedule due to residents living longer than expected | <u>240,000</u> |
| TOTAL REVENUE VARIANCE | \$631,000 |
| | |
| New entrance fees higher than forecast | <u>\$308,000</u> |
| | |
| TOTAL DEFERRED FEES BALANCE VARIANCE | <u>\$939,000</u> |

7. Net Assets

Net assets without donor restrictions were \$543,000 less than projected due to the actual surplus of revenue over expenses being less than forecasted.

8. Resident, Health Care and Other Income

Covenant Village has historically maintained high occupancy levels. On September 30, 2022, the occupancy percent was 96.23%, an increase of 2.36% from September 30, 2021's level of 93.87%.

During 2022, actual direct admit residents were less than projected resulting in the variance for health care revenue. The forecast projected 22 direct admits with five new direct admit entrance fees. Actual results were an average of 18 direct admits with only 3 new direct admit entrance fees.

VII. OTHER MATERIAL INFORMATION

Unaudited Interim Financial Statements

The following financial statements are for the period ending December 31, 2022.

Covenant Village, Inc.
 Unaudited Interim Statement of Position
 December 31, 2022
 (In Thousands of Dollars)

| | <u>12/31/2022</u> |
|--|-------------------|
| Cash | \$ 102 |
| Accounts Receivable | 78 |
| Grants Receivable | 2,999 |
| Investments | 1,839 |
| Inventories | 133 |
| Prepaid Expenses | 27 |
| Operating Reserve as Required by NC General Statutes | 3,385 |
| Property, Plant & Equipment, Net | 15,509 |
| Intangible Assets, net | 902 |
| TOTAL ASSETS | \$ 24,974 |
| | |
| Notes Payable - Current | \$ 200 |
| Accounts Payable | \$ 153 |
| Accrued Expenses | \$ 759 |
| Notes Payable, Long-Term | \$ 1,100 |
| Other Long-Term Liabilities | \$ 12,964 |
| TOTAL LIABILITIES | \$ 15,176 |
| | |
| Net Assets | |
| Without Donor Restrictions | \$ 7,258 |
| With Donor Restrictions | \$ 2,540 |
| TOTAL NET ASSETS | \$ 9,798 |
| | |
| TOTAL LIABILITIES AND NET ASSETS | \$ 24,974 |

Covenant Village, Inc.
 Unaudited Interim Statement of Activities
 Three Months Ended December 31, 2022
 (In Thousands of Dollars)

REVENUE

| | |
|-------------------------|---------------------|
| Residential Income | 1,880 |
| Health Care Income | 1,072 |
| Other Income | 65 |
| Total Operating Revenue | <u>3,017</u> |
| Earned Entrance Fees | 357 |
| Net Investment Income | 353 |
| TOTAL REVENUE | <u><u>3,727</u></u> |

EXPENSES

| | |
|-------------------------------|---------------------|
| Activities | 76 |
| Administration | 256 |
| Food and Nutrition | 576 |
| Housekeeping | 279 |
| Human Resources | 78 |
| Maintenance and Renovations | 501 |
| Marketing and Admissions | 71 |
| Nursing | 1,255 |
| Resident Care and Services | 94 |
| Security | 99 |
| Technology | 219 |
| Wellness | 16 |
| Total Operating Expenses | <u>3,520</u> |
| Depreciation and Amortization | 405 |
| Interest Expense | 9 |
| TOTAL EXPENSES | <u><u>3,934</u></u> |
| INCOME OVER EXPENSES | <u><u>(207)</u></u> |

Covenant Village, Inc.
 Unaudited Interim Statement of Cash Flows
 Three Months Ended December 31, 2022
 (In Thousands of Dollars)

| | |
|---|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Decrease in net assets | \$ (207) |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities | |
| Depreciation | 405 |
| Decrease (increase) in operating assets | |
| Accounts receivable | 33 |
| Inventories | 2 |
| Prepaid expenses | 8 |
| Net Change in Investments | (351) |
| Increase (decrease) in operating liabilities | |
| Accounts payable | (156) |
| Accrued expenses | 170 |
| Unit deposits | (46) |
| Net change in entrance fees | 616 |
| Net cash provided by operating activities | <u>474</u> |
| NET CASH FLOWS USED IN INVESTING ACTIVITIES | |
| Purchase of property and equipment | (401) |
| Purchase of intangible asset | (105) |
| NET CASH FLOWS USED IN FINANCING ACTIVITIES | |
| Principle payments on note payable | (200) |
| Increase (decrease) in cash and cash equivalents | <u>(232)</u> |
| Cash and cash equivalents at the beginning of the period | 334 |
| Cash and cash equivalents at the end of the period | <u>\$ 102</u> |

VIII. ATTACHMENT I

Current Certified Financial Statements

COVENANT VILLAGE, INC.

FINANCIAL REPORT

September 30, 2022 and 2021

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

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:

BENJAMIN P. ALBRIGHT, III, CPA
V. LEIGH BLAIR, CPA
KAREN M. WALKER, CPA

PARTNERS:

RANDY G. BOYD, CPA
STEPHEN B. DRISCOLL, CPA

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Covenant Village, Inc. (a nonprofit organization) (Covenant), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Covenant as of September 30, 2022 and 2021, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Other Matter

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 22-28 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

Gastonia, North Carolina
January 26, 2023

COVENANT VILLAGE, INC.

STATEMENTS OF FINANCIAL POSITION

September 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|---|-----------------------------|-----------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 334,083 | \$ 745,484 |
| Accounts receivable | 83,633 | 89,596 |
| Grant receivable | 2,999,056 | - |
| Other receivables | 46,062 | 37,427 |
| Inventories | 134,893 | 143,604 |
| Prepaid expenses | 35,039 | 31,558 |
| Investments | <u>1,487,655</u> | <u>3,715,896</u> |
| Total current assets | <u>5,120,421</u> | <u>4,763,565</u> |
| Non-current assets: | | |
| Property and equipment, net | 15,513,058 | 15,032,199 |
| Investments restricted for statutory operating reserve | 3,385,375 | 3,386,251 |
| Intangibles, net | <u>796,459</u> | <u>379,323</u> |
| Total non-current assets | <u>19,694,892</u> | <u>18,797,773</u> |
| Total assets | <u><u>\$ 24,815,313</u></u> | <u><u>\$ 23,561,338</u></u> |

COVENANT VILLAGE, INC.

STATEMENTS OF FINANCIAL POSITION - CONTINUED
September 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|-------------------------------------|----------------------|----------------------|
| LIABILITIES | | |
| Current liabilities: | | |
| Note payable, current portion | \$ 200,000 | \$ 200,000 |
| Accounts payable | 326,581 | 213,294 |
| Accrued expenses | 589,031 | 514,330 |
| Residential accounts | - | 16,957 |
| Health Center room deposits | 21,131 | 40,490 |
| | <u>1,136,743</u> | <u>985,071</u> |
| Long-term liabilities: | | |
| Unit deposits | 129,075 | 129,423 |
| Deferred revenue from entrance fees | 9,225,727 | 8,248,823 |
| Refundable entrance fees | 3,017,881 | 3,053,221 |
| Note payable, noncurrent portion | 1,300,000 | 1,500,000 |
| | <u>13,672,683</u> | <u>12,931,467</u> |
| Total long-term liabilities | <u>13,672,683</u> | <u>12,931,467</u> |
| Total liabilities | <u>14,809,426</u> | <u>13,916,538</u> |
| NET ASSETS | | |
| Without donor restrictions | | |
| Undesignated | 5,198,557 | 3,077,730 |
| Board designated | | |
| Statutory operating reserve | 3,385,375 | 3,386,251 |
| Benevolent assistance funds | 1,274,710 | 1,955,992 |
| Investment funds | - | 1,054,045 |
| | <u>9,858,642</u> | <u>9,474,018</u> |
| With donor restrictions | <u>147,245</u> | <u>170,782</u> |
| Total net assets | 10,005,887 | 9,644,800 |
| Total liabilities and net assets | <u>\$ 24,815,313</u> | <u>\$ 23,561,338</u> |

See notes to financial statements

COVENANT VILLAGE, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended September 30, 2022 and 2021

| | 2022 | | | 2021 |
|---|----------------------------|-------------------------|---------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | |
| Revenues | | | | |
| Resident service revenue | \$ 7,070,846 | \$ - | \$ 7,070,846 | \$ 6,731,355 |
| Amortization of deferred entrance fees | 1,469,135 | - | 1,469,135 | 1,671,316 |
| Health care | 3,976,601 | - | 3,976,601 | 3,923,069 |
| Contributions | 39,435 | 125 | 39,560 | 56,693 |
| Grant income | 2,999,056 | - | 2,999,056 | 1,944,692 |
| Other revenues | 208,606 | - | 208,606 | 164,740 |
| Net investment income (loss) | (1,043,856) | (23,662) | (1,067,518) | 1,080,780 |
| Loss on disposition of property and equipment | (31,607) | - | (31,607) | (29,306) |
| Net assets released from restrictions | - | - | - | - |
| Total revenues | 14,688,216 | (23,537) | 14,664,679 | 15,543,339 |
| Expenses | | | | |
| Nursing services | 3,569,400 | - | 3,569,400 | 4,048,981 |
| Housekeeping | 1,065,813 | - | 1,065,813 | 1,081,433 |
| Food and nutrition | 2,383,477 | - | 2,383,477 | 2,362,062 |
| Operating and maintenance | 4,323,625 | - | 4,323,625 | 4,156,865 |
| Security | 362,443 | - | 362,443 | 304,551 |
| Resident care and services | 725,470 | - | 725,470 | 477,561 |
| Management and general | 1,530,296 | - | 1,530,296 | 1,323,765 |
| Human resources | 296,618 | - | 296,618 | 214,600 |
| Interest and fees | 46,450 | - | 46,450 | 59,541 |
| | <u>14,303,592</u> | <u>-</u> | <u>14,303,592</u> | <u>14,029,359</u> |
| Change in net assets | 384,624 | (23,537) | 361,087 | 1,513,980 |
| Net assets at beginning of year | 9,474,018 | 170,782 | 9,644,800 | 8,130,820 |
| Net assets at end of year | \$ 9,858,642 | \$ 147,245 | \$10,005,887 | \$ 9,644,800 |

See notes to financial statements.

COVENANT VILLAGE, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended September 30, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|----------------------------------|----------------------------|-------------------------|
| Revenues | | | |
| Resident service revenue | \$ 6,731,355 | \$ - | \$ 6,731,355 |
| Amortization of deferred entrance fees | 1,671,316 | - | 1,671,316 |
| Health care | 3,923,069 | - | 3,923,069 |
| Contributions | 56,693 | - | 56,693 |
| Grant income | - | 1,944,692 | 1,944,692 |
| Other revenues | 164,740 | - | 164,740 |
| Net investment income (loss) | 1,062,716 | 18,064 | 1,080,780 |
| Loss on disposition of property and equipment | (29,306) | - | (29,306) |
| Net assets released from restrictions | <u>1,955,802</u> | <u>(1,955,802)</u> | <u>-</u> |
| Total revenues | 15,536,385 | 6,954 | 15,543,339 |
| Expenses | | | |
| Nursing services | 4,048,981 | - | 4,048,981 |
| Housekeeping | 1,081,433 | - | 1,081,433 |
| Food and nutrition | 2,362,062 | - | 2,362,062 |
| Operating and maintenance | 4,156,865 | - | 4,156,865 |
| Security | 304,551 | - | 304,551 |
| Activities and wellness | 477,561 | - | 477,561 |
| Management and general | 1,323,765 | - | 1,323,765 |
| Human resources | 214,600 | - | 214,600 |
| Interest and fees | 59,541 | - | 59,541 |
| | <u>14,029,359</u> | <u>-</u> | <u>14,029,359</u> |
| Change in net assets | 1,507,026 | 6,954 | 1,513,980 |
| Net assets at beginning of year | <u>7,966,992</u> | <u>163,828</u> | <u>8,130,820</u> |
| Net assets at end of year | <u>\$ 9,474,018</u> | <u>\$ 170,782</u> | <u>\$ 9,644,800</u> |

See notes to financial statements.

COVENANT VILLAGE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2022

| | Resident Services | | | | | | Support Services | | Totals | |
|---|---------------------|---------------------|---------------------|---------------------------|-------------------|----------------------------|-------------------------|------------------------|-------------------|----------------------|
| | Nursing Services | Housekeeping | Food and Nutrition | Operating and Maintenance | Security | Resident Care and Services | Total Resident Services | Management and General | | Human Resources |
| Salaries and wages | \$ 2,662,634 | \$ 681,218 | \$ 1,161,159 | \$ 859,855 | \$ 291,394 | \$ 506,149 | \$ 6,162,409 | \$ 659,701 | \$ 168,791 | \$ 6,990,901 |
| Payroll taxes | 208,256 | 52,867 | 93,718 | 67,429 | 23,162 | 38,458 | 483,890 | 47,511 | 13,071 | 544,472 |
| Employee benefits | 366,897 | 225,141 | 221,313 | 156,477 | 39,780 | 113,120 | 1,122,728 | 94,795 | 25,391 | 1,242,914 |
| Automation and technology | - | - | - | 154,821 | - | - | 154,821 | - | - | 154,821 |
| Cleaning supplies | - | 53,682 | 27,184 | - | - | - | 80,866 | - | - | 80,866 |
| Consultants' fees | 60,000 | - | - | - | - | - | 60,000 | - | - | 60,000 |
| Food | - | - | 786,587 | - | - | - | 786,587 | - | - | 786,587 |
| Insurance | - | - | - | - | - | - | - | 235,797 | - | 235,797 |
| Legal and accounting | - | - | - | - | - | - | - | 246,756 | - | 246,756 |
| Medical supplies | 230,036 | - | - | - | - | - | 230,036 | - | - | 230,036 |
| Nourishments | 9,602 | - | - | - | - | - | 9,602 | - | - | 9,602 |
| Office expense | 5,760 | - | 1,947 | - | - | - | 7,707 | 17,864 | - | 25,571 |
| Other | 2,956 | 8,618 | 17,731 | 7,027 | 4,775 | 10,355 | 51,462 | 76,063 | 66,216 | 193,741 |
| Outside services | - | 44,287 | - | 289,393 | - | 23,895 | 357,575 | 132,325 | 12,071 | 501,971 |
| Paper supplies | - | - | 59,727 | - | - | - | 59,727 | - | - | 59,727 |
| Repairs and maintenance | - | - | 14,111 | 355,397 | - | - | 369,508 | 1,719 | - | 371,227 |
| Staff development | 5,105 | - | - | - | - | - | 5,105 | 17,765 | - | 22,870 |
| Supplies | - | - | - | 236,329 | 3,332 | 33,493 | 273,154 | - | 11,078 | 284,232 |
| Software maintenance | 18,154 | - | - | - | - | - | 18,154 | - | - | 18,154 |
| Utilities | - | - | - | 657,367 | - | - | 657,367 | - | - | 657,367 |
| Total expenses before depreciation and amortization | 3,569,400 | 1,065,813 | 2,383,477 | 2,784,095 | 362,443 | 725,470 | 10,890,698 | 1,530,296 | 296,618 | 12,717,612 |
| Depreciation | - | - | - | 1,525,134 | - | - | 1,525,134 | - | - | 1,525,134 |
| Amortization | - | - | - | 14,396 | - | - | 14,396 | - | - | 14,396 |
| Total expenses | <u>\$ 3,569,400</u> | <u>\$ 1,065,813</u> | <u>\$ 2,383,477</u> | <u>\$ 4,323,625</u> | <u>\$ 362,443</u> | <u>\$ 725,470</u> | <u>\$ 12,430,228</u> | <u>\$ 1,530,296</u> | <u>\$ 296,618</u> | <u>\$ 14,257,142</u> |

See notes to financial statements.

COVENANT VILLAGE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2021

| | Resident Services | | | | | | Support Services | | Totals | |
|------------------------------------|---------------------|---------------------|---------------------|---------------------------|-------------------|----------------------------|-------------------------|------------------------|-------------------|----------------------|
| | Nursing Services | Housekeeping | Food and Nutrition | Operating and Maintenance | Security | Resident Care and Services | Total Resident Services | Management and General | | Human Resources |
| Salaries and wages | \$ 2,829,953 | \$ 692,801 | \$ 1,190,029 | \$ 840,120 | \$ 237,211 | \$ 315,256 | \$ 6,105,370 | \$ 719,869 | \$ 141,607 | \$ 6,966,846 |
| Payroll taxes | 214,871 | 52,555 | 92,362 | 62,706 | 18,223 | 22,830 | 463,547 | 48,393 | 10,486 | 522,426 |
| Employee benefits | 364,560 | 230,686 | 233,672 | 174,945 | 44,924 | 67,246 | 1,116,033 | 94,990 | 22,183 | 1,233,206 |
| Automation and technology | - | - | - | 148,771 | - | - | 148,771 | - | - | 148,771 |
| Cleaning supplies | - | 60,952 | 21,734 | - | - | - | 82,686 | - | - | 82,686 |
| Consultants' fees | 60,000 | - | - | - | - | - | 60,000 | - | - | 60,000 |
| Food | - | - | 751,363 | - | - | - | 751,363 | - | - | 751,363 |
| Insurance | - | - | - | - | - | - | - | 218,881 | - | 218,881 |
| Legal and accounting | - | - | - | - | - | - | - | 89,323 | - | 89,323 |
| Medical supplies | 528,375 | - | - | - | - | - | 528,375 | - | - | 528,375 |
| Nourishments | 13,628 | - | - | - | - | - | 13,628 | - | - | 13,628 |
| Office expense | 7,033 | - | 3,066 | - | - | - | 10,099 | 14,637 | - | 24,736 |
| Other | 6,485 | 429 | 9,935 | 3,631 | 900 | 16,430 | 37,810 | 61,656 | 18,704 | 118,170 |
| Outside services | - | 44,010 | - | 339,235 | - | 24,460 | 407,705 | 59,002 | 5,904 | 472,611 |
| Paper supplies | - | - | 46,719 | - | - | - | 46,719 | - | - | 46,719 |
| Repairs and maintenance | - | - | 13,182 | 578,969 | - | - | 592,151 | 1,546 | - | 593,697 |
| Staff development | - | - | - | - | - | - | - | 15,468 | - | 15,468 |
| Supplies | - | - | - | 25,802 | 3,293 | 31,339 | 60,434 | - | 15,716 | 76,150 |
| Software maintenance | 24,076 | - | - | - | - | - | 24,076 | - | - | 24,076 |
| Transition expenses | - | - | - | - | - | - | - | - | - | - |
| Bad debts | - | - | - | - | - | - | - | - | - | - |
| Utilities | - | - | - | 562,520 | - | - | 562,520 | - | - | 562,520 |
| Total expenses before depreciation | 4,048,981 | 1,081,433 | 2,362,062 | 2,736,699 | 304,551 | 477,561 | 11,011,287 | 1,323,765 | 214,600 | 12,549,652 |
| Depreciation | - | - | - | 1,420,166 | - | - | 1,420,166 | - | - | 1,420,166 |
| Total expenses | <u>\$ 4,048,981</u> | <u>\$ 1,081,433</u> | <u>\$ 2,362,062</u> | <u>\$ 4,156,865</u> | <u>\$ 304,551</u> | <u>\$ 477,561</u> | <u>\$ 12,431,453</u> | <u>\$ 1,323,765</u> | <u>\$ 214,600</u> | <u>\$ 13,969,818</u> |

See notes to financial statements.

COVENANT VILLAGE, INC.

STATEMENTS OF CASH FLOWS
Years Ended September 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|--|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 361,087 | \$ 1,513,980 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 1,525,134 | 1,420,166 |
| Amortization of intangible assets | 14,396 | - |
| Amortization of deferred entrance fees | (1,469,135) | (1,671,316) |
| Proceeds from entrance fees | 2,410,700 | 1,842,961 |
| Decrease (increase) in fair value of investments | 1,063,535 | (932,124) |
| Loss on disposition of property and equipment | 31,607 | 29,306 |
| Forgiveness of small business administration loan | - | (1,428,700) |
| Net change in assets and liabilities: | | |
| Decrease in accounts receivable | 5,963 | 9,249 |
| (Increase) decrease in inventories | 8,711 | (5,405) |
| Increase in grant and other receivables | (3,007,691) | (12,950) |
| (Increase) decrease in prepaid expenses | (3,481) | 10,511 |
| Increase (decrease) in accounts payable | 113,287 | (81,452) |
| Increase (decrease) in accrued expenses | 74,701 | (269,061) |
| Decrease in resident accounts | (16,957) | (55,516) |
| Decrease in room deposits | (19,359) | (20,118) |
| Increase (decrease) in unit deposits | (348) | 19,423 |
| Net cash provided by operating activities | <u>1,092,150</u> | <u>368,954</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Net purchases of investments | (5,179,595) | (88,899) |
| Proceeds from sale of investments | 6,345,177 | - |
| Purchases of property and equipment | (2,037,601) | (2,058,478) |
| Purchases of intangible assets | (431,532) | (379,323) |
| Net cash used in investing activities | <u>(1,303,551)</u> | <u>(2,526,700)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Principal payments on long-term borrowings | (200,000) | (200,000) |
| Proceeds from refundable entrance fees | - | 375,190 |
| Entrance fees refunded | - | (43,200) |
| Net cash provided by financing activities | <u>(200,000)</u> | <u>131,990</u> |
| Net decrease in cash and cash equivalents | (411,401) | (2,025,756) |
| Cash and cash equivalents at beginning of year | <u>745,484</u> | <u>2,771,240</u> |
| Cash and cash equivalents at end of year | <u>\$ 334,083</u> | <u>\$ 745,484</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash payments for interest | <u>\$ 50,433</u> | <u>\$ 59,541</u> |

See notes to financial statements.

COVENANT VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022 and 2021

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

Nature of Activities

Covenant Village, Inc. (Covenant) is a continuing life-care facility located in Gastonia, North Carolina and was organized as a not-for-profit corporation in 1977. Covenant is a nonstock, nonprofit corporation organized under the laws of the state of North Carolina. As a nonstock corporation, Covenant 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 Covenant's significant accounting policies follows:

Basis of Presentation

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

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

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

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

Use of Estimates

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

Cash and Cash Equivalents

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

COVENANT VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

Note A - Nature of Activities and 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 and no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when the determination is made.

Grant Receivable

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) signed into law on March 27, 2020 and the subsequent extension of the CARES Act, Covenant was eligible for a refundable employee retention credit subject to certain criteria. Covenant filed for the employee retention credit prior to September 30, 2022 but has not received the credit as of the date of this report. Covenant recognized \$2,999,056 as grant income during the year ended September 30, 2022 due to the expectation of receipt of the amounts which applied to this period. The receivable is reported in grant receivable on the statement of financial position at September 30, 2022.

Inventories

Inventories consist primarily of food, medical, and maintenance supplies and are stated at the lower of cost or market or net realizable value.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at their fair values in accordance with accounting requirements for certain investments held by nonprofit organizations in the statements of financial position. Beneficial interests in assets held by others are valued at fair value as reported by the holder of the assets. Unrealized gains and losses are included as a component of net investment income (loss) in the statements of activities and changes in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met in the reporting period in which the income and gains (losses) are recognized.

Assets Limited as to Use

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

Property and Equipment

Covenant 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.

COVENANT VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022 and 2021

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

Property and Equipment

Depreciation is provided on a straight-line method over the following estimated useful lives:

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

Intangible Assets

Long-lived intangible assets include costs associated with a strategic master plan project as well as rebranding costs incurred by Covenant. The assets are considered to have finite lives and will be amortized to expense over the respective lives (See Note D).

Unit Deposits

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

Deferred Entrance Fees

Fees paid by a resident upon entering into a continuing care contract are recorded as deferred revenue and amortized into revenue using the straight-line method over the estimated remaining life expectancy of the resident, adjusted on an annual basis. When a resident terminates occupancy, any unamortized entrance fees, net of refundable amounts, are recognized as revenue.

Refundable Entrance Fees

Fees from residents whose residency may cease, whether voluntarily or involuntarily, within the first twenty-five months of residency for apartments or fifty months for cottages.

Revenue Recognition

Covenant follows the guidance provided by Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* and uses a five-step model to apply to revenue recognition, consisting of: 1) determination of whether a contract, an agreement between two or more parties that creates legally enforceable rights and obligations, exists; 2) identification of the performance obligations in the contract; 3) determination of the transaction price; 4) allocation of the transaction price to the performance obligations in the contract; and 5) recognition of revenue when (or as) the performance obligation is satisfied.

COVENANT VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022 and 2021

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

Resident service fees - The contracts that residents select require an entrance fee and monthly fees based upon the type of accommodation. Resident fee revenue for recurring and routine monthly services is generally billed monthly in advance. Payment terms are usually due within 10 days. The services provided include social, dining, utilities, and wellness along with other services and these performance obligations are earned each month. Resident fee revenue for non-routine or additional services are billed monthly in arrears and recognized when the service is provided.

Entrance fees - The nonrefundable entrance fees are recognized as deferred revenue upon receipt of the payment and are included in liabilities in the statements of financial position until the performance obligations are satisfied. The refundable portion of the entrance fee is recorded as a liability in the statements of financial position. Additionally, management has determined the contracts do not contain a significant financing component as the advanced payment assures residents access to services in the future. These deferred amounts are then amortized on a straight-line basis into revenue annually over the life of the resident(s) as the performance obligation is the material right associated with access to future services as described in ASC 606-10-55.

Health care service fees - Covenant provides assisted and nursing care to residents under life-care agreements or direct admit agreements which are billed as incurred.

Contributions

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

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

Unconditional promises to give are recognized at the net present value, net of an allowance for uncollectible amounts, and are classified as with or without donor restrictions based on the donors' intentions, as applicable. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or right of release, are not recognized until the conditions on which they depend have been substantially met. Covenant has no unconditional promises to give at September 30, 2022 or 2021.

COVENANT VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022 and 2021

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

Continuing-care contracts

Covenant enters into fee-for-service continuing-care contracts with various residents. A fee-for-service continuing-care contract is an agreement between a resident and Covenant specifying the services and facilities to be provided to a resident over his or her remaining life. Under the fee-for-service contracts, Covenant has the ability to increase fees as deemed necessary. For the years ended September 30, 2022 and 2021, Covenant calculated the present value of estimated net costs of future services and the use of facilities to be provided to current residents and compared that amount with the balance of deferred revenue from entrance fees. If the present value of net costs of future services and the use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services) with a corresponding charge to income. No liability was recorded at September 30, 2022 and 2021, because the present value of the estimated net costs of future services and use of facilities was less than deferred revenue from entrance fees. The obligation was discounted at 5.0% at September 30, 2022 and 2021.

Functional Allocation of Expenses

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

Income Taxes

Covenant 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 Covenant tax-exempt status.

GAAP requires Covenant's management to evaluate tax positions taken by Covenant and recognize a tax liability (or asset) if Covenant 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 Covenant, and has concluded that as, 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. Covenant 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 September 30, 2019.

Benevolent Assistance

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

COVENANT VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022 and 2021

Note B - Fair Value Measurements

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** Quoted market prices in active markets for identical assets or liabilities.
- Level 2** Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- 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, 2022 from September 30, 2021.

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

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

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

| | Assets at Fair Value as of September 30, 2022 | | | |
|--|---|---------|--------------|--------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Beneficial interest in assets held by others | \$ - | \$ - | \$ 4,873,030 | \$ 4,873,030 |

COVENANT VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022 and 2021

Note B - Fair Value Measurements – Continued

The following table sets forth by level, within the fair value hierarchy, Covenant’s fair value measurements at September 30, 2021.

| | Assets at Fair Value as of September 30, 2021 | | | |
|--|---|-------------|-------------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Mutual funds | \$ 6,345,587 | \$ - | \$ - | \$ 6,345,587 |
| Money market funds | 58,257 | - | - | 58,257 |
| Preferred rate securities | 594,042 | - | - | 594,042 |
| Beneficial interest in assets held by others | - | - | 104,261 | 104,261 |
| | <u>\$ 6,997,886</u> | <u>\$ -</u> | <u>\$ 104,261</u> | <u>\$ 7,102,147</u> |

The following table sets forth a summary of changes in the fair value of Covenant’s level 3 assets for the year ended September 30, 2022.

| | Fair Value Measurement Using Significant Unobservable Inputs (Level 3) |
|--|--|
| Opening balance | \$ 104,261 |
| Transfers | 5,185,978 |
| Investment income/decrease in market value | (414,442) |
| Less investment fees paid | <u>(2,767)</u> |
| Ending balance | <u>\$ 4,873,030</u> |

Note C - Property and Equipment

Property and equipment consist of:

| | 2022 | 2021 |
|-------------------------------------|----------------------|----------------------|
| Land and land improvements | \$ 2,584,482 | \$ 2,479,132 |
| Buildings and building improvements | 31,489,852 | 30,593,604 |
| Cottages | 5,530,342 | 5,342,920 |
| Furniture and fixtures | 1,723,750 | 1,525,395 |
| Equipment | 3,295,997 | 3,282,402 |
| Vehicles | 365,602 | 365,602 |
| Collectibles | 25,300 | 25,300 |
| Construction in progress | <u>452,843</u> | <u>44,544</u> |
| | 45,468,168 | 43,658,899 |
| Less accumulated depreciation | <u>29,955,110</u> | <u>28,626,700</u> |
| | <u>\$ 15,513,058</u> | <u>\$ 15,032,199</u> |

COVENANT VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022 and 2021

Note C - Property and Equipment (Continued)

Expenses of the operating fund include depreciation of \$1,525,134 and \$1,420,166 for the years ended September 30, 2022 and 2021, respectively.

Note D - Intangibles, Net

Covenant's intangible assets are as follows:

| | <u>2022</u> | <u>2021</u> |
|--------------------------------|-------------------|-------------------|
| Gross carrying amount: | | |
| Rebranding | \$ 143,962 | \$ 62,753 |
| Strategic master plan | <u>666,893</u> | <u>316,570</u> |
| | 810,855 | 379,323 |
| Less accumulated amortization: | | |
| Rebranding | 14,396 | - |
| Strategic Master Plan | <u>-</u> | <u>-</u> |
| | - | - |
| Intangibles, net | <u>\$ 796,459</u> | <u>\$ 379,323</u> |

Covenant is in the process of a strategic plan for expansion and has incurred costs for intangible assets such as rebranding and a strategic master plan. Rebranding was introduced to the community during the year ended September 30, 2022 and have begun amortizing the costs over the useful life of 10 years. The strategic master plan is anticipated to be completed during the year ended September 30, 2023 and at that time will begin amortizing the asset over the useful life of 5 years.

Note E - Unit Deposits

Unit deposits of \$129,075 and \$129,423 at September 30, 2022 and 2021, respectively, are reported on the statements of financial position and represent monies received as advanced entrance fees from individuals who wish to occupy facilities of Covenant Village, Inc. in the future. Covenant is no longer paying interest on the unit deposits to the individuals.

Note F - 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, 2022 and 2021, Covenant recognized \$1,469,135 and \$1,671,316 amortization of the deferred revenue of entrance fees from the sale of units, respectively.

COVENANT VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

Note G - Note Payable

Note payable at September 30, 2022 and 2021 consists of the following:

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Unsecured note payable to a bank with interest payable monthly at 2.89% and annual principal payments of \$200,000. The note matures August 20, 2025. | <u>\$ 1,500,000</u> | <u>\$ 1,700,000</u> |

Future annual maturities of the note payable at September 30, 2022 are as follows:

| | | |
|--------------------|---------------------|--|
| September 30, 2023 | \$ 200,000 | |
| September 30, 2024 | 200,000 | |
| September 30, 2025 | 1,100,000 | |
| | <u>\$ 1,500,000</u> | |

Interest expense related to the note payable charged to operations for the years ended September 30, 2022 and 2021 was \$44,771 and \$55,271, respectively.

Note H - Small Business Administration Loan and Forgiveness

Due to the Covid-19 pandemic, Congress authorized the Small Business Administration to make loans to small businesses and non-profit organizations with the intent of keeping employees on the payroll during the crisis. Covenant applied for the Paycheck Protection Program and received \$1,578,700 during the year ended September 30, 2020. As of that year end, Covenant had satisfied \$150,000 of amounts required for forgiveness of the loan which was recorded as grant income in the statement of activities and changes in net assets for the year ended September 30, 2020. During the year ended September 30, 2021, Covenant was granted forgiveness for the full amount of the loan and the remainder of \$1,428,700 has been recorded as grant income in the statement of activities for the year ended September 30, 2021.

Note I - Retirement Plan

Covenant maintains a defined-contribution plan which provides retirement benefits based on the actual value of contributions at the time of retirement. The plan is available to significantly all employees and Covenant matches 50% of the contributions made by eligible employees, up to 3% of the employees' annual salary. Contributions to the plan by Covenant were \$102,553 and \$99,716 for the years ended September 30, 2022 and 2021, respectively.

COVENANT VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022 and 2021

Note J - 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 \$3,017,881 and \$3,053,221 at September 30, 2022 and 2021, respectively.

Additionally, GAAP requires 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 \$9,225,727 and \$8,248,823 at September 30, 2022 and 2021, respectively.

Note K - Concentration of Credit Risk

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

Note L - Statutory Operating Reserve

Under Section 58-64-33 of the North Carolina General Statutes, which is administered by the North Carolina Department of Insurance, continuing care retirement communities are required to maintain an operating reserve equal to 25% of the total operating costs, as defined, projected for the 12-month period following the period covered by the most recent annual statement filed with the North Carolina Department of Insurance, if occupancy levels are in excess of 90%. If occupancy levels are less than 90%, the operating reserve requirement is 50% of total operating costs, as defined. Covenant has historically maintained an occupancy level in excess of 90%. The statutory operating reserve for September 30, 2022 and 2021 was \$3,385,375 and \$3,386,251, respectively. Use of the operating reserve by Covenant is restricted under Section 58-64-33 of the North Carolina General Statutes. The North Carolina General Statutes do not require Covenant to maintain such operating reserve in a separate escrow account.

Note M - Operating Lease

Covenant leases 3 copiers and 29 printers, for a 63-month period ending November 2025, with monthly payments of \$2,849.

Covenant also leases 3 copiers for a 60-month period ending April 2024. The payment required by this lease is \$776 per month.

COVENANT VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

Note M - Operating Lease (Continued)

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

Total lease expense for the year ending September 30, 2022 and 2021 was approximately \$63,000 and \$50,000, respectively.

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

| | | |
|----------------|----|----------------|
| September 2023 | \$ | 63,129 |
| September 2024 | | 38,844 |
| September 2025 | | 34,188 |
| September 2026 | | <u>2,849</u> |
| | \$ | <u>139,010</u> |

Note N - Related Party Transactions

Covenant has an employee loan program. Certain requirements must be met before an employee is granted a loan. Principal payments are made through payroll deduction. As of September 30, 2022 and 2021, there was an outstanding balance on these loans of \$12,706 and \$11,311, respectively. This amount has been included in other receivables in the statements of financial position.

Note O - Net Assets with Donor Restrictions

Net assets with donor restrictions at September 30, 2022 and 2021 are as follows:

| | <u>2022</u> | <u>2021</u> |
|---|-------------------|-------------------|
| Gifts restricted by donor for employee loans | \$ 27,000 | \$ 27,000 |
| Gifts restricted by donor for employee professional development | <u>120,245</u> | <u>143,782</u> |
| Total net assets with donor restrictions | <u>\$ 147,245</u> | <u>\$ 170,782</u> |

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

| | <u>2022</u> | <u>2021</u> |
|---|-------------|---------------------|
| Small business administration loan | \$ - | \$ 1,428,700 |
| Provider relief funding and CARES Act funding | - | 515,992 |
| Scholarships issued | - | <u>11,110</u> |
| Total net assets released from restrictions | <u>\$ -</u> | <u>\$ 1,955,802</u> |

COVENANT VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022 and 2021

Note P - Liquidity and Availability

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

| | <u>2022</u> | <u>2021</u> |
|---------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 307,083 | \$ 728,527 |
| Other receivables | 3,124,067 | 127,023 |
| Investments | <u>4,752,785</u> | <u>7,102,147</u> |
| | <u>\$ 8,183,935</u> | <u>\$ 7,957,697</u> |

Covenant has certain board designated assets limited to use which are available within one year in the normal course of operations. Accordingly, these assets have been included in the information above for general expenditures within one year. In addition, investments include the statutory operating reserve which is discussed in Note L.

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

Note Q - Benevolent Funds Assistance

For the year ending September 30, 2022 and 2021, approximately \$215,000 and \$247,000, respectively, was transferred to the operating income from the benevolent fund to support residents in financial need.

Note R - Reclassifications

Certain items in the financial statements for the year ended September 30, 2021 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, 2022.

Note S - Subsequent Events

Covenant has evaluated subsequent events through January 26, 2023, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

COVENANT VILLAGE, INC.

SCHEDULES OF NURSING SERVICES
 Years Ended September 30, 2022 and 2021

| | 2022 | | 2021 | |
|----------------------|---------------------|----------------|---------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Salaries and wages | \$ 2,662,634 | 74.60% | \$ 2,829,953 | 69.89% |
| Payroll taxes | 208,256 | 5.83% | 214,871 | 5.31% |
| Employee benefits | 366,897 | 10.28% | 364,560 | 9.00% |
| Consultants' fees | 60,000 | 1.68% | 60,000 | 1.48% |
| Medical supplies | 230,036 | 6.44% | 528,375 | 13.05% |
| Nourishments | 9,602 | 0.27% | 13,628 | 0.34% |
| Office expense | 5,760 | 0.16% | 7,033 | 0.17% |
| Other | 2,956 | 0.08% | 6,485 | 0.16% |
| Software maintenance | 18,154 | 0.51% | 24,076 | 0.59% |
| Staff development | 5,105 | 0.14% | - | 0.01% |
| | <u>\$ 3,569,400</u> | <u>100.00%</u> | <u>\$ 4,048,981</u> | <u>100.00%</u> |

COVENANT VILLAGE, INC.

SCHEDULES OF HOUSEKEEPING
 Years Ended September 30, 2022 and 2021

| | 2022 | | 2021 | |
|--------------------|---------------------|----------------|---------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Salaries and wages | \$ 681,218 | 63.92% | \$ 692,801 | 64.06% |
| Payroll taxes | 52,867 | 4.96% | 52,555 | 4.86% |
| Employee benefits | 225,141 | 21.12% | 230,686 | 21.33% |
| Cleaning supplies | 53,682 | 5.04% | 60,952 | 5.64% |
| Other | 8,618 | 0.81% | 429 | 0.04% |
| Outside services | 44,287 | 4.16% | 44,010 | 4.07% |
| | <u>\$ 1,065,813</u> | <u>100.00%</u> | <u>\$ 1,081,433</u> | <u>100.00%</u> |

COVENANT VILLAGE, INC.

SCHEDULES OF FOOD AND NUTRITION
 Years Ended September 30, 2022 and 2021

| | 2022 | | 2021 | |
|--------------------|---------------------|----------------|---------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Salaries and wages | \$ 1,161,159 | 48.72% | \$ 1,190,029 | 50.38% |
| Payroll taxes | 93,718 | 3.93% | 92,362 | 3.91% |
| Employee benefits | 221,313 | 9.29% | 233,672 | 9.89% |
| Cleaning supplies | 27,184 | 1.14% | 21,734 | 0.92% |
| Food | 786,587 | 33.00% | 751,363 | 31.81% |
| Office expense | 1,947 | 0.08% | 3,066 | 0.13% |
| Other | 17,731 | 0.75% | 9,935 | 0.42% |
| Repairs | 14,111 | 0.59% | 13,182 | 0.56% |
| Paper supplies | 59,727 | 2.51% | 46,719 | 1.98% |
| | <u>\$ 2,383,477</u> | <u>100.00%</u> | <u>\$ 2,362,062</u> | <u>100.00%</u> |

COVENANT VILLAGE, INC.

SCHEDULES OF OPERATING AND MAINTENANCE
 Years Ended September 30, 2022 and 2021

| | 2022 | | 2021 | |
|---------------------------|---------------------|----------------|---------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Salaries and wages | \$ 859,855 | 19.89% | \$ 840,120 | 20.21% |
| Payroll taxes | 67,429 | 1.56% | 62,706 | 1.51% |
| Employee benefits | 156,477 | 3.62% | 174,945 | 4.21% |
| Automation and technology | 154,821 | 3.58% | 148,771 | 3.58% |
| Other | 7,027 | 0.17% | 3,631 | 0.09% |
| Outside services | 289,393 | 6.69% | 339,235 | 8.16% |
| Repairs and maintenance | 355,397 | 8.22% | 578,969 | 13.93% |
| Supplies | 236,329 | 5.47% | 25,802 | 0.62% |
| Utilities | 657,367 | 15.20% | 562,520 | 13.53% |
| Depreciation | 1,525,134 | 35.27% | 1,420,166 | 34.16% |
| Amortization | 14,396 | 0.33% | - | 0.00% |
| | <u>\$ 4,323,625</u> | <u>100.00%</u> | <u>\$ 4,156,865</u> | <u>100.00%</u> |

COVENANT VILLAGE, INC.

SCHEDULES OF SECURITY
 Years Ended September 30, 2022 and 2021

| | 2022 | | 2021 | |
|--------------------|-------------------|----------------|-------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Salaries and wages | \$ 291,394 | 80.40% | \$ 237,211 | 77.89% |
| Payroll taxes | 23,162 | 6.39% | 18,223 | 5.98% |
| Employee benefits | 39,780 | 10.98% | 44,924 | 14.75% |
| Other | 4,775 | 1.32% | 900 | 0.30% |
| Supplies | 3,332 | 0.92% | 3,293 | 1.08% |
| | <u>\$ 362,443</u> | <u>100.00%</u> | <u>\$ 304,551</u> | <u>100.00%</u> |

COVENANT VILLAGE, INC.

SCHEDULES OF RESIDENT CARE AND SERVICES
 Years Ended September 30, 2022 and 2021

| | 2022 | | 2021 | |
|--------------------|-------------------|----------------|-------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Salaries and wages | \$ 506,149 | 69.77% | \$ 315,256 | 66.01% |
| Payroll taxes | 38,458 | 5.30% | 22,830 | 4.78% |
| Employee benefits | 113,120 | 15.59% | 67,246 | 14.08% |
| Other | 10,355 | 1.43% | 16,430 | 3.44% |
| Outside services | 23,895 | 3.29% | 24,460 | 5.12% |
| Supplies | 33,493 | 4.62% | 31,339 | 6.56% |
| | <u>\$ 725,470</u> | <u>100.00%</u> | <u>\$ 477,561</u> | <u>100.00%</u> |

COVENANT VILLAGE, INC.

SCHEDULES OF MANAGEMENT AND GENERAL
Years Ended September 30, 2022 and 2021

| | 2022 | | 2021 | |
|-------------------------|---------------------|----------------|---------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Salaries and wages | \$ 659,701 | 43.11% | \$ 719,869 | 54.38% |
| Payroll taxes | 47,511 | 3.10% | 48,393 | 3.66% |
| Employee benefits | 94,795 | 6.19% | 94,990 | 7.18% |
| Insurance | 235,797 | 15.41% | 218,881 | 16.53% |
| Legal and accounting | 246,756 | 16.12% | 89,323 | 6.75% |
| Office expense | 17,864 | 1.17% | 14,637 | 1.11% |
| Other | 76,063 | 4.98% | 61,656 | 4.66% |
| Outside services | 132,325 | 8.65% | 59,002 | 4.46% |
| Repairs and maintenance | 1,719 | 0.11% | 1,546 | 0.12% |
| Staff development | 17,765 | 1.16% | 15,468 | 1.17% |
| | <u>\$ 1,530,296</u> | <u>100.00%</u> | <u>\$ 1,323,765</u> | <u>100.00%</u> |

COVENANT VILLAGE, INC.

SCHEDULES OF HUMAN RESOURCES
 Years Ended September 30, 2022 and 2021

| | 2022 | | 2021 | |
|--------------------|-------------------|----------------|-------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Salaries and wages | \$ 168,791 | 56.91% | \$ 141,607 | 65.99% |
| Payroll taxes | 13,071 | 4.41% | 10,486 | 4.89% |
| Employee benefits | 25,391 | 8.56% | 22,183 | 10.34% |
| Other | 66,216 | 22.32% | 18,704 | 8.72% |
| Outside services | 12,071 | 4.07% | 5,904 | 2.75% |
| Supplies | 11,078 | 3.73% | 15,716 | 7.32% |
| | <u>\$ 296,618</u> | <u>100.00%</u> | <u>\$ 214,600</u> | <u>100.00%</u> |

IX. ATTACHMENT 2

Five Year Forecasted Financial Statements and Assumptions

COVENANT VILLAGE, INC.
COMPILATION OF FINANCIAL FORECAST
FOR THE YEARS ENDING
SEPTEMBER 30, 2023 THROUGH SEPTEMBER 30, 2027

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| Summary of significant forecast assumptions and accounting policies | 5-12 |

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

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:

BENJAMIN P. ALBRIGHT, III, CPA
V. LEIGH BLAIR, CPA
KAREN M. WALKER, CPA

PARTNERS:

RANDY G. BOYD, CPA
STEPHEN B. DRISCOLL, CPA

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

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

Management of Covenant Village, Inc. (Covenant) is responsible for the accompanying financial forecast of Covenant, which comprises the statements of forecasted financial position as of September 30, 2023, 2024, 2025, 2026 and 2027, and the related statements of forecasted activities and cash flows for each of 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 this forecast.

The forecasted results may not be achieved, as 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 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 Covenant'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
February 17, 2023

Covenant Village, Inc

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

| | September 30, | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2023 | 2024 | 2025 | 2026 | 2027 |
| Assets | | | | | |
| Cash and cash equivalents | \$ 2,876,829 | \$ 2,612,578 | \$ 2,803,059 | \$ 3,478,333 | \$ 4,670,135 |
| Accounts receivable | 85,000 | 85,000 | 85,000 | 85,000 | 85,000 |
| 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 | 1,754,073 | 2,036,157 | 2,334,912 | 2,651,405 | 2,967,972 |
| Total current assets | <u>4,917,902</u> | <u>4,935,735</u> | <u>5,424,971</u> | <u>6,416,738</u> | <u>7,925,107</u> |
| Property and equipment, net | 15,917,058 | 16,276,058 | 16,625,058 | 16,959,058 | 17,336,058 |
| Operating reserves as required by North Carolina | | | | | |
| General Statues | 3,461,157 | 3,538,805 | 3,618,366 | 3,699,888 | 3,802,217 |
| Intangible assets | 646,459 | 496,459 | 346,459 | 196,459 | 46,459 |
| | <u>20,024,674</u> | <u>20,311,322</u> | <u>20,589,883</u> | <u>20,855,405</u> | <u>21,184,734</u> |
| Total assets | <u>\$ 24,942,576</u> | <u>\$ 25,247,057</u> | <u>\$ 26,014,854</u> | <u>\$ 27,272,143</u> | <u>\$ 29,109,840</u> |
| 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 | 21,131 | 21,131 | 21,131 | 21,131 | 21,131 |
| Residents accounts | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Total current liabilities | <u>1,055,131</u> | <u>1,055,131</u> | <u>1,055,131</u> | <u>1,055,131</u> | <u>1,055,131</u> |
| Escrows and deposits | 28,000 | 28,000 | 28,000 | 28,000 | 28,000 |
| Deferred credits long-term | 12,739,558 | 13,270,417 | 13,838,032 | 14,444,340 | 15,091,369 |
| Note payable, less current portion | 1,100,000 | 900,000 | 700,000 | 500,000 | 300,000 |
| | <u>13,867,558</u> | <u>14,198,417</u> | <u>14,566,032</u> | <u>14,972,340</u> | <u>15,419,369</u> |
| Total liabilities | 14,922,689 | 15,253,548 | 15,621,163 | 16,027,471 | 16,474,500 |
| Net assets | | | | | |
| Without donor restrictions | 9,866,630 | 9,833,939 | 10,227,493 | 11,071,513 | 12,454,874 |
| With donor restrictions | 153,257 | 159,570 | 166,199 | 173,159 | 180,466 |
| | <u>10,019,887</u> | <u>9,993,509</u> | <u>10,393,691</u> | <u>11,244,672</u> | <u>12,635,340</u> |
| | <u>\$ 24,942,576</u> | <u>\$ 25,247,057</u> | <u>\$ 26,014,854</u> | <u>\$ 27,272,143</u> | <u>\$ 29,109,840</u> |

See summary of significant forecast assumptions and accounting policies.

Covenant Village, Inc

Statements of Forecasted Activities
See Independent Accountant's Compilation Report

| | Years Ending September 30, | | | | |
|--|----------------------------|--------------|--------------|--------------|--------------|
| | 2023 | 2024 | 2025 | 2026 | 2027 |
| Revenue | | | | | |
| Amortization of deferred entrance fees | \$ 1,507,050 | \$ 1,552,262 | \$ 1,598,829 | \$ 1,646,794 | \$ 1,696,198 |
| Interest and investment income | 292,200 | 309,732 | 328,316 | 348,015 | 368,896 |
| Resident service revenue | 7,920,483 | 8,316,507 | 8,732,333 | 9,168,949 | 9,627,397 |
| Health care | 4,540,009 | 4,767,009 | 5,005,360 | 5,255,628 | 5,518,409 |
| Contributions | 176,000 | 301,560 | 319,654 | 338,833 | 359,163 |
| Other revenues | 153,000 | 162,180 | 171,911 | 182,225 | 193,159 |
| Total revenue | 14,588,742 | 15,409,250 | 16,156,402 | 16,940,444 | 17,763,221 |
| Expenses | | | | | |
| Nursing service | 4,286,300 | 4,414,889 | 4,547,336 | 4,683,756 | 4,824,268 |
| Housekeeping | 1,258,600 | 1,283,772 | 1,309,447 | 1,335,636 | 1,362,349 |
| Food and nutrition | 2,546,050 | 2,596,971 | 2,648,910 | 2,701,889 | 2,755,926 |
| Operating and maintenance | 1,560,700 | 1,591,914 | 1,623,752 | 1,656,227 | 1,689,352 |
| Technology | 787,400 | 803,148 | 819,211 | 835,595 | 852,307 |
| Resident care and services | 882,200 | 899,844 | 917,841 | 936,198 | 954,922 |
| Security | 433,100 | 441,762 | 450,597 | 459,609 | 468,801 |
| Human resources | 309,200 | 315,384 | 321,692 | 328,126 | 334,688 |
| Management and general | 1,238,700 | 1,263,474 | 1,288,743 | 1,314,518 | 1,340,809 |
| Depreciation & amortization | 1,746,000 | 1,791,000 | 1,801,000 | 1,816,000 | 1,773,000 |
| Interest, unit deposits | 1,680 | 1,680 | 1,680 | 1,680 | 1,680 |
| Interest, long-term debt | 37,570 | 31,790 | 26,010 | 20,230 | 14,450 |
| Total expenses | 15,087,500 | 15,435,628 | 15,756,220 | 16,089,464 | 16,372,553 |
| Change in net assets from operations | (498,758) | (26,378) | 400,182 | 850,980 | 1,390,669 |
| Other revenues - employee retention credit | 512,758 | - | - | - | - |
| Change in net assets | \$ 14,000 | \$ (26,378) | \$ 400,182 | \$ 850,980 | \$ 1,390,669 |

See summary of significant forecast assumptions and accounting policies.

Covenant Village, Inc.

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

| | Years Ending September 30, | | | | |
|--|----------------------------|--------------|--------------|--------------|--------------|
| | 2023 | 2024 | 2025 | 2026 | 2027 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Increase in net assets | \$ 14,000 | \$ (26,378) | \$ 400,182 | \$ 850,980 | \$ 1,390,669 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities | | | | | |
| Depreciation | 1,596,000 | 1,641,000 | 1,651,000 | 1,666,000 | 1,623,000 |
| Amortization | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 |
| Amortization of deferred entrance fees | (1,507,050) | (1,552,262) | (1,598,829) | (1,646,794) | (1,696,198) |
| Proceeds from entrance fees | 2,003,000 | 2,083,120 | 2,166,445 | 2,253,103 | 2,343,227 |
| Increase in fair value of investments | (292,200) | (309,732) | (328,316) | (348,015) | (368,896) |
| Decrease (increase) in operating assets | | | | | |
| Accounts receivable | 44,695 | - | - | - | - |
| Grant receivable | 2,999,056 | - | - | - | - |
| Inventories | (37,107) | - | - | - | - |
| Prepaid expenses | 5,039 | - | - | - | - |
| Increase (decrease) in operating liabilities | | | | | |
| Accounts payable | (112,581) | - | - | - | - |
| Accrued expenses | 10,969 | - | - | - | - |
| Unit deposits | (101,075) | - | - | - | - |
| Resident accounts | 20,000 | - | - | - | - |
| Net cash provided by operating activities | 4,792,746 | 1,985,749 | 2,440,482 | 2,925,274 | 3,441,802 |
| NET CASH FLOWS USED IN INVESTING ACTIVITIES | | | | | |
| Purchase of property and equipment | (2,000,000) | (2,000,000) | (2,000,000) | (2,000,000) | (2,000,000) |
| Purchase of investments | (50,000) | (50,000) | (50,000) | (50,000) | (50,000) |
| NET CASH FLOWS USED IN FINANCING ACTIVITIES | | | | | |
| Principle payments on note payable | (200,000) | (200,000) | (200,000) | (200,000) | (200,000) |
| Increase in cash and cash equivalents | 2,542,746 | (264,251) | 190,482 | 675,274 | 1,191,802 |
| Cash and cash equivalents at the beginning of the year | 334,083 | 2,876,829 | 2,612,578 | 2,803,059 | 3,478,333 |
| Cash and cash equivalents at the end of the year | \$ 2,876,829 | \$ 2,612,578 | \$ 2,803,059 | \$ 3,478,333 | \$ 4,670,135 |

See summary of significant forecast assumptions and accounting policies.

COVENANT VILLAGE, INC.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

September 30, 2023, 2024, 2025, 2026 and 2027

See Independent Accountant's Compilation Report

Note A - Summary of Significant Forecast Assumptions

Basis of Presentation

The accompanying financial forecast, presents to the best of the knowledge and belief of management (Management) of Covenant Village, Inc. (Covenant) the expected financial position, results of operations and changes in net assets, and cash flows (the forecasted financial statements) of Covenant as of and for each of the five years ending September 30, 2023 through September 30, 2027 (the Forecast or the Forecast period). Accordingly, the accompanying forecast reflect Management's judgment as of February 17, 2023, the date of this forecast, of the expected conditions and its expected course of action during the forecast period. 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.

Management's purpose in releasing this financial forecast is for inclusion in Covenant's annual Disclosure Statement in accordance with the North Carolina General Statutes, Chapter 58 article 64. Accordingly, this report should not be used for any other purpose. The assumptions disclosed herein are those that Management believes are significant to the forecasted financial statements. Covenant recognizes that there will usually be differences between prospective and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The financial statements included in the forecast have been prepared in accordance with the accounting principles generally accepted in the United States of America (GAAP). Significant accounting policies are described in the appropriate assumptions and notes to the forecasted financial statements. The assumptions described are not all-inclusive.

Background of Covenant

Covenant is a continuing life-care facility located in Gastonia, North Carolina and was organized as a not-for-profit corporation in 1977. Covenant is a nonstock, nonprofit corporation organized under the laws of the state of North Carolina. As a nonstock corporation, Covenant 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 is currently operating 129 apartments, 42 cottages and a 72-bed health center. In addition, during the year ended September 30, 2022, 8 units were re-opened for independent living with enhanced services. These units were originally 12 units and were taken offline during the year ended September 30, 2020.

Strategic Visioning

In the first quarter of the year ending September 30, 2021 Covenant started a Master Planning process that will deliver a campus master plan for the next 3-5 years, 5-10 years, and 10+ years. The Master Planning will be a comprehensive process that will include both renovation and expansion projects, as well as capital improvements, new Resident-centered programs and service line products. The major initiatives will provide benefits and an expansion of services to both current and future Residents.

COVENANT VILLAGE, INC.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

September 30, 2023, 2024, 2025, 2026 and 2027

See Independent Accountant’s Compilation Report

Note A - Summary of Significant Forecast Assumptions – Continued

Strategic Visioning – Continued

Some of the key strategic initiatives to be considered include multiple dining venues, on-site concierge gerontologist clinic, increased and enhanced common areas, an at home program, cottage renovations, branded wellness programs and new villa expansion.

The Master Plan will be reviewed by current and future residents, management, and the Board of Directors. The Board of Directors will decide which strategic initiatives to begin considering the benefits to current and future residents.

Deferred Entrance Fees

Fees paid by a resident upon entering into a continuing care contract are recorded as deferred revenue and 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.

Resident Service Revenue

Resident service revenue includes monthly fee payments made by residents in apartments and cottages. A 5% increase in monthly fees is projected for each year. The census assumptions are as follows:

| Type of Unit | Actual Number of Units | Budget Number of Units | Percent of Occupancy |
|-------------------------------|------------------------|------------------------|----------------------|
| Cottages | 42 | 41.50 | 98.8% |
| 2 nd person | | 23.50 | |
| Two-bedroom | 11 | 10.00 | 95.5% |
| 2 nd person | | 4.00 | |
| Two-bedroom incentive | 3 | 3.00 | 100.0% |
| 2 nd person | | 2.00 | |
| One-bedroom | 55 | 51.50 | 97.3% |
| 2 nd person | | 6.00 | |
| Single room | 59 | 55.00 | 94.9% |
| 2 nd person | | 3.50 | |
| Single room – Enhanced living | 4 | 3.50 | 87.5% |
| One-bedroom – Enhanced living | 4 | 3.50 | 87.5% |
| 2 nd person | | 1.00 | |

Health care

Health Care income assumes 89% occupancy of the 72 bed Health Center. Income is calculated at \$149.00 per day for 46 residents with life care contracts and \$313.00 per day for 18 full pay residents in nursing care. A full pay resident is also required to make a \$25,000 non-refundable entrance fee upon entering the health care division of Covenant. An annual fee increase of 5% is projected.

COVENANT VILLAGE, INC.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

September 30, 2023, 2024, 2025, 2026 and 2027

See Independent Accountant's Compilation Report

Note A - Summary of Significant Forecast Assumptions – Continued

Contributions

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

Employee Retention Credit

In March 2020, the CARES Act enacted the Employee Retention Credit (ERC) which is an incentive to employers to keep employees and their labor force intact during the COVID-19 pandemic. The Employee Retention Credit is a refundable tax credit against certain employment taxes. Covenant qualifies for the tax credit and reported a receivable of \$2,999,056 at September 30, 2022. Covenant expects to receive these funds during the year ended September 30, 2023.

Other revenues

Other revenues include barber and beauty shop earnings, employee meals, guest meals and lodging, medical supplies charged to residents, laundry fees and wellness center dues and training.

Interest and investment income

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at their fair values in accordance with accounting requirements for certain investments held by nonprofit organizations in the statements of financial position. Beneficial interests in assets held by others are valued at fair value as reported by the holder of the assets. Unrealized gains and losses are included as a component of net investment income (loss) in the statements of activities and changes in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met in the reporting period in which the income and gains (losses) are recognized.

Investment income is forecasted based on investments with an average balance of \$4,870,000. It is assumed that approximately \$50,000 will be added to these funds each year. The investment rate was calculated at 6%.

Departmental expenses

Operating expenses including the nursing, housekeeping, food and nutrition, maintenance, activities and wellness, security, human resources, technology and management and general were calculated based on budgeted amounts for the year ended September 30, 2023. All future years are based on a 2.0% annual increase, except for nursing services which are based on a 3.0% increase each year.

COVENANT VILLAGE, INC.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

September 30, 2023, 2024, 2025, 2026 and 2027

See Independent Accountant's Compilation Report

Note A - Summary of Significant Forecast Assumptions – Continued

Renovation expenses and equipment replacement

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 \$835,000 in 2022 and \$1,000,000 was used for the forecast annually. In addition to these renovations, it is assumed Covenant will expend approximately \$1,000,000 in other additions of equipment and furnishings annually for a total of \$2,000,000 in additions.

Marketing expenses

Covenant Village, Inc. primarily relies on word-of-mouth to maintain occupancies. However, in 2021, Covenant began tracking marketing as a separate department and has allocated salary and expenses to it based on time and effort.

Depreciation

This non-cash expense represents the allocation of costs associated with expenditures for property and equipment which are capitalized at cost; the fair 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%.

Interest on long-term debt

Interest on long term debt is the interest that will be paid on \$1,900,000 borrowed to finance the Health Center addition and renovations and the purchase of 12.9 acres known as the Smyre property. The debt matures in August 2025. An interest rate of 2.89% and a \$200,000 per year principal reduction is assumed for these projections. It is also assumed the debt will be refinanced in August 2025 for the same terms currently in effect.

Note B - Summary of Significant Accounting Policies

Basis of Accounting

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

COVENANT VILLAGE, INC.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

September 30, 2023, 2024, 2025, 2026 and 2027

See Independent Accountant's Compilation Report

Note B - Summary of Significant Accounting Policies - Continued

Basis of Accounting - continued

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

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

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Covenant or by the passage of time.

Use of Estimates

The preparation of forecasted financial statements in conformity with GAAP 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

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

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.

Inventories

Inventories consist primarily of food, medical, and maintenance supplies and are stated at the lower of cost or market or net realizable value.

COVENANT VILLAGE, INC.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

September 30, 2023, 2024, 2025, 2026 and 2027

See Independent Accountant's Compilation Report

Note B - Summary of Significant Accounting Policies – Continued

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at their fair values in accordance with accounting requirements for certain investments held by nonprofit organizations in the statements of financial position. Beneficial interests in assets held by others are valued at fair value as reported by the holder of the assets. Unrealized gains and losses are included as a component of net investment income (loss) in the statements of activities and changes in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met in the reporting period in which the income and gains (losses) are recognized.

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. Covenant has historically maintained an occupancy level in excess of 90%. Use of the operating reserve by Covenant is restricted under Section 58-64-33 of the North Carolina General Statutes. The North Carolina General Statutes do not require Covenant to maintain such operating reserve in a separate escrow account.

Property and Equipment

Covenant 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.

Depreciation is provided on a straight-line method over the following estimated useful lives:

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

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

COVENANT VILLAGE, INC.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

September 30, 2023, 2024, 2025, 2026 and 2027

See Independent Accountant's Compilation Report

Note B - Summary of Significant Accounting Policies – Continued

Intangible Assets

Covenant is completing a Master Planning process that will deliver a comprehensive campus master plan for the next 3-5 years, 5-10 years, and 10+ years. Intangible assets include costs of this master plan as well as rebranding costs incurred by Covenant and will be amortized to expense over their respective lives. Intangible assets will be amortized on a straight-line basis over a 5 and 10 year periods.

Unit Deposits

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

Deferred Entrance Fees

Fees paid by a resident upon entering into a continuing care contract are recorded as deferred revenue and amortized into revenue using the straight-line method over the estimated remaining life expectancy of the resident, adjusted on an annual basis. When a resident terminates occupancy, any unamortized entrance fees, net of refundable amounts, are recognized as revenue.

Refundable Entrance Fees

Fees from residents whose residency may cease, whether voluntarily or involuntarily, within the first twenty-five months of residency for apartments or fifty months for cottages.

Continuing-care contracts

Covenant enters into fee-for-service continuing-care contracts with various residents. A fee-for-service continuing-care contract is an agreement between a resident and Covenant specifying the services and facilities to be provided to a resident over his or her remaining life. Under the fee-for-service contracts, Covenant has the ability to increase fees as deemed necessary. As of the end of each year, Covenant calculates the present value of estimated net costs of future services and the use of facilities to be provided to current residents and compared that amount with the balance of deferred revenue from entrance fees. If the present value of net costs of future services and the use of facilities exceeds deferred entrance fees, a liability is recorded (obligation to provide future services) with a corresponding charge to income. Management has calculated that the value will not exceed the balance of deferred revenue from entrance fees. No liability for the obligation to provide services is required to be reported for the projection period.

Revenue Recognition

Covenant follows the guidance provided by Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* and uses a five-step model to apply to revenue recognition, to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which Covenant expects to be entitled in exchange for those goods or services.

COVENANT VILLAGE, INC.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

September 30, 2023, 2024, 2025, 2026 and 2027

See Independent Accountant's Compilation Report

Note B - Summary of Significant Accounting Policies – Continued

Income taxes

Covenant 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 Covenant tax-exempt status.

GAAP requires Covenant's management to evaluate tax positions taken by Covenant and recognize a tax liability (or asset) if Covenant 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 Covenant, and has concluded that as of September 30, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the forecasted financial statements. Covenant 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 2019.

X. ATTACHMENT 3

Resident's Agreements/Contacts

Apartment Agreement

Cottage Agreement

Founder's Hall Agreement

Direct Admit Agreement

Short-Term Stay Rehabilitation Agreement



COVENANT VILLAGE

LIFE CARE AGREEMENT

COVENANT VILLAGE, INC.

MAIN BUILDING APARTMENTS

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

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

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

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

I. ACCOMMODATIONS AND SERVICES

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

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

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

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

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

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

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

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

or change will become property of Covenant Village upon termination of this Agreement.

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

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

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

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

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

II. FINANCIAL ARRANGEMENTS

A. **Entrance Fee.** In consideration for the living accommodations, services, and programs offered hereunder, Resident agrees to pay an Entrance Fee of \$_____ less **\$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. For permanent residence in a private room in the Health Center, Resident agrees to pay a daily rate equal to 50% of direct admission daily rate at that time. The charges are also subject to change during the term of this Agreement as described in Paragraph C. below.

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

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

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

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

III. ADMISSION

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

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

B. Resident shall submit for review by the Covenant Village 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 Health Services Administrator of Covenant Village and shall be made only after consultation to the extent practical with Resident, a representative of Resident's family or the sponsor of Resident and Resident's attending physician.

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

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

VI. TERMINATION AND REFUND PROVISIONS

A. Resident may rescind this agreement within thirty days of the latter of the execution date of this contract or the receipt of the disclosure statement, with no penalty. Resident is not required to move into the unit before the expiration of the 30-day period. If Resident dies before occupying the apartment, or if, on account of illness, injury, or incapacity, a resident is precluded from occupying the apartment and such condition is certified in writing by a physician, then in either

event the contract shall be deemed immediately cancelled. Any refund under this paragraph will be paid within sixty (60) days after written notice has been received by Covenant Village. Resident or Resident's legal representative shall receive a refund of all money or property transferred to Covenant Village, less monthly fees specified in the Contract for the period of time unit was actually occupied by Resident, less non-standard costs specifically incurred by Covenant Village at the request of the Resident and described in the Contract or any Contract amendment signed by Resident, and less a \$1,000 administrative fee. The entrance fee will be refunded without amortization reductions as specified herein below during the 30-day rescission period.

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

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

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

E. At the effective date of termination of this Agreement, Resident shall vacate the Apartment and shall leave it in good condition except for normal wear and tear. Resident shall be liable to Covenant Village for any cost incurred in restoring the Apartment to good condition except for normal wear and tear. Monthly Fees

will be continued until all personal effects have been removed from Covenant Village.

VII. GENERAL

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

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

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

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

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

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

G. **Will.** Resident is strongly encouraged to have a will providing for the disposition of his or her real personal property and provision for proper burial at his or her own expense. Resident agrees to notify the Senior Director of Marketing and Admissions as to the location of this will and the Executor.

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

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

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

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

ATTEST:

COVENANT VILLAGE, INC.

Witness:

Chief Executive Officer

Witness:

Resident

Witness:

Resident



COVENANT VILLAGE

Where Life Is Filled With Promise

LIFE CARE AGREEMENT

COVENANT VILLAGE, INC.

COTTAGE

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

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

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

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

II. FINANCIAL AGREEMENTS

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

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

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

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

- E. **Charges in the Covenant Village Health Center.** Should Resident qualify for nursing services in the Covenant Village Health Center, it is understood that Resident will be charged the published rate for a private room and will be charged an amount equal to the single person Monthly Charge in the accommodation occupied by Resident at the time of the transfer for temporary stays in semi-private rooms. In addition, charges may be made at the sole discretion of Covenant Village for extraordinary care, drugs, and

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

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

III. ADMISSION

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

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

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

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

IV. TERMS OF RESIDENCY

- A. **Rights of Resident.** Resident has the right to occupy and enjoy the Cottage described in Paragraph I. A. of this Agreement during Resident's lifetime unless this Agreement is terminated as provided herein. It is understood that this Agreement does not transfer or grant any interest in the real or personal property owned by Covenant Village other than the right to use and occupy the

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

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

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

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

V. TRANSFERS OR CHANGES IN LEVELS OF CARE

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

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

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

VI. TERMINATION AND REFUND PROVISIONS

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

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

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

VII. GENERAL

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

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

- H. **Transfer of Property.** Resident agrees not to make any gift or other transfer for less than adequate consideration for the purpose of evading Resident's obligations under this Agreement or if such gift or transfer would render such Resident unable to meet such obligations.
- I. **Inability to Pay.** The Board of Directors is committed to fulfilling the policy that no resident will be discharged by reason of inability to pay monthly fees provided the resident has not impaired his or her ability to meet obligations by transfer of assets below market value or sale of assets and the organization has the capability of meeting needs of the resident.
- J. **Governing Law.** This Agreement shall be governed by the laws of the State of North Carolina.

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

ATTEST:

COVENANT VILLAGE, INC.

Witness:

Chief Executive Officer

Witness:

Resident

Witness:

Resident

Exhibit I
Entrance Fee

Cottage Address: 1340 Covenant Drive
Approximate Square Footage 1560
Including Carport

The Entrance Fee is Payable as Follows:

| | |
|----------------------------|---------------------|
| Entrance Fee Cottage | \$ _____ |
| Second Person Entrance Fee | \$ _____ |
| Total Entrance Fee | \$ _____ |
| Less Waiting List Fee | \$ _____ |
| Less 10% Deposit | \$ _____ |
| Balance Due | \$ _____ |
| Monthly fee | \$ _____ |
| Second person fee | \$ _____ |
| Total | \$ _____ |



COVENANT VILLAGE

Where Life Is Filled With Promise

FOUNDERS HALL AGREEMENT

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

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

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

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

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

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

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

ATTEST:

COVENANT VILLAGE, INC.

Witness:

Chief Executive Officer

Witness:

Resident

Witness:

Resident



AGREEMENT

COVENANT VILLAGE, INC.

DIRECT ADMISSION TO THE HEALTH CENTER

THIS AGREEMENT is made this _____ by and between Covenant Village, Inc., a North Carolina non-profit corporation, hereinafter called the "Covenant Village" and _____ after called "Resident".

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

WHEREAS, Resident is desirous of becoming a Resident of Covenant Village and of living in the Health Center 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 **private room** located in the Health Center of Covenant Village (hereinafter referred to as the "Room"). Resident has the right to occupy and use the Room 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 and cable television services.
- C. **Furnishings.** Covenant Village will provide: bed and bath linens, window curtains, a hospital type bed, and a bedside table. All other furniture, decorations and accessories are provided by the Resident.

- D. **Meals.** Three nutritionally well-balanced meals will be available to Residents each day which will be served in the central Dining Room. Tray service is provided for those unable to eat in the 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 will provide housekeeping services as needed including vacuum cleaning, dusting, cleaning of bathrooms and trash removal.
- F. **Laundry.** Covenant Village will change and launder bed and bath linens as needed. Laundry services for personal clothing is available.
- 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 Room will require the approval of Covenant Village. The cost of any change or cost of redecoration will be paid by Resident. Any such improvement or change will become property of Covenant Village upon termination of this Agreement.
- H. **Groundskeeping.** Covenant Village will furnish basic groundskeeping service for all the grounds of Covenant Village, including lawn, tree and shrubbery care. Subject to approval by Covenant Village, Resident may plant certain areas designated for such purpose by Covenant Village. Resident is responsible for maintenance of such plantings.
- I. **Parking.** Covenant Village will provide parking areas for Resident's personal vehicles.
- J. **Common Facilities.** Common facilities provided by Covenant Village for the use and benefit of Resident are: a central Dining Room, Living Room, lounges, sitting areas, Library, arts and crafts room, lobbies, beauty parlor, Chapel, laundry rooms and outdoor walkways and gardening areas.
- K. **Activities.** Social, spiritual, educational, cultural activities, arts and crafts, exercise and health programs will be available to Residents.
- L. **Usual Health 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 ARRANGEMENTS

- A. **Deposit.** In consideration for the living accommodations, services and programs offered hereunder, Resident agrees to pay a one time non-refundable Entrance Fee of \$_____
- B. **Daily Charge.** In addition to the non-refundable Entrance Fee, Resident agrees to pay a Daily Charge during the term of this Agreement which shall be payable in advance by the 10th day of each month. As of the date of this Agreement, Covenant Village's Daily Charge will be \$_____ per day for a private room. The Daily Charge is also subject to change during the term of this Agreement as described in Paragraph C below.
- C. **Adjustments in the Daily Charge.** The Daily Charge is assessed to provide the facilities, programs and services described in this Agreement and is intended to meet the cost associated with the establishment, operation and management of Covenant Village. Covenant Village shall have the authority to adjust the Daily 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 Daily 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.
- 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 10th 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.** In addition to the Daily Charge, charges may be made by 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 Covenant Village Health Center; dry-cleaning service and personal laundry service except in the H.A. licensed area; 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 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 of the level of care required by the Resident, orders for ongoing care, current medical findings, diagnosis, rehabilitation potential and summary of hospital stay if Resident is being transferred from a hospital. 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. It is understood that Covenant Village through its Admissions Committee has the right to reject any application for admission to Covenant Village.
- F. 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 Room 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 Room or other 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. Resident also agrees that the rights of Resident under this Agreement are subject to and subordinate to the rights of Residents of Covenant Village with life care agreements.
- 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, including the prohibition of private duty nurses and sitters. 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 Room.** Covenant Village has the right to change the Room to meet requirements of any applicable statute, law or regulation. The Room 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 Room 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. **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.
- G. **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.

- H. **Right of Entry.** Covenant Village has the right to enter the Room to deliver usual and customary care, 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 right to privacy.
- I. **Physician Services.** Resident shall arrange for services of a personal physician. Such physician must have admitting privileges at Gaston Memorial Hospital. Resident shall notify the Director of Covenant Village as to the name of the physician.

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. Every effort will be made to minimize moves and changes, but it is understood that Covenant Village may need to make changes in room assignments and to convert private rooms into semi-private rooms.
- B. Resident agrees that Covenant Village shall have authority to determine when or if Resident should be transferred 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 Executive Director 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 Executive Director 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 the 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 Room within thirty (30) days after Resident has been notified by Covenant Village. If the room is not vacated within thirty (30) days, the resident agrees to pay additional daily charges until such time as the Room is vacated.

VI. TERMINATION AND REFUND PROVISIONS

- A. Resident may rescind this Agreement for up to thirty (30) days following execution, with no penalty. Any refund due Resident under this paragraph will be paid within sixty (60) days after the written notice has been received by Covenant Village.
- 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 when cessation of residency occurs Covenant Village will refund the initial deposit less any outstanding charges. Payment of any refund due Resident under this paragraph will be made after Covenant Village is satisfied that all outstanding charges have been paid.
- C. It is understood that Covenant Village has certain contractual obligations to provide care in the Health Center to residents with life care contracts and the rights of Resident under this agreement are subject to and subordinate to the rights of life care residents. Covenant Village may terminate this agreement at any time upon thirty (30) days notice to Resident, in order to make space available for life care residents.
- 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 of the deposit 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 Room 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 Room to good condition except for normal wear and tear. Daily charges 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.

- B. **Tax Status and Ownership.** Covenant Village is a tax exempt organization under Section 503 (c) (3) of the Internal Revenue Code of 1986. 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 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 General Power of Attorney in which a third party is named attorney-in-fact. An executed copy must be given to the Director of Covenant Village, within 30 days of admission.
- F. **Guardianship.** If Resident becomes legally incompetent or is unable properly to care for himself or herself or his or her property without having designated a person or legal entity to serve as his or her guardian, then Resident agrees that Covenant Village or its designee may initiate legal proceedings relating to Resident's competence and may act as Resident's legal guardian when qualified according to law. Resident agrees to pay to Covenant Village and its designee any attorney's fees and other expenses incurred in connection with any such guardianship.
- G. **Will.** Resident is strongly encouraged to have a will providing for the disposition of his or her real and personal property and provision for proper burial at his or her own expense. Resident agrees to notify the Director 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. **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

CEO

Witness

Resident

Witness

Resident

Current Address

City, State, Zip Code

Telephone



COVENANT VILLAGE

Where Life Is Filled With Promise

AGREEMENT

COVENANT VILLAGE, INC.

SHORT-TERM REHABILITATION STAY

THIS AGREEMENT is made this _____, by and between Covenant Village, Inc., a North Carolina non-profit corporation, hereinafter called the "Covenant Village" and _____ hereinafter called "Resident".

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

WHEREAS, Resident is desirous of becoming a Resident of Covenant Village and of living in the Health Center 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 **semi-private room** located in the Health Center of Covenant Village (hereinafter referred to as the "Room"). Resident has the right to occupy and use the Room 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: bed and bath linens, window curtains, a hospital type bed, and a bedside table. All other furniture, decorations and accessories are provided by the Resident.

- D. **Meals.** Three nutritionally well-balanced meals will be available to Residents each day which will be served in the central Dining Room. Tray service is provided for those unable to eat in the 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 will provide housekeeping services as needed including vacuum cleaning, dusting, cleaning of bathrooms and trash removal.
- F. **Laundry.** Covenant Village will change, and launder, bed and bath linens as needed. Laundry services for personal clothing is available.
- 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 Room will require the approval of Covenant Village. The cost of any change or cost of redecoration will be paid by Resident. Any such improvement or change will become property of Covenant Village upon termination of this Agreement.
- H. **Groundskeeping.** Covenant Village will furnish basic groundskeeping service for all the grounds of Covenant Village, including lawn, tree, and shrubbery care. Subject to approval by Covenant Village, Resident may plant certain areas designated for such purpose by Covenant Village. Resident is responsible for maintenance of such plantings.
- I. **Parking.** Covenant Village will provide parking areas for Resident's personal vehicles.
- J. **Common Facilities.** Common facilities provided by Covenant Village for the use and benefit of Resident are: a central Dining Room, Living Room, lounges, sitting areas, Library, arts and crafts room, lobbies, beauty parlor, Chapel, laundry rooms and outdoor walkways and gardening areas.
- K. **Activities.** Social, spiritual, educational, cultural activities, arts and crafts, exercise and health programs will be available to Residents.
- L. **Usual Health 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 ARRANGEMENTS

- A. **Deposit.** In consideration for the living accommodations, services and programs offered hereunder, Resident agrees to pay a one-time, non-refundable Entrance Fee of **\$10,000.00**, for up to 90 days. There will be an additional charge of \$15,000 beyond 90 days.
- B. **Daily Charge.** In addition to the non-refundable Entrance Fee, Resident agrees to pay a Daily Charge during the term of this Agreement which shall be payable in advance by the 10th day of each month. As of the date of this Agreement, Covenant Village's Daily Charge will be **\$313.00** per day for a private room. The Daily Charge is also subject to change during the term of this Agreement as described in Paragraph C below.
- C. **Adjustments in the Daily Charge.** The Daily Charge is assessed to provide the facilities, programs and services described in this Agreement and is intended to meet the cost associated with the establishment, operation, and management of Covenant Village. Covenant Village shall have the authority to adjust the Daily 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 Daily 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.
- 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 10th 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.** In addition to the Daily Charge, charges may be made by 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 Covenant Village Health Center; dry-cleaning service and personal laundry service except in the H.A. licensed area; and, wheelchairs and other medical equipment used exclusively by Resident. Also, any professional services (medical or otherwise) contracted by Resident or, on 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 Admissions 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 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. Covenant Village requires orders for ongoing care, current medical findings, diagnosis, rehabilitation potential and summary of hospital stay if Resident is being transferred from a hospital. 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. It is understood that Covenant Village through its Admissions Committee has the right to reject any application for admission to Covenant Village.
- F. 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 Room 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 Room or other 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. Resident also agrees that the rights of Resident under this Agreement are subject to and subordinate to the rights of Residents of Covenant Village with life care agreements.
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- I. **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

CEO

Witness

_____(SEAL)
Resident

Witness

_____(SEAL)
Resident

Current Address

City, State, Zip Code

Telephone