



# COVENANT VILLAGE

*Where Life Is Filled With Promise*

## DISCLOSURE STATEMENT

February 27, 2025

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

- ◆ This Disclosure Statement may be delivered until revised, but not after February 27, 2026.
- ◆ Delivery of the Disclosure Statement to a contracting party before execution of a contract for continuing care is required.
- ◆ This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.

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Covenant Village Inc.  
1351 Robinwood Road  
Gastonia, NC 28054

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

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

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

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

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

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

### **Affiliations**

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

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

### **Accreditation**

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

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

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

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

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

### **Legal Description**

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

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

See the Description of the Facility and Its Operation.

## **Estimated Number of Residents**

As of September 30, 2024, Covenant Village is currently serving 275 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.

With the approval of the Board of Directors and bank financing in place, we have now entered Phase II of the Project.

### **Project Description**

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

Phase II includes the development of 21 independent living Villa Homes (called the Stonecrest Villa project), renovated dining amenities, constructing a new outdoor pavilion, as well as front entrance retention wall updates and new signage, new

campus parking, parking lot enhancements, and loading dock updates. The dining renovations began in August 2024 and are expected to be completed by April 2025. The Stonecrest Villa project began in September of 2024 and is expected to be completed in April of 2026.

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

A portion of the costs of Phase I were reimbursed to Covenant Village as part of the financing request. Phase II is being funded with bank loan proceeds. Funding for Phase III, Village Park Homes, will be part of a future financing request.

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

### **Executive Leadership Team**

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

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

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

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

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

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

### **Matt Gibbons, COO**

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

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

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

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

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

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



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

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

She is a 2024 Fellow of the LeadingAge National Leadership Academy.

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

### **Dale Melton, CEO**

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

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

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

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

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

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

Covenant Village Board of Directors 2025-2026

With Professional Experience

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

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

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

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

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

Julie Shovelin  
1351 Robinwood Road  
Gastonia, NC 28054  
Retired, Attorney

Dr. William A. Current, Jr., Chairman  
1351 Robinwood Road  
Gastonia, NC 28054  
Dentist, Current Dentistry

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

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

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

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

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 2025-2027

### Members by Class Year and Officers

2025	2026	2027
Christy Gliddon	Carol Carstarphen	William Current Jr.
Lauren Vanacore	Rick Craig	Tim Efird
	Julie Shovelin	Adrian Miller
	Wes Styers	Nancy Paschall (1 yr)
	Frances Crockett	

At-large Member: Gerald Deal

### OFFICERS

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

Resident's Association President (Ex-officio)

Gerald Deal  
1351 Robinwood Road  
Gastonia, NC 28054  
704-867-2319

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

#### **Admission**

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

#### **Health Criteria**

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

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

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

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

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

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

### **Financial and Insurance Criteria**

Covenant Village believes it is the responsibility of the applicant to determine whether he or she can "afford" to live at Covenant Village. A general rule of thumb suggests that continuing care retirement residents should have monthly income of at least 1.5 times monthly fees. A confidential financial statement is required from the applicant to assist Covenant Village in planning. Residents are required to maintain Medicare part A, Medicare part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to Covenant Village, as outlined in the life care agreement found in Attachment 3 of this disclosure statement.

### **Age Criteria**

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

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

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

## 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 unit, or if, on account of illness, injury, or incapacity a resident is precluded from occupying the unit 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 unit 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 continue until all personal effects have been removed from Covenant Village.

### **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 2024 were January 16, 2024, April 16, 2024, July 16, 2024, and October 24, 2024.

### **Standard Services Available**

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

- Multi-station Cable TV, Phone and Wireless Internet
- Three meals per day

- Special diets when ordered by a physician
- All utilities
- Trash removal
- Housekeeping services
- Launder and change of bed and bath linens weekly
- Maintenance and repair of property owned by Covenant Village
- Grounds-keeping
- Parking spaces
- Use of common facilities
- Scheduled shopping trips and transportation to local medical appointments
- Social activities program
- Wellness Center
- 24-hour emergency call system and security
- Emergency nursing services
- Nursing care in a semi-private room in the Health Center

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

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

- Multi-station Cable TV, Phone and Wireless Internet
- One meal per day
- Special diets when ordered by a physician
- Water, sewer, and trash removal  
(Residents pay their own electric and gas)
- Housekeeping services
- Launder and change of bed and bath linens weekly
- Maintenance and repair of property owned by Covenant Village
- Grounds keeping
- Parking spaces
- Use of common facilities

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

### **Services Available at an Extra Charge**

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

### **Health Services Available**

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

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

### **Personal Services Available**

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

## **V. FEES AND REFUNDS**

### **Application Registration Fees**

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

## **Entrance Fees**

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

The entrance fee is refundable, on a declining basis, during the first twenty-five (25) months of occupancy. 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 healthcare 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 the Life Care Agreement(s). Other services are provided on an additional fee-for-service basis.

Tiered monthly rates were established on October 1, 2022, and again on October 1, 2025. The tiered rates are distinguished by the date of contract signing. Residents signing contracts after October 1, 2022, will follow the FY 23-tiered rate which is approximately 3% higher than residents who signed contracts prior to October 1, 2022. Residents signing contract after October 1, 2024, will follow the FY 25-tiered rate which is approximately 2% higher than residents signing contract prior to October 1, 2024 and 5% higher than residents signing contract before 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.

## Entrance Fees & Monthly Fees (2025) Apartment Homes & Cottage Homes



Residence	Square Feet	Standard Entrance Fee Plan	1 <sup>st</sup> Person Monthly Fee	2 <sup>nd</sup> Person Monthly Fee
<b>Birch Studio</b>	<b>360 SF</b>	<b>\$60,000 - \$70,000</b>	<b>\$3,617</b>	<b>\$2,765</b>
<b>Cedar 1-Bedroom</b>	<b>720 SF</b>	<b>\$160,000 - \$175,000</b>	<b>\$4,158</b>	<b>\$3,099</b>
<b>Maple 2-Bedroom</b>	<b>1,200 SF</b>	<b>\$250,000 - \$275,000</b>	<b>\$4,755</b>	<b>\$3,341</b>
<b>2<sup>nd</sup> Person Entrance Fee for Apartment Homes</b>		<b>\$50,000</b>		
<b>Cottage 2 BR 2 BA, Den</b>	<b>1,560 – 1,980 SF</b>	<b>\$350,000 - \$450,000</b>	<b>\$4,390</b>	<b>\$1,584</b>
<b>2<sup>nd</sup> Person Entrance Fee for Cottage Homes</b>		<b>\$60,000</b>		

**Standard Entrance Fee.** This price list presents the **Standard Entrance Fee Plan** which amortizes at 4.0% per month over the initial 25 months of residency. No refund after 25 months.

### **Monthly Fees** include:

- **Dining** – Nutritionally, well-balanced dining program served in the dining venues. Use of a declining balance debit program for tracking costs of dining services. Debit is equivalent to three meals each day in the Apartment Homes and one main meal each day in the Cottage Homes.
- **Housekeeping & Laundry** – Weekly services of vacuum cleaning, dusting, cleaning of baths and kitchens, trash removal, changing and laundering bed and bath linens.
- **Maintenance & Repair** – Of the residence and all CV improvements, furnishings and equipment.
- **Groundskeeping** – For all grounds including plantings, lawn, tree, and shrubbery care.
- **Engagement** – Social, recreational, educational, lifelong learning, cultural activities, spiritual, arts & crafts, wellness, fitness, exercise, and health programs and activities.
- **Utilities** – In Apartments, electricity, gas, water, sewer, trash removal, municipal services, and the Spectrum bundle service with basic cable TV and Wi-Fi are included. In Cottages, electricity and gas are paid by the Resident. Residents are responsible for landline telephone services.
- **Health Care** – Provision of on-site licensed skilled nursing, assisted living, and memory care with 24-hour nursing and professional staff for consultation, assistance. Member rates discounted by 50% of published direct admit rates for non-members.

**Optional Refundable Entrance Fee Plan.** Covenant Village also offers an optional 70% Refundable Entrance Fee Plan for Cottages. This plan is actuarially based on a premium over the Standard Entrance Fee Plan and is available upon request.

**Covenant Village Enhanced Living in Founders Hall  
Entrance Fees & Monthly Fees (2025)**



Type of Residence	Square Feet	1 <sup>st</sup> Person Entrance Fee	2 <sup>nd</sup> Person Entrance Fee	1 <sup>st</sup> Person Monthly Fee	2 <sup>nd</sup> Person Monthly Fee
<b>The Lawson Studio</b>	<b>360 SF</b>	<b>\$55,125</b>	<b>NA</b>	<b>\$4,212</b>	<b>\$3,360</b>
<b>The Kimbrell One Bedroom</b>	<b>720 SF</b>	<b>\$146,475</b>	<b>\$50,000</b>	<b>\$4,753</b>	<b>\$3,694</b>

**Entrance Fee.** The Entrance Fee is a one-time upfront investment for the lifetime use of the residence, services, programs and activities offered at Covenant Village and the availability of on-site health care, if needed. The Entrance Fee amortizes (*is earned by Covenant Village*) at a rate of 4.0% per month of residency. There is no refund of the Entrance Fee after 25 months.

**Standard Services + Enhanced Living Concierge Services.** Covenant Village will provide the following services and amenities:

- Use of All Amenities - Use and enjoyment of all amenities, including the welcome center, lobbies, main dining room, grab-and-go dining, beverage bar/lounge, living room, multi-use card room, multi-purpose assembly room and chapel, library, arts & crafts room, mail & communications area, hall lounges & living areas, outdoor walkways, and gardening areas, the Wellness Center (*65' indoor pool, whirlpool, group exercise studio, strength & cardio areas, exercise equipment, locker rooms and massage therapy*), as well as the future outdoor Pavilion and recreational areas.
- Dining - Three nutritionally, well-balanced meals served daily in your choice of dining venues (Main Dining Room or Health Care Dining). Meals may be delivered, if requested.
- Housekeeping & Laundry - Weekly services of cleaning the apartment, vacuuming, dusting, trash removal, changing and laundering bed and bath linens.
- Maintenance & Repair - of the furnishings, equipment and appliances within the apartment and all common areas
- Groundskeeping - for all grounds including plantings, lawn, tree, and shrubbery care.
- Engagement - Social, recreational, educational, lifelong learning, cultural activities, spiritual, arts & crafts, wellness, fitness, exercise, and health programs and activities.
- Utilities - Electricity, water, sewer, trash removal, the Spectrum bundle (*basic cable TV, wireless internet & landline telephone*), and municipal services.
- Security - 24/7 security, emergency response call system and smoke detectors.
- Transportation - to local medical appointments (*defined perimeter*) and scheduled trips.

- Technology Support - with computers, devices and the Wellzesta engagement & communications portal.
- On-Site Health Care - availability of multiple levels of licensed health care residences and services, including Assisted Living, Skilled Nursing Care, Memory Care, a clinic, a physical therapy area, dining room and certain common areas and amenities in the Health Center. Resident rates in Health Care are discounted by 50% of published direct admit rates for non-members.

**Pius, Enhanced Living Concierge Services.** Covenant Village will deliver the following Enhanced Living Concierge Services designed to enrich the Resident's daily living and assist the Resident in maintaining independence as long as possible by providing assistance and help with:

- Social connection and engagement through planned activities and programs.
- Activities and events in Founders Hall (e.g., *parties, birthdays and special events*).
- Scheduling, planning and reminders of medical appointments and personal activities.
- Medication, bathing and self-care reminders.
- Assistance with personal laundry and arrangement of drycleaning services. Laundry services are provided by the Health Center's laundry attendant and are available for a fee.
- Local errand assistance.
- Restocking personal refreshments and snacks.
- Receiving deliveries and packages.
- Correspondence, mail, email, and WellZesta communications.
- Community library and Covenant Village Library checkout and returns.
- Additional specialized services (*based on recommendations of our Resident Nurse*):
  - Medication administration supervision by the Resident Nurse.
  - Bathing & self-care supervision provided in the Health Center.
  - Delivery of To-Go dining orders.



**Entrance Fees & Monthly Fees (2025)**  
Stonecrest Villa Homes



Type of Residence	Square Feet	Entrance Fee Plan	Monthly Fee
Laurel 1 BR 1 ½ BA, Den	1057.6 SF	\$298,000	\$3,675
Dogwood 2 BR 2 BA	1265.8 SF	\$350,000	\$4,000
Azalea 2 BR 2 BA, Den	1464.3 SF	\$395,000	\$4,380
Rhododendron 2 BR BA, Den	1650.8 SF	\$450,000	\$4,975
Trillium 2 BR BA, Den 4 <sup>th</sup> floor	1920 SF	\$520,000	\$5,450
Second Person Fees		\$50,000	\$1,500

Standard Entrance Fee This price list presents the Standard Entrance Fee Plan which amortizes at 4.0% per month over the first 25 months of residency. There is no refund after 25 months.

Monthly Fees include:

- Dining — Nutritionally, well-balanced dining program served in the dining venues. There is a declining balance debit program for tracking costs of dining services. Debit is equivalent to one main meal each day in Stonecrest Villa Homes.
- Housekeeping & Laundry— Weekly services of vacuum cleaning, dusting, cleaning of baths and kitchens, trash removal, changing and laundering bed and bath linens.
- Maintenance & Repair — Of the residence and all CV improvements, furnishings and equipment. ■ Groundskeeping — For all grounds including plantings, lawn, tree, and shrubbery care.
- Engagement & Wellness — Programs and activities for social, recreational, educational, cultural, spiritual, lifelong learning, arts & crafts, wellness, fitness, exercise, and holistic health.
- Utilities — In Stonecrest Villa Homes, electricity, gas, water, sewer, trash removal, municipal services, and the Spectrum bundle service with basic cable TV and Wi-Fi are included in the Monthly Fee.
- Health Care — Provision of on-site licensed skilled nursing, assisted living, and memory care with 24-hour nursing and professional staff for consultation and assistance. Member rates are deeply discounted by 50% of the published direct admission rates for non-members.

Optional Refundable Entrance Fee Plans. Covenant Village also offers optional 70% and 90% Refundable Entrance Fee Plans for Stonecrest Villa Homes. These plans are actuarially based on a premium over the Standard Entrance Fee Plan and are available upon request.

### Health Center Fee Schedule

Private Pay	Daily Rate
<b>Life Care Residents – Agreements Signed Prior to 10/01/2021</b>	<b>\$165</b>
<b>Life Care Residents – Agreements Signed After 10/01/2021 (50% of the Direct Admit Fee)</b>	<b>\$177</b>
<b>Life Care Residents – Temporary Use of a Semi-Private Room</b>	<b>\$158</b>
<b>Direct Admit (Non-refundable entrance fee of \$35,000)</b>	<b>\$355</b>

### 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 table shows average changes in the monthly service fees and health center per diem fees over time. Note that it is the average dollar amount of the change in fees from year to year that is shown – not the fees themselves. Covenant Village's policy has been to review resident fees and charges annually in connection with preparation of the annual budget. All changes during this period occurred once per year on October 1.

HISTORIC CHANGES IN FEES FOR THE PREVIOUS FIVE YEARS

Daily Fee (Health Center)	2020-2021 Average Dollar Increase	2021 - 2022 Average Dollar Increase	2022-2023 Average Dollar Increase	2023-2024 Average Dollar Increase	2024-2025 Average Dollar Increase
Life Care Residents	\$5	\$3	\$7	\$12	\$8
Direct Admit Residents	\$8	\$9	\$15	\$25	\$17
Temporary Care in Health Center					\$8
Monthly Fee (Residential Living)	2020-2021 Average Dollar Increase	2021 - 2022 Average Dollar Increase	2022-2023 Average Dollar Increase	2023-2024 Average Dollar Increase	2024-2025 Average Dollar Increase
Studio	\$82	\$84	\$145	\$247	\$190
Second Person	\$61	\$64	\$108	\$187	\$144
One Bedroom	\$82	\$84	\$144	\$233	\$157
Second Person	\$69	\$71	\$122	\$209	\$162
Two Bedroom	\$165	\$170	\$291	\$371	\$266
Second Person	\$19	\$19	\$33	\$153	\$132
Enhanced Living - Studio				\$297	\$220
Enhanced Living - Second Person					
Enhanced Living - One Bedroom				\$329	\$267
Enhanced Living - Second Person				\$256	\$207
Cottage	\$99	\$102	\$176	\$299	\$231
Second Person	\$36	\$37	\$64	\$108	\$83
<b>Average Percentage Rate Increase</b>	3%	3%	5%	8%	5%

## VI. FINANCIAL INFORMATION

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

Five-year forecast financial statements for the five-year period ending September 30, 2029, are provided in Attachment 2.

### Operating Reserves

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

On September 30, 2024, Covenant Village's occupancy rate was more than 90% and therefore is required to maintain an operating reserve of 25%. The amount designated to meet the operating reserve requirement at September 30, 2024 is \$4,179,000. (See Note 12 of the attached Audited Financial Statements).

In the attached "Forecasted Financial Statements" (Table 12 page 23) we have reflected this obligation for the five-year period 2025 thru 2029 based on the twenty-five percent (25%) requirement.

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

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

### **Facility Development/Expansion**

For additional information see the section titled Vision of Covenant Village and Master Planning under Facility Introduction and Information regarding current and proposed development activities. Funding of the proposed development activities is financed by conventional bank loans. Details of the bank financing can be found in Note 9 of the Audited Financial Statements in Attachment I.

### **Summary of Actuarial Report**

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

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

As required by Section 58-64-30(a) of the North Carolina General Statutes, we are required to provide a narrative explaining any material differences between the previous forecast financial statements and the actual results of operations. Covenant Village considers a material difference to be \$250,000 which is equivalent to 0.77% of our total assets or 1.6% of our total revenues.

The schedules that follow herein are a comparison of forecast and actual data. 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)

	9/30/2024	9/30/2024			
ASSETS	FORECAST	ACTUAL	Variance	% Variance	Notes
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	\$ 547	\$ 903	\$ 356	65.08%	1
Accounts Receivable	109	29	(80)	-73.39%	
Contributions Receivable, Current Portion	-	250	250	100.00%	2
Other Receivables	55	67	12	21.82%	
Inventories	110	-	(110)	-100.00%	
Prepays	45	116	71	157.78%	
<b>Total Current Assets</b>	<b>866</b>	<b>1,365</b>	<b>499</b>	<b>57.62%</b>	
<b>ASSETS LIMITED AS TO USE</b>					
Statutory Operating Reserve	4,179	4,179	-	0.00%	
Escrow Deposits	-	890	890	100.00%	3
Less: Current Portion	-	-	-	0.00%	
<b>Total Assets Limited as to Use, Less Current</b>	<b>4,179</b>	<b>5,069</b>	<b>890</b>	<b>21.30%</b>	
<b>NONCURRENT ASSETS</b>					
Property and Equipment	47,619	49,289	1,670	3.51%	4
Construction in Progress	10,519	4,352	(6,167)	-58.63%	4
Less: Accumulated Depreciation	(33,369)	(33,529)	(160)	0.48%	
Net Property and Equipment	24,769	20,112	(4,657)	-18.80%	
Investments	6,223	4,942	(1,281)	-20.58%	5
Contributions Receivable, Noncurrent Portion	-	642	642	100.00%	2
Right of Use Asset - Operating, Net	71	116	45	63.38%	
Intangibles, Net	155	170	15	9.68%	
<b>Total Noncurrent Assets</b>	<b>31,218</b>	<b>25,982</b>	<b>(5,236)</b>	<b>-16.77%</b>	
<b>Total Assets</b>	<b>\$ 36,263</b>	<b>\$ 32,416</b>	<b>\$ (3,847)</b>	<b>-10.61%</b>	
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Current Maturities of Long-Term Debt	\$ -	\$ 250	\$ 250	100.00%	6
Accounts Payable	391	1,242	851	217.65%	7
Accrued Expenses	645	629	(16)	-2.48%	
Right-of-Use Lease Liability - Operating	49	58	9	18.37%	
Accrued Interest	111	22	(89)	-80.18%	
Health Center Room Deposits	7	7	-	0.00%	
<b>Total Current Liabilities</b>	<b>1,203</b>	<b>2,208</b>	<b>1,005</b>	<b>83.54%</b>	
<b>LONG - TERM LIABILITIES</b>					
Long-Term Debt, Net of Current Maturities	12,501	3,930	(8,571)	-68.56%	6
Unamortized Bond Issuance Costs	(1,053)	(773)	280	-26.59%	8
Net Long-Term Debt	11,448	3,157	(8,291)	-72.42%	
Right-of-Use, Lease Liability - Operating, Net of Unit Deposits	22	62	40	181.82%	
Deferred Revenue from Entrance Fees	133	1,115	982	738.35%	9
Deferred Revenue from Entrance Fees	16,971	17,799	828	4.88%	10
Refundable Entrance Fees	-	-	-	0.00%	
<b>Total Long-Term Liabilities</b>	<b>28,574</b>	<b>22,133</b>	<b>(6,441)</b>	<b>-22.54%</b>	
<b>Total Liabilities</b>	<b>29,777</b>	<b>24,341</b>	<b>(5,436)</b>	<b>-18.26%</b>	
<b>NET ASSETS (DEFICIT)</b>					
Without Donor Restrictions	6,341	6,704	363	5.72%	11
With Donor Restrictions	145	1,371	1,226	845.52%	12
<b>Total Net Assets (Deficit)</b>	<b>6,486</b>	<b>8,075</b>	<b>1,589</b>	<b>24.50%</b>	
<b>Total Liabilities and Net Assets (Deficit)</b>	<b>\$ 36,263</b>	<b>\$ 32,416</b>	<b>\$ (3,847)</b>	<b>-10.61%</b>	

<b>Covenant Village, Inc.</b>					
<b>Statement of Activities and Changes in Net Assets (Deficit)</b>					
(In Thousands of Dollars)					
	<b>9/30/2024</b>	<b>9/30/2024</b>			
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>	<b>FORECAST</b>	<b>ACTUAL</b>	<b>Variance</b>	<b>% Variance</b>	<b>Notes</b>
Resident Service Fees	8,359	8,200	(159)	-1.90%	
Amortization of Deferred Entrance Fees	1,730	2,123	393	22.72%	10
Health Care Services	5,100	5,254	154	3.02%	
Contributions	121	128	7	5.79%	
Other Revenues	319	92	(227)	-71.16%	
Net Investment Income	284	213	(71)	-25.00%	
Net Assets Released from Restrictions	-	37	37	100.00%	
<b>Total Revenues, Gains, and Other Support</b>	<b>15,913</b>	<b>16,047</b>	<b>134</b>	<b>0.84%</b>	
<b>OPERATING EXPENSES</b>					
Nursing Services	5,400	5,351	(49)	-0.91%	
Housekeeping	1,068	1,056	(12)	-1.12%	
Food and Nutrition	2,504	2,612	108	4.31%	
Operating and Maintenance	3,517	3,564	47	1.34%	
Security	426	417	(9)	-2.11%	
Resident Care and Services	696	648	(48)	-6.90%	
Management and General	1,401	1,644	243	17.34%	
Human Resources	366	325	(41)	-11.20%	
Depreciation	1,600	1,888	288	18.00%	4
Interest Expense	77	45	(32)	-41.56%	
Amortization of Intangible Asset	21	77	56	266.67%	
<b>Total Operating Expenses</b>	<b>17,076</b>	<b>17,627</b>	<b>551</b>	<b>3.23%</b>	
<b>NONOPERATING INCOME (LOSS)</b>					
Loss on Disposal of Property and Equipment	-	(4)	(4)	100.00%	
Unrealized Gains on Investments	-	1,034	1,034	100.00%	13
<b>Total Nonoperating Income</b>	<b>-</b>	<b>1,030</b>	<b>1,030</b>	<b>100.00%</b>	
<b>DEFICIT OF REVENUES UNDER EXPENSES AND CHANGE IN NET ASSETS WITHOUT DONOR</b>	<b>(1,163)</b>	<b>(550)</b>	<b>613</b>	<b>-52.71%</b>	<b>11, 13</b>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>					
Contributions	250	1,237	987	394.80%	2, 12
Investment Income	-	2	2	100.00%	
Unrealized Gains (Losses) on Investments	-	24	24	100.00%	
Net Assets Released from Restrictions Used for	-	(37)	(37)	100.00%	
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>250</b>	<b>1,226</b>	<b>976</b>	<b>390.40%</b>	<b>2, 12</b>
<b>CHANGE IN NET ASSETS (DEFICIT)</b>	<b>(913)</b>	<b>676</b>	<b>1,589</b>	<b>-174.04%</b>	
<b>Net Assets (Deficit), Beginning of Year</b>	<b>7,399</b>	<b>7,399</b>	<b>-</b>	<b>0.00%</b>	
<b>NET ASSETS (DEFICIT), END OF YEAR</b>	<b>6,486</b>	<b>8,075</b>	<b>1,589</b>	<b>24.50%</b>	

**Covenant Village, Inc.**  
**Statement of Cash Flows**  
(In Thousands of Dollars)

	9/30/2024	9/30/2024			
	<b>FORECAST</b>	<b>ACTUAL</b>	<b>Variance</b>	<b>% Variance</b>	<b>Notes</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Change in Net Assets (Deficit)	\$ (913)	\$ 676	\$ 1,589	-174.04%	11,12
Adjustments to Reconcile Change in Net Assets (Deficit) to Net Cash					
Amortization of Entrance Fees	(1,730)	(2,123)	(393)	22.72%	10
Proceeds from Nonrefundable Entrance Fees	3,889	5,336	1,447	37.21%	10
Depreciation	1,600	1,888	288	18.00%	4
Amortization of Bond Issuance Costs	39	2	(37)	-94.87%	
Amortization of Intangible Asset	21	77	56	266.67%	
Unrealized Gains on Investments	-	(1,270)	(1,270)	100.00%	13
Loss on Disposal of Property and Equipment	-	4	4	100.00%	
(Increase) Decrease in Current Assets:					
Accounts Receivable	(88)	(8)	80	-90.91%	
Other Receivables	-	(903)	(903)	100.00%	2
Inventories	(110)	-	110	-100.00%	
Prepays	7	(64)	(71)	-1014.29%	
Increase (Decrease) in Current Liabilities:					
Accounts Payable	(102)	492	594	-582.35%	7
Accrued Payroll and Related Liabilities	50	34	(16)	-32.00%	
Accrued Interest	111	22	(89)	-80.18%	
Unit Deposits	-	981	981	100.00%	9
<b>Net Cash Provided by Operating Activities</b>	<b>2,774</b>	<b>5,144</b>	<b>2,370</b>	<b>85.44%</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Net change in Investments and Assets Limited as to Use	(3,277)	(726)	2,551	-77.85%	5
Net Purchases of Property and Equipment	(9,257)	(4,647)	4,610	-49.80%	4
Proceeds from Sale of Property and Equipment	-	19	19	100.00%	
Purchases of Intangible Assets	-	(15)	(15)	100.00%	
<b>Net Cash Used in Investing Activities</b>	<b>(12,534)</b>	<b>(5,369)</b>	<b>7,165</b>	<b>-57.16%</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Initial Entrance Fee Receipts	-	-	-	100.00%	
Refunds of Entrance Fees	(125)	(350)	(225)	180.00%	
Proceeds from Issuance of Long-Term Debt	12,501	4,180	(8,321)	-66.56%	6
Payment of Financing Costs	(1,092)	(775)	317	-29.03%	8
Principal Payments on Long-Term Debt	(1,300)	(1,300)	-	0.00%	
Principal Payments on ROU Leases - Financing	-	(60)	(60)	100.00%	
<b>Net Cash Provided (Used) in Financing Activities</b>	<b>9,984</b>	<b>1,695</b>	<b>(8,289)</b>	<b>-83.02%</b>	
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>224</b>	<b>1,470</b>	<b>1,246</b>	<b>556.25%</b>	
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>323</b>	<b>323</b>	<b>-</b>	<b>0.00%</b>	
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 547</b>	<b>\$ 1,793</b>	<b>\$ 1,246</b>	<b>227.79%</b>	
Supplemental Disclosure of Cash Flow Information:					
Cash Paid for Interest, Net of Capitalized	\$ 38	\$ 43	\$ 5	13.16%	



## **Material Differences Between Forecasted and Actual Data Year Ended September 30, 2024**

NOTE – Please see corresponding note numbers on the Statements.

### 1. Cash and Cash Equivalents

The favorable variance in Cash and Cash Equivalents is due primarily to higher than forecasted proceeds from non-refundable entrance fees. Village continues with Phase I of the project described under the **Strategic Vision and Master Planning at Covenant Village** section beginning on page 6. Covenant Village utilized cash and investments to pay for these completed renovations that will be included in future bank financings.

### 2. Contributions Receivable, Current Portion and Noncurrent Portion

This is a capital contribution of \$1,250,000 from a local foundation to be received over a five-year period (\$250,000 during each fiscal year). The forecast shows the receipt of the receivable on the Statement of Activities over 5 years. Actual financial statements recorded the contribution, discounted at a rate of 4.75% as a receivable in the Statement of Position.

### 3. Escrow Deposits

Escrow deposits consist of advance payments from future residents for the Stonecrest Villa project. They were not included in the forecast.

### 4. Property and Equipment, Construction in Progress and Depreciation

Property and Equipment purchases exceeded forecast purchases by \$1,670,000. The number of unit turnovers exceeded budgeted unit turnovers resulting in higher capital project renovations.

Construction in progress is due to timing differences with a delayed construction start date.

Depreciation expense exceeded the forecast due to property and equipment purchases exceeding the forecast.

#### 5. Investments

In prior fiscal years, Covenant Village utilized cash and investments to pay for Phase I initiative as described under the **Strategic Vision and Master Planning at Covenant Village** section beginning on page 6. These completed renovations were reimbursed to Covenant Village as a part of the bank financing. The forecast had expected that these funds would be deposited into our investment accounts. However, the unfavorable variance in Property and Equipment purchases required the use of the reimbursed funds to pay for the higher-than-expected unit turnover renovations.

#### 6. Current Maturities of Long-Term Debt and Long-Term Debt, Net of Current Maturities

The variance for current maturities of long-term debt is due to a financing requirement that the \$250,000 annual payment for the capital contribution referred to in Note 2 be paid as a principal payment on Loan B of the Long-Term Debt. This requirement was not included in the forecast.

Long-term debt variances are timing differences between actual draws and projected draws. Loan draws began later than forecast.

#### 7. Accounts Payable

Accounts payable was higher than forecast due two large payment applications from the contractor related to the expansion construction project that was not in the forecast.

#### 8. Unamortized Bond Issuance Costs

Deferred financing and debt issuance costs were lower than projected.

## 9. Unit Deposits

Unit deposits include the deposits referred to on Note 3 for the Stonecrest Villas expansion project. These deposits were not included in the forecast.

## 10. Deferred Revenue from Entrance Fees and Amortization of Deferred Entrance Fees

The balance of deferred revenue from entrance fees was due to a larger number of unit turnovers than was forecast resulting in higher than forecast deferred entrance fees. The higher than forecast number of turnovers also resulted in higher than forecast amortization of deferred entrance fees.

## 11. Net Assets Without Donor Restrictions and Change in Net Assets Without Donor Restrictions

Net assets without donor restrictions improved primarily due to the unrealized gain on investments which were not included in the forecast.

## 12. Net Assets With Donor Restrictions, Contributions with Donor Restrictions and Change in Net Assets with Donor Restrictions

The variance is primarily due to the contribution receivable discussed in Note 2.

## 13. Unrealized Gains (Losses) on Investment

Due to the unpredictability of the markets, we do not forecast unrealized gains (losses) on investments.

## **VII. OTHER MATERIAL INFORMATION**

### **Unaudited Interim Financial Statements**

The following financial statements are for the period ending December 31, 2024.

Covenant Village, Inc.	
Unaudited Interim Statement of Position	
Three Months Ended December 31, 2024	
(In Thousands of Dollars)	
<b>ASSETS</b>	
Cash & cash equivalents	3,280
Accounts receivable	(188)
Other receivables	1,012
Prepaid expenses	135
<b>Total Current Assets</b>	<b>4,239</b>
Right-of-Use Asset - Financing, Net	116
Property, and equipment net	24,308
Investments	4,947
Investments Restricted for Statutory Operating Reserve	4,179
Intangible Assets	170
<b>Total Noncurrent Assets</b>	<b>33,720</b>
<b>TOTAL ASSETS</b>	<b>\$ 37,959</b>
<b>LIABILITIES</b>	
Note payable, current portion	-
Accounts payable	1,591
Accrued Expenses	603
Health Center Room Deposits	6
<b>Total Current Liabilities</b>	<b>2,200</b>
Right-of-Use, Lease Liability - Financing	121
Unit Deposits	1,191
Deferred Revenue from Entrance Fees	18,033
Long Term Debt	8,421
<b>Total Noncurrent Liabilities</b>	<b>27,766</b>
<b>TOTAL LIABILITIES</b>	<b>29,966</b>
<b>NET ASSETS</b>	
Without Donor Restrictions	6,704
With Donor Restrictions	1,371
Net Income (Loss)	(82)
<b>TOTAL NET ASSETS</b>	<b>7,993</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 37,959</b>

Covenant Village, Inc.	
Unaudited Interim Statement of Activities	
Three Months Ended December 31, 2024	
(In Thousands of Dollars)	
<b>REVENUES, GAINS AND OTHER SUPPORT</b>	
Resident service revenue	2,257
Amortization of deferred entrance fees	668
Health care revenue	1,309
Contributions	120
Other revenues	110
Investment Income	81
Net Assets Released from Restrictions	-
<b>Total Revenues, Gains and Other Support</b>	<b>\$ 4,545</b>
<b>EXPENSES</b>	
Nursing Services	1,304
Housekeeping	246
Food and Nutrition	695
Operating and Maintenance	854
Security	114
Resident Care and Services	179
Management and General	436
Human Resources	102
Interest and Fees	4
Depreciation and Amortization	514
<b>Total Expenses</b>	<b>\$ 4,448</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>\$ 97</b>
Unrealized Gains (Losses) on Investments	(179)
<b>NONOPERATING INCOME/(LOSS)</b>	<b>\$ (179)</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENSES AND CHANGE IN NET ASSETS</b>	<b>\$ (82)</b>

Covenant Village, Inc.	
Unaudited Interim Statement of Cash Flows	
Three Months Ended December 31, 2024	
(In Thousands of Dollars)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ (82)
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	514
Amortization	-
Amortization of deferred entrance fees	(668)
Proceeds from entrance fees	901
Unrealized (Gains) Losses on investments	179
Net change in Assets and Liabilities:	
(Increase) Decrease Accounts receivable	218
(Increase) Decrease in Other Receivables	(53)
(Increase) Decrease in Prepaid Expenses	(19)
Increase (Decrease) in Accounts Payable	348
Increase (Decrease) in Accrued expenses	(48)
Increase (Decrease) in Unit Deposits	76
Net cash provided by operating activities	<u>1,366</u>
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	
Net (Purchases) Sales of Investments	(184)
Purchases of Property and Equipment	(4,709)
Net Cash used in investing activities	<u>(4,893)</u>
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	
Proceeds from Long Term Debt	5,014
Increase (decrease) in cash and cash equivalents	<u>1,487</u>
Cash and cash equivalents at the beginning of the year	1,793
Cash and cash equivalents at the end of the year	<u>\$ 3,280</u>

## **VIII. ATTACHMENT I**

### **Current Certified Financial Statements**



**COVENANT VILLAGE, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2024 AND 2023**



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

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

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

#### ***Opinion***

We have audited the accompanying financial statements of Covenant Village, Inc. (a nonprofit organization) (Covenant), which comprise the statements of financial position as of September 30, 2024 and 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Covenant as of September 30, 2024 and 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

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

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

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

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

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


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

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

In performing an audit in accordance with GAAS, we:

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

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



**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
February 11, 2025

**COVENANT VILLAGE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2024 AND 2023**

<b>ASSETS</b>	2024	2023
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 903,002	\$ 322,876
Accounts Receivable	29,442	21,173
Contribution Receivable, Current Portion	250,000	-
Other Receivables	66,670	54,946
Prepaid Expenses	115,712	51,289
Total Current Assets	1,364,826	450,284
 <b>NONCURRENT ASSETS</b>		
Assets Limited as to Use - Deposits	889,909	-
Contribution Receivable, Noncurrent Portion	641,660	-
Right-of-Use Asset - Financing, Net	115,905	127,093
Property and Equipment, Net	20,112,274	17,112,073
Investments	4,942,551	3,740,307
Investments Restricted for Statutory Operating Reserve	4,179,000	3,385,375
Intangible Assets	170,273	178,169
Total Noncurrent Assets	31,051,572	24,543,017
Total Assets	\$ 32,416,398	\$ 24,993,301

See accompanying Notes to Financial Statements.

**COVENANT VILLAGE, INC.**  
**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**SEPTEMBER 30, 2024 AND 2023**

	2024	2023
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Long-Term Debt, Current Portion	\$ 250,000	\$ 200,000
Accounts Payable	1,242,379	493,335
Accrued Expenses	650,773	595,084
Right-of-Use, Lease Liability - Financing	58,593	55,330
Health Center Room Deposits	6,591	6,591
Total Current Liabilities	2,208,336	1,350,340
<b>LONG-TERM LIABILITIES</b>		
Right-of-Use, Lease Liability - Financing, Net of Current	61,992	74,135
Unit Deposits	1,114,862	132,954
Deferred Revenue from Entrance Fees	17,799,273	14,936,823
Long-Term Debt, Noncurrent Portion	3,156,617	1,100,000
Total Long-Term Liabilities	22,132,744	16,243,912
Total Liabilities	24,341,080	17,594,252
<b>NET ASSETS</b>		
Without Donor Restrictions		
Undesignated	687,512	2,250,808
Board Designated		
Statutory Operating Reserve	4,179,000	3,385,375
Benevolent Assistance Funds	1,837,773	1,618,180
Total Without Donor Restrictions	6,704,285	7,254,363
With Donor Restrictions	1,371,033	144,686
Total Net Assets	8,075,318	7,399,049
Total Liabilities and Net Assets	\$ 32,416,398	\$ 24,993,301

See accompanying Notes to Financial Statements.

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

	2024	2023
<b>REVENUES, GAINS AND OTHER SUPPORT</b>		
Resident Service Revenue	\$ 8,200,079	\$ 7,718,068
Amortization of Deferred Entrance Fees	2,123,212	1,624,676
Health Care	5,253,881	4,389,455
Contributions	128,092	48,277
Other Revenues	91,577	430,406
Investment Income	212,557	151,970
Net Assets Released from Restrictions	37,192	18,000
Total Revenues, Gains, and Other Support	16,046,590	14,380,852
 <b>EXPENSES</b>		
Nursing Services	5,350,927	5,461,597
Housekeeping	1,056,088	1,003,827
Food and Nutrition	2,611,837	2,530,406
Operating and Maintenance	3,563,743	3,528,254
Security	416,949	398,808
Resident Care and Services	648,493	765,276
Management and General	1,643,581	1,309,218
Human Resources	324,739	323,887
Interest and Fees	44,985	48,273
Depreciation and Amortization	1,965,310	2,062,224
Total Expenses	17,626,652	17,431,770
 <b>OPERATING LOSS</b>	(1,580,062)	(3,050,918)
 <b>NONOPERATING INCOME (LOSS)</b>		
Loss on Disposal of Property and Equipment	(3,749)	(330)
Unrealized Gains on Investments	1,033,733	446,969
Total Nonoperating Income	1,029,984	446,639
 <b>DEFICIT OF REVENUES UNDER EXPENSES AND CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	(550,078)	(2,604,279)
 <b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions	1,237,421	50
Investment Income	2,136	3,846
Unrealized Gains on Investments	23,982	11,545
Net Assets Released from Restrictions	(37,192)	(18,000)
 <b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	1,226,347	(2,559)
 <b>CHANGE IN NET ASSETS</b>	676,269	(2,606,838)
Net Assets - Beginning of Year	7,399,049	10,005,887
 <b>NET ASSETS - END OF YEAR</b>	\$ 8,075,318	\$ 7,399,049

See accompanying Notes to Financial Statements.

**COVENANT VILLAGE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2024**

	Resident Services					Support Services				
	Nursing Services	Housekeeping	Food and Nutrition	Operating and Maintenance	Security	Resident Care and Services	Total Resident Services	Management and General	Human Resources	Total
Salaries and Wages	\$ 4,410,077	\$ 818,496	\$ 1,273,130	\$ 1,300,253	\$ 344,918	\$ 464,431	\$ 8,611,305	\$ 632,115	\$ 176,750	\$ 9,420,170
Payroll Taxes	331,130	60,622	97,044	96,166	25,968	34,562	645,492	35,844	12,668	694,004
Employee Benefits	431,865	176,970	154,075	147,129	42,833	81,662	1,034,534	139,034	23,953	1,197,521
Automation and Technology	-	-	-	247,343	-	-	247,343	-	-	247,343
Cleaning Supplies	-	-	181	-	-	-	181	-	-	181
Consultants Fees	60,000	-	-	-	-	-	60,000	-	-	60,000
Food	-	-	990,001	-	-	-	990,001	-	-	990,001
Insurance	-	-	-	-	-	-	-	321,582	-	321,582
Interest and Fees	-	-	-	52,723	-	-	52,723	-	-	52,723
Legal and Accounting	-	-	-	-	-	-	-	240,942	-	240,942
Medical Supplies	98,550	-	-	-	-	-	98,550	-	-	98,550
Office Expenses	-	-	-	33,066	-	-	33,066	-	-	33,066
Other	9,465	-	1,027	75,302	1,771	1,546	89,111	175,366	73,019	337,496
Outside Services	-	-	10,760	502,910	-	30,700	544,370	27,854	33,944	606,168
Paper Supplies	-	-	1,688	-	-	-	1,688	-	-	1,688
Repairs and Maintenance	-	-	-	181,648	-	95	181,743	-	-	181,743
Staff Development	6,130	-	2,640	4,338	1,459	7,005	21,572	45,942	960	68,474
Supplies	3,710	-	81,291	221,624	-	28,492	335,117	24,902	3,445	363,464
Utilities	-	-	-	746,226	-	-	746,226	-	-	746,226
Depreciation	-	-	-	1,888,411	-	-	1,888,411	-	-	1,888,411
Amortization	-	-	-	76,899	-	-	76,899	-	-	76,899
<b>Total Expenses</b>	<b>\$ 5,350,927</b>	<b>\$ 1,056,088</b>	<b>\$ 2,611,837</b>	<b>\$ 5,574,038</b>	<b>\$ 416,949</b>	<b>\$ 648,493</b>	<b>\$ 15,658,332</b>	<b>\$ 1,643,581</b>	<b>\$ 324,739</b>	<b>\$ 17,626,652</b>

See accompanying Notes to Financial Statements.



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

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

See accompanying Notes to Financial Statements.

**COVENANT VILLAGE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2024 AND 2023**

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 676,269	\$ (2,606,838)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	1,888,411	2,040,828
Amortization of Intangible Assets	76,899	21,396
Amortization of Deferred Entrance Fees	(2,123,212)	(1,624,676)
Amortization of Deferred Financing Costs	1,810	-
Proceeds from Entrance Fees	5,336,521	4,317,891
Unrealized Gains on Investments	(1,270,272)	(458,514)
Loss on Disposal of Property and Equipment	3,749	330
Net Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(8,269)	62,460
Decrease in Inventories	-	134,893
Decrease (Increase) in Grant and Other Receivables	(903,384)	2,990,172
Increase in Prepaid Expenses	(64,423)	(16,250)
Increase (Decrease) in Accounts Payable	491,816	(89,486)
Increase in Accrued Expenses	55,689	6,053
Decrease in Room Deposits	-	(14,540)
Increase (Decrease) in Unit Deposits	981,908	3,879
Net Cash Provided by Operating Activities	5,143,512	4,767,598
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Purchases of Investments	(725,597)	(1,794,138)
Purchases of Property and Equipment	(4,646,693)	(2,668,032)
Proceeds from Sale of Property and Equipment	19,299	-
Purchases of Intangible Assets	(15,000)	(60,000)
Net Cash Used by Investing Activities	(5,367,991)	(4,522,170)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Long-Term Debt	(1,300,000)	(200,000)
Principal Payments on ROU Leases - Financing	(59,434)	(56,635)
Entrance Fees Refunded	(350,859)	-
Payment of Deferred Financing Costs	(775,021)	-
Proceeds from Issuance of Long Term Debt	4,179,828	-
Net Cash Provided (Used) by Financing Activities	1,694,514	(256,635)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,470,035	(11,207)
Cash and Cash Equivalents - Beginning of Year	322,876	334,083
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,792,911	\$ 322,876
Cash and Cash Equivalents	\$ 903,002	\$ 322,876
Cash and Cash Equivalents in Assets Limited as to Use	889,909	-
Total Cash, Cash Equivalents, and Restricted Cash	\$ 1,792,911	\$ 322,876
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Payments for Interest, Net of Amounts Capitalized	\$ 42,807	\$ 48,273

See accompanying Notes to Financial Statements.

**COVENANT VILLAGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024 AND 2023**

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

**Organization**

Covenant Village, Inc. (Covenant) is a continuing care lifecare retirement community located in Gastonia, North Carolina. Covenant was organized as a nonprofit corporation in 1977. Covenant consists of 140 apartments, 21 duplex cottages consisting of 42 two-bedroom units, and 72-bed health center consisting of nursing care and assisted living beds. Covenant is a nonstock, nonprofit corporation organized under the laws of the state of North Carolina. Covenant is governed by a dedicated Board of Directors comprised of community leaders.

**Basis of Presentation**

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

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

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

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

**Use of Estimates**

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

**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**  
**SEPTEMBER 30, 2024 AND 2023**

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

**Assets Limited as to Use**

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

**Investments**

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

**Accounts Receivable**

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

**Property and Equipment**

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

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

**Intangible Assets**

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

**Unit Deposits**

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

**COVENANT VILLAGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024 AND 2023**

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

**Deferred Entrance Fees**

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

**Leases**

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

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

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

**Contributions Revenue and Contributions Receivable**

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

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

**COVENANT VILLAGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024 AND 2023**

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

**Contributions Revenue and Contributions Receivable (Continued)**

Unconditional promises to give are recognized at the net present value, net of an allowance for credit loss 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. At September 30, 2024, Covenant had unconditional promises to give of approximately \$892,000 designated for certain projects at Covenant. Covenant had no unconditional promises to give at September 30, 2023. Unconditional promises to give are recorded as a Contribution Receivable in the statements of financial position.

**Deficit of Revenues Under Expenses**

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

**Income Taxes**

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

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

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

**Continuing Care Contracts**

Covenant enters into lifecare continuing care contracts with various residents. A lifecare continuing care contract is an agreement between a resident and Covenant specifying the services and facilities to be provided to a resident over his or her remaining life. Under the contracts, Covenant has the ability to increase fees as deemed necessary. For the years ended September 30, 2024 and 2023, 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, 2024 and 2023, because the present value of the estimated net costs of future services and use of facilities was less than deferred revenue from entrance fees. The obligation was discounted at 5.0% at September 30, 2024 and 2023.

**COVENANT VILLAGE, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024 AND 2023**

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

**Deferred Costs**

Deferred financing costs relating to the permanent financing of the facilities have been deferred and are being amortized over the life of the notes. Amortization expense, which is included with interest expense on the statements of activities and changes in net assets, was approximately \$2,000 and \$0 for the years ended September 30, 2024 and 2023, respectively. The annual amortization for these deferred financing costs will be approximately \$145,000 for each of the next five years.

**Functional Allocation of Expenses**

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

**Benevolent Assistance**

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

**Adoption of New Accounting Standards**

As of October 1, 2023, Covenant adopted Financial Accounting Standards Board (FASB) ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. Covenant adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on Covenant’s financial statements but did change how the allowance for credit losses is determined.

**Subsequent Events**

In preparing these financial statements, Covenant has evaluated events and transactions for potential recognition or disclosure through February 11, 2025, the date the financial statements were issued.

**NOTE 2 INVESTMENTS**

Investments consist of the following at September 30:

	2024	2023
Money Market Funds	\$ 2,860,472	\$ 1,899,528
Beneficial Interest in Assets Held by Others	6,261,079	5,226,154
Total	<u>\$ 9,121,551</u>	<u>\$ 7,125,682</u>

**COVENANT VILLAGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024 AND 2023**

**NOTE 2 INVESTMENTS (CONTINUED)**

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

	2024	2023
Interest and Dividend Income	\$ 238,178	\$ 170,424
Investment Expenses	(30,858)	(20,958)
Realized Gains	7,373	6,350
Unrealized Gains	1,057,715	458,514
Total	\$ 1,272,408	\$ 614,330

**NOTE 3 FAIR VALUE MEASUREMENTS**

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. Covenant emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

*Level 1* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that Covenant has the ability to access.

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

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

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

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



**COVENANT VILLAGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024 AND 2023**

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

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, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 2,860,472	\$ -	\$ -	\$ 2,860,472
Beneficial Interest in Assets Held by Others	-	-	6,261,079	6,261,079
Total	<u>\$ 2,860,472</u>	<u>\$ -</u>	<u>\$ 6,261,079</u>	<u>\$ 9,121,551</u>

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

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

The following table sets forth a summary of changes in the fair value of Covenant's Level 3 assets for the years ended September 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Opening Balance	\$ 5,226,154	\$ 4,873,030
Transfers	(233,473)	83,506
Investment Income and Unrealized Gains	1,299,256	290,576
Less: Investment Fees Paid	(30,858)	(20,958)
Ending Balance	<u>\$ 6,261,079</u>	<u>\$ 5,226,154</u>

**NOTE 4 RESIDENT SERVICE REVENUE**

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

**COVENANT VILLAGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024 AND 2023**

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

Performance obligations are determined based on the nature of the services provided by Covenant. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Covenant believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents living at Covenant receiving independent living or healthcare services. Covenant considers daily services provided to residents of the health center, and monthly rent charged to residents living in independent living, as a separate performance obligation measured on a monthly basis or upon move-out within the month, whichever is shorter. Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement similar to the output method. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to residents and customers in a retail setting (for example, meals or guest rooms) and Covenant does not believe it is required to provide additional goods or services related to that sale.

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

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

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

**Contract Costs**

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

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

	Accounts Receivable	Deferred Revenue
Balance as of October 1, 2022	\$ 83,633	\$ 9,225,727
Balance as of September 30, 2023	21,173	14,936,823
Balance as of September 30, 2024	29,442	17,799,273

**COVENANT VILLAGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024 AND 2023**

**NOTE 5 PROPERTY AND EQUIPMENT**

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

	<u>2024</u>	<u>2023</u>
Land and Land Improvements	\$ 2,604,232	\$ 2,595,732
Buildings and Building Improvements	41,500,451	39,048,414
Furniture and Fixtures	4,697,709	4,624,882
Vehicles	368,262	368,262
Collectibles	25,300	25,300
Software	38,149	38,149
Capitalized Interest	55,295	-
Total	<u>49,289,398</u>	<u>46,700,739</u>
Less: Accumulated Depreciation	<u>(33,529,001)</u>	<u>(31,768,832)</u>
Total	15,760,397	14,931,907
Construction in Progress	4,351,877	2,180,166
Total	<u>\$ 20,112,274</u>	<u>\$ 17,112,073</u>

Depreciation expense of approximately \$1,888,000 and \$2,041,000 was recognized for the years ended September 30, 2024 and 2023, respectively.

Construction in progress at September 30, 2024 and 2023 relates primarily to costs incurred for building renovations and costs related to Covenant's independent living expansion.

**NOTE 6 INTANGIBLE ASSETS**

Covenant's intangible assets are as follows:

	<u>2024</u>	<u>2023</u>
Rebranding	\$ 228,961	\$ 213,961
Less: Accumulated Amortization	<u>(58,688)</u>	<u>(35,792)</u>
Intangibles, Net	<u>\$ 170,273</u>	<u>\$ 178,169</u>

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

**COVENANT VILLAGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024 AND 2023**

**NOTE 7 UNIT DEPOSITS**

Unit deposits of approximately \$1,115,000 and \$133,000 at September 30, 2024 and 2023, respectively, are reported on the statements of financial position and represent monies received as advanced entrance fees from individuals who wish to occupy the facilities of Covenant in the future. At September 30, 2024, the majority of the unit deposits relate to deposits on the expansion units.

**NOTE 8 ENTRANCE FEES**

Entrance fees are amortized to income based on the estimated life of each resident, using a straight-line method. During the years ended September 30, 2024 and 2023, Covenant recognized approximately \$2,123,000 and \$1,625,000 amortization of the deferred revenue of entrance fees from the sale of units, respectively.

Under the terms of the lifecare agreement with the residents, Covenant is contractually liable for refunds of entrance fees related to its nonrefundable contracts. The refund is applicable to residents whose residency ceases, whether voluntarily or involuntarily, within the first 25 months of residency for apartments or 50 months for cottages. Covenant will refund the payment made by the resident, less \$1,000 for processing and refurbishing charges and 4% and 2% for each calendar month, or portion thereof of residency, for apartment residency and cottage residency, respectively. The contractual amounts subject to refund were approximately \$6,086,000 and \$4,457,000 at September 30, 2024 and 2023, respectively.

**NOTE 9 LONG-TERM DEBT**

Covenant's long-term debt at September 30, 2024 and 2023 consists of the following:

	<u>2024</u>	<u>2023</u>
Unsecured note payable to a bank with interest payable monthly at 2.89% and annual principal payments of \$200,000. The note was paid off during 2024.	\$ -	\$ 1,300,000
Construction loan to a bank with interest payable monthly at Prime Rate minus 2.15% with a floor of 4.50% beginning September 1, 2024. Monthly principal and interest payments begin September 1, 2027. The loan matures August 1, 2029.	4,179,828	-
	<u>\$ 4,179,828</u>	<u>\$ 1,300,000</u>

**COVENANT VILLAGE, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024 AND 2023**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

On July 8, 2024, Covenant entered into a Construction Loan Agreement (Construction Loan) with a financial institution in which the proceeds are to be used to pay certain costs of construction and renovations related to the expansion project, refinance the unsecured note payable outstanding, and to pay certain closing costs and other expenses associated with closing the loan. The Construction Loan is made up of two loans, Loan A and Loan B. Loan A is a draw down loan with a principal amount of \$30,046,000. Loan B is a draw down loan with a principal amount of \$8,255,000. All draws from Loan A and Loan B shall be made within 24 months of the effective date of the Construction Loan. There was no amounts outstanding on Loan A as of September 30, 2024. The amount outstanding as of September 30, 2024 on Loan B was \$4,179,828. Interest is payable on the amounts drawn at Prime Rate minus 2.15%, with a floor of 4.50%, beginning September 1, 2024. Principal and interest payments begin September 1, 2027. At September 30, 2024, the interest rate was 5.85%.

Future annual maturities of long-term debt at September 30, 2024 are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2025	\$ 250,000
2026	250,000
2027	250,000
2028	250,000
2029	250,000
Thereafter	<u>2,929,828</u>
Total	4,179,828
Less: Deferred Financing Costs	(773,211)
Less: Current Portion	<u>(250,000)</u>
Total Long-Term Debt	<u><u>\$ 3,156,617</u></u>

Interest expense related to long-term debt for the years ended September 30, 2024 and 2023 was \$63,221 and \$48,244, respectively. The loan agreements include certain covenants and restrictions. Management is not aware of any noncompliance with the covenants and restrictions.

**NOTE 10 RETIREMENT PLAN**

Covenant maintains a defined-contribution plan which provides retirement benefits based on the actual value of contributions at the time of retirement. The plan is available to significantly all employees and Covenant matches 50% of the contributions made by eligible employees, up to 3% of the employees' annual salary. Contributions to the plan by Covenant were \$96,793 and \$103,581 for the years ended September 30, 2024 and 2023, respectively.

**COVENANT VILLAGE, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024 AND 2023**

**NOTE 11 CONCENTRATION OF CREDIT RISK**

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

**NOTE 12 STATUTORY OPERATING RESERVE**

Under Section 58-64-33 of the North Carolina General Statutes, which is administered by the North Carolina Department of Insurance, continuing care retirement communities are required to maintain an operating reserve equal to 25% of the total operating costs, as defined, projected for the 12-month period following the period covered by the most recent annual statement filed with the North Carolina Department of Insurance, if occupancy levels are in excess of 90%. If occupancy levels are less than 90%, the operating reserve requirement is 50% of total operating costs, as defined. Covenant has historically maintained an occupancy level in excess of 90%. The statutory operating reserve for September 30, 2024 and 2023 was \$4,179,000 and \$3,385,375, 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 13 RIGHT-OF-USE LEASES**

Covenant leases copiers and iPads expiring at various dates through May 2029.

Covenant classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of September 30, 2024, is as follows:

<u>Year Ending September 30,</u>	<u>Leases</u>
2025	\$ 60,366
2026	27,795
2027	16,974
2028	11,946
2029	6,944
Total Lease Payment	124,025
Less: Amounts Representing Interest	(3,440)
Total	<u>\$ 120,585</u>

The lease payable will continue to be impacted by new leases, lease modifications, lease terminations, and reevaluation of any new facts and circumstances. As of September 30, 2024 and 2023, the remaining weighted average lease term is 2.8 years and 2.5 years, respectively.

**COVENANT VILLAGE, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024 AND 2023**

**NOTE 13 RIGHT-OF-USE LEASES (CONTINUED)**

As the rate implicit in the lease is not readily determinable, the Organization uses an incremental borrowing rate to calculate the lease liability that represents an estimate of the interest rate the Organization would have to borrow on a collateralized basis over the term of the lease. The discount rate used for the lease was 2.0% at September 30, 2024 and 2023.

**NOTE 14 EMPLOYEE LOAN PROGRAM**

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, 2024 and 2023, there was an outstanding balance on these loans of approximately \$9,000 and \$5,000, respectively. This amount has been included in other receivables in the statements of financial position.

**NOTE 15 NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2024</u>	<u>2023</u>
Gift Restricted by Donor for Employee Loans	\$ 27,000	\$ 27,000
Gifts Restricted by Donor for Employee Professional Development	171,804	117,686
Gifts Restricted by Donor for Capital Expenditures	<u>1,172,229</u>	<u>-</u>
Total Net Assets With Donor Restrictions	<u>\$ 1,371,033</u>	<u>\$ 144,686</u>

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

	<u>2024</u>	<u>2023</u>
Professional Development	<u>\$ 37,192</u>	<u>\$ 18,000</u>
Total Net Assets Released from Restrictions	<u>\$ 37,192</u>	<u>\$ 18,000</u>

**COVENANT VILLAGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024 AND 2023**

**NOTE 16 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>2024</u>	<u>2023</u>
Cash and Cash Equivalents	\$ 903,002	\$ 322,876
Receivables	96,112	76,119
Investments	4,812,746	3,622,621
Operating Reserve	4,179,000	3,385,375
Total	<u>\$ 9,990,860</u>	<u>\$ 7,406,991</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, along with the statutory operating reserve.

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

**NOTE 17 BENEVOLENT FUNDS ASSISTANCE**

Covenant maintains records to identify and monitor the level of benevolent assistance it provides by measuring the amount of revenue and charges foregone for services and supplies furnished under its benevolent assistance policy. Costs incurred related to benevolent assistance provided was approximately \$181,000 and \$264,000 for the years ending September 30, 2024 and 2023, respectively. Costs were transferred to the operating income from the benevolent fund to support residents in financial need. The estimated costs of providing benevolent assistance are based on management’s calculation assuming a standard profit margin of the foregone resident service fees.



**COVENANT VILLAGE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024 AND 2023**

**NOTE 18 CONTRIBUTION RECEIVABLE**

Contribution receivable are recorded as restricted support in the accompanying statements of financial position. Contribution receivable consisted of the following at September 30:

	<u>2024</u>
Due in Less Than One Year	\$ 250,000
Due in Two to Five Years	<u>750,000</u>
Total	1,000,000
Less: Discount on Pledges	<u>(108,340)</u>
Contribution Receivable, Net	<u><u>\$ 891,660</u></u>

Management determined that the allowance for uncollectible contribution receivable at year-end was not necessary. Accordingly, no allowance has been recorded as of September 30, 2024. The contribution is discounted at a rate of 4.75% as of September 30, 2024.

**NOTE 19 CONTINGENCIES**

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers.



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## **IX. ATTACHMENT 2**

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

**COVENANT VILLAGE, INC.**  
**COMPILATION OF A FINANCIAL PROJECTION**  
**FOR THE YEARS ENDING**  
**SEPTEMBER 30, 2025 THROUGH SEPTEMBER 30, 2029**



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## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

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

Management is responsible for the accompanying projected financial statements of Covenant Village, Inc. (the "Corporation"), which comprise the projected statements of financial position as of September 30, 2025, 2026, 2027, 2028 and 2029, and the related projected statements of operations and changes in net assets (deficit), and cash flows for the years then ending, and the related summaries of significant projection assumptions and accounting policies in accordance with the guidelines for presentation of a financial projection established by the American Institute of Certified Public Accountants ("AICPA"). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the projected financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these projected financial statements or the assumptions. Furthermore, even if the Corporation is able to achieve the hypothetical assumptions as noted in Management's Summary of Significant Projection Assumptions and Accounting Policies on page 5 (the "Hypothetical Assumptions"), the projected results may not be achieved as there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
February 7, 2025

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

	2025	2026	2027	2028	2029
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>					
Resident Service Fees	\$ 8,876	\$ 9,583	\$ 10,760	\$ 11,083	\$ 11,415
Amortization of Deferred Entrance Fees	1,684	1,982	2,392	2,447	2,514
Health Care Services	5,349	5,510	5,673	5,834	6,003
Contributions	175	180	186	191	197
Other Revenues	378	389	401	413	426
Net Investment Income	355	413	455	494	532
<b>Total Revenues, Gains, and Other Support</b>	<b>16,817</b>	<b>18,057</b>	<b>19,867</b>	<b>20,462</b>	<b>21,087</b>
<b>OPERATING EXPENSES</b>					
Nursing Services	5,216	5,466	5,630	5,799	5,973
Housekeeping	1,122	1,110	1,170	1,205	1,242
Food and Nutrition	2,804	2,936	3,077	3,169	3,264
Operating and Maintenance	3,199	3,098	3,196	3,293	3,391
Security	504	544	587	605	623
Resident Care and Services	748	741	763	786	810
Management and General	1,704	1,754	1,855	1,911	1,968
Human Resources	328	339	349	359	370
Depreciation	1,963	3,040	3,418	3,673	3,936
Interest Expense	-	827	1,526	1,478	1,450
Amortization of Issuance Costs	26	26	26	26	26
Amortization of Intangible Asset	21	21	21	21	21
<b>Total Operating Expenses</b>	<b>17,635</b>	<b>19,902</b>	<b>21,618</b>	<b>22,325</b>	<b>23,074</b>
<b>DEFICIT OF REVENUES, GAINS, AND OTHER SUPPORT OVER EXPENSES</b>	<b>(818)</b>	<b>(1,845)</b>	<b>(1,751)</b>	<b>(1,863)</b>	<b>(1,987)</b>
Contributions Received for Capital Purchases	250	250	250	250	-
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>(568)</b>	<b>(1,595)</b>	<b>(1,501)</b>	<b>(1,613)</b>	<b>(1,987)</b>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>					
Net Assets Released From Donor Restrictions	(250)	(250)	(250)	(250)	-
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTION</b>	<b>(250)</b>	<b>(250)</b>	<b>(250)</b>	<b>(250)</b>	<b>-</b>
<b>CHANGE IN NET ASSETS (DEFICIT)</b>	<b>(818)</b>	<b>(1,845)</b>	<b>(1,751)</b>	<b>(1,863)</b>	<b>(1,987)</b>
<b>Net Assets (Deficit), Beginning of Year</b>	<b>8,076</b>	<b>7,258</b>	<b>5,413</b>	<b>3,662</b>	<b>1,799</b>
<b>NET ASSETS (DEFICIT), END OF YEAR</b>	<b>\$ 7,258</b>	<b>\$ 5,413</b>	<b>\$ 3,662</b>	<b>\$ 1,799</b>	<b>\$ (188)</b>

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

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

	2025	2026	2027	2028	2029
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Change in Net Assets (Deficit)	\$ (818)	\$ (1,845)	\$ (1,751)	\$ (1,863)	\$ (1,987)
Adjustments to Reconcile Change in Net Assets (Deficit) to Net Cash Flows Provided From Operating Activities:					
Amortization of Entrance Fees	(1,684)	(1,982)	(2,392)	(2,447)	(2,514)
Proceeds from Nonrefundable Entrance Fees	3,889	3,843	3,905	4,266	4,625
Depreciation	1,963	3,040	3,418	3,673	3,936
Amortization of Bond Issuance Costs	26	26	26	26	26
Amortization of Intangible Asset	21	21	21	21	21
(Increase) Decrease in Current Assets:					
Accounts Receivable	(86)	(6)	(8)	(5)	(4)
Contribution Receivable	250	250	250	141	-
Other Receivables	6	(2)	(2)	(2)	(2)
Inventories	(84)	1	(3)	(2)	(3)
Prepays	50	(2)	(4)	(2)	(2)
Increase (Decrease) in Current Liabilities:					
Accounts Payable	(601)	6	41	21	21
Accrued Payroll and Related Liabilities	(2)	24	30	21	22
Accrued Interest	139	(11)	(4)	(2)	(2)
Net Cash Provided by Operating Activities	3,069	3,363	3,527	3,846	4,137
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Net Change in Investments	(3,294)	(2,392)	771	(150)	(477)
Net Purchases of Property and Equipment	(25,651)	(10,286)	(2,652)	(2,732)	(2,814)
Net Change in Assets Limited as to Use	273	(298)	(344)	(220)	(125)
Net Cash Used in Investing Activities	(28,672)	(12,976)	(2,225)	(3,102)	(3,416)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Initial Entrance Fee Receipts	-	8,504	-	-	-
Refunds of Entrance Fees	(125)	(164)	(237)	(255)	(219)
Proceeds from Issuance of Long-Term Debt	25,468	8,543	-	-	-
Principal Payments on Long-Term Debt	-	(7,255)	(1,039)	(468)	(481)
Net Cash Provided (Used) in Financing Activities	25,343	9,628	(1,276)	(723)	(700)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(260)	15	26	21	21
<b>Cash and Cash Equivalents - Beginning of Year</b>	903	643	658	684	705
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 643</b>	<b>\$ 658</b>	<b>\$ 684</b>	<b>\$ 705</b>	<b>\$ 726</b>
Supplemental Disclosure of Cash Flow Information:					
Cash Paid for Interest, Net of Capitalized	\$ -	\$ 838	\$ 1,530	\$ 1,480	\$ 1,452

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



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

	2025	2026	2027	2028	2029
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	\$ 643	\$ 658	\$ 684	\$ 705	\$ 726
Accounts Receivable	115	121	129	134	138
Contribution Receivable, Current Portion	250	250	141	-	-
Other Receivables	61	63	65	67	69
Inventories	84	83	86	88	91
Prepays	66	68	72	74	76
<b>Total Current Assets</b>	<b>1,219</b>	<b>1,243</b>	<b>1,177</b>	<b>1,068</b>	<b>1,100</b>
<b>ASSETS LIMITED AS TO USE</b>					
Escrow Deposit	890	-	-	-	-
Statutory Operating Reserve	3,906	4,204	4,548	4,768	4,893
<b>Total Assets Limited as to Use</b>	<b>4,796</b>	<b>4,204</b>	<b>4,548</b>	<b>4,768</b>	<b>4,893</b>
Less: Current Portion	-	-	-	-	-
<b>Total Assets Limited as to Use, Less Current Portion</b>	<b>4,796</b>	<b>4,204</b>	<b>4,548</b>	<b>4,768</b>	<b>4,893</b>
<b>NONCURRENT ASSETS</b>					
Property and Equipment	51,789	88,163	90,815	93,547	96,361
Construction in Progress	27,503	1,415	1,415	1,415	1,415
Less: Accumulated Depreciation	(35,492)	(38,532)	(41,950)	(45,623)	(49,559)
<b>Net Property and Equipment</b>	<b>43,800</b>	<b>51,046</b>	<b>50,280</b>	<b>49,339</b>	<b>48,217</b>
Investments	8,237	10,629	9,858	10,008	10,485
Contribution Receivable, Noncurrent Portion	391	141	-	-	-
Right of Use Asset - Operating, Net	60	32	16	5	-
Intangibles, Net	145	124	103	82	61
<b>Total Noncurrent Assets</b>	<b>52,633</b>	<b>61,972</b>	<b>60,257</b>	<b>59,434</b>	<b>58,763</b>
<b>Total Assets</b>	<b>\$ 58,648</b>	<b>\$ 67,419</b>	<b>\$ 65,982</b>	<b>\$ 65,270</b>	<b>\$ 64,756</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Current Maturities of Long-Term Debt	\$ -	\$ 39	\$ 468	\$ 481	\$ 460
Accounts Payable	641	647	688	709	730
Accrued Expenses	649	673	703	724	746
Right-of-Use Lease Liability - Operating	28	16	11	5	-
Accrued Interest	139	128	124	122	120
Health Center Room Deposits	7	7	7	7	7
<b>Total Current Liabilities</b>	<b>1,464</b>	<b>1,510</b>	<b>2,001</b>	<b>2,048</b>	<b>2,063</b>
<b>LONG-TERM LIABILITIES</b>					
Long-Term Debt, Net of Current Portion					
Long-Term Debt, Net of Current Maturities	29,648	30,897	29,429	28,948	28,488
Unamortized Bond Issuance Costs	(747)	(721)	(695)	(669)	(643)
<b>Net Long-Term Debt</b>	<b>28,901</b>	<b>30,176</b>	<b>28,734</b>	<b>28,279</b>	<b>27,845</b>
Right-of-Use, Lease Liability - Operating, Net of Current	32	16	5	-	-
Refundable Deposits	1,115	225	225	225	225
Deferred Revenue from Entrance Fees	19,878	30,079	31,355	32,919	34,811
Refundable Entrance Fees	-	-	-	-	-
<b>Total Long-Term Liabilities</b>	<b>49,926</b>	<b>60,496</b>	<b>60,319</b>	<b>61,423</b>	<b>62,881</b>
<b>Total Liabilities</b>	<b>51,390</b>	<b>62,006</b>	<b>62,320</b>	<b>63,471</b>	<b>64,944</b>
<b>NET ASSETS (DEFICIT)</b>					
Without Donor Restriction	6,136	4,541	3,040	1,427	(560)
With Donor Restriction	1,122	872	622	372	372
<b>Total Net Assets (Deficit)</b>	<b>7,258</b>	<b>5,413</b>	<b>3,662</b>	<b>1,799</b>	<b>(188)</b>
<b>Total Liabilities and Net Assets (Deficit)</b>	<b>\$ 58,648</b>	<b>\$ 67,419</b>	<b>\$ 65,982</b>	<b>\$ 65,270</b>	<b>\$ 64,756</b>

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

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

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### INTRODUCTION AND BACKGROUND INFORMATION

#### **Basis of Presentation**

The accompanying financial projection presents, to the best of the knowledge and belief of management ("Management") the expected financial position, results of operations and changes in net assets (deficit) and cash flows of Covenant Village, Inc. (the "Corporation", "Company" or "Covenant Village") as of and for each of the five years ending September 30, 2025, 2026, 2027, 2028 and 2029 (the "Projection Period").

Accordingly, the projection reflects Management's judgment as of February 7, 2025, the date of this projection, of the expected conditions and its expected course of action. The assumptions disclosed herein are the assumptions which Management believes are significant to the financial projection. There will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

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

- Construction, development, marketing, and other related costs for the Stonecrest Project occur in the assumed timeline and at the assumed costs as reflected in the projection;
- The Stonecrest Project Units (defined herein) are successfully marketed and occupied at the assumed occupancy levels, as reflected in the projection;
- The Stonecrest Project (defined herein) is financed at terms and conditions similar to those reflected in the projection;
- The interest rate on the 2024A Bank Loan and 2024B Bank Loan occur as projected; and
- The Corporation collects the capital contribution related to the Stonecrest Project, as projected;

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

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

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

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

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

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

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

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

#### **The Stonecrest Project**

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

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

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

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

### INTRODUCTION AND BACKGROUND INFORMATION (CONTINUED)

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

Description	Timing
Obtained Financing - Series 2024 Bank Loan	July 2024
Construction Commenced on the New Independent Living Units	July 2024
Completion of the Stonecrest Project	April 2026
Achieve Stabilized Occupancy	September 2026

Source: Management

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

### The Existing Independent Living Units

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

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

Type of Unit	Units	Square Footage	Entrance Fees <sup>(1)(2)(3)(4)</sup>	Monthly Fees <sup>(1)</sup>
<b>Studios</b>				
Studios	1	360	\$60,000 - \$70,000	\$ 3,617
Studio with Kitchenette	32	360	\$60,000 - \$70,000	\$ 3,617
Studio with Kitchenette and Balcony	27	360	\$60,000 - \$70,000	\$ 3,617
Total / Weighted Average - Studios	60	360	\$ 64,270	\$ 3,617
<b>Apartments</b>				
1 BR - 1 Bath - Type B	54	720	\$160,000 - \$175,000	\$ 4,158
2 BR - 2 Bath - Type C	14	1,200	\$250,000 - \$275,000	\$ 4,755
Total / Weighted Average - Apartments	68	819	\$ 187,316	\$ 4,281
<b>Cottages</b>				
2 BR - 2 Bath - I	10	1,560	\$ 333,750	\$ 4,390
2 BR - 2 Bath - I-B (Garage)	9	1,560	\$ 354,250	\$ 4,390
2 BR - 2 Bath - I-C (Garage and Fireplace)	2	1,560	\$ 363,825	\$ 4,390
2 BR - 2 Bath - I-D (Open Concept)	1	1,560	\$ 394,250	\$ 4,390
2 BR - 2 Bath - II-B (Garage)	1	1,635	\$ 363,825	\$ 4,390
2 BR - 2 Bath - III	3	1,710	\$ 371,175	\$ 4,390
2 BR - 2 Bath - III-A (Fireplace)	1	1,710	\$ 385,750	\$ 4,390
2 BR - 2 Bath - III-B (Garage)	7	1,710	\$ 389,350	\$ 4,390
2 BR - 2 Bath - III-C (Garage and Fireplace)	5	1,710	\$ 400,050	\$ 4,390
2 BR - 2 Bath - IV-B (Garage)	1	1,860	\$ 418,425	\$ 4,390
2 BR - 2 Bath - IV-C (Garage and Fireplace)	1	1,860	\$ 430,500	\$ 4,390
2 BR - 2 Bath - V-C (Garage and Fireplace)	1	1,980	\$ 461,000	\$ 4,390
Total / Weighted Average - Cottages	42	1,643	\$ 370,152	\$ 4,390
Existing Independent Living Units Total/Weighted Average	170	861	\$ 189,059	\$ 4,074
Second Person Fees <sup>(5)(6)</sup>			\$50,000 - \$60,000	\$1,584 - \$3,341

Source: Management

See Independent Accountants’ Compilation Report

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

### INTRODUCTION AND BACKGROUND INFORMATION (CONTINUED)

Notes:

- (1) The Entrance Fee and Monthly Fee pricing is effective as of October 1, 2024.
- (2) The Corporation offers a declining refundable Entrance Fee plan (the "Traditional Amortizing Plan").
- (3) The Corporation charges a one-time, non-refundable administrative fee of \$1,000.
- (4) The Corporation offers a 70 percent refundable entrance fee (the "70 Percent Refundable Plan") for the Cottages to qualified Residents.
- (5) Second person Entrance Fees are as follows: studio apartment (with and without kitchenette) – none; one-bedroom apartment - \$50,000; two-bedroom apartment - \$60,000; cottage - \$60,000.
- (6) Second person Monthly Fees are as follows: studio apartment (with and without kitchenette) - \$2,584; one-bedroom apartment - \$2,896; two-bedroom apartment - \$779; cottage - \$1,510.

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

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

Unit Type	Units	Square Footage	Entrance Fees <sup>(1)(2)</sup>	Monthly Fees <sup>(1)(3)</sup>
<b>Enhanced Living <sup>(4)</sup></b>				
Studio with Kitchenette	4	360	\$ 55,125	\$ 4,212
1BR with Kitchenette	4	720	\$ 146,475	\$ 4,753
<b>Total Enhanced Living Units / Weighted Average</b>	<b>8</b>	<b>540</b>	<b>\$ 100,800</b>	<b>\$ 4,483</b>

Source: Management

Notes:

- (1) The Entrance Fee and Monthly Fee pricing is effective as of October 1, 2024.
- (2) Entrance Fees reflect the Traditional Amortizing Plan.
- (3) Second person Monthly Fees for the studio Enhanced Living Unit and one-bedroom Enhanced Living Unit, are \$3,360 and \$3,694, respectively.
- (4) The concierge service fee for Enhanced Living services are reflected in the Monthly Fees, as shown above.

### **The Health Center**

The following table summarizes the type, number, approximate square footage, and daily fees ("Daily Fees") of the Health Center Beds, effective October 1, 2024.

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

### INTRODUCTION AND BACKGROUND INFORMATION (CONTINUED)

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

Type of Unit <sup>(1)</sup>	Number of Units	Number of Beds	Approximate Square Footage	Daily Fees <sup>(2)(3)(4)</sup>
<b>Assisted Living Units</b>				
Arbor	19	21	300	\$165 - \$355
Courtyard	3	5	280	\$165 - \$355
Garden	12	12	250	\$165 - \$355
Woodland	4	4	250	\$165 - \$355
Total Assisted Living Units / Weighted Average	38	42	273	\$165 - \$355
<b>Skilled Living Units</b>				
Arbor	-	-	300	\$165 - \$355
Courtyard	16	16	280	\$165 - \$355
Garden	-	-	250	\$165 - \$355
Woodland	13	13	250	\$165 - \$355
Total Skilled Nursing Beds / Weighted Average	29	29	273	\$165 - \$355
Total Health Center Bed / Weighted Average	67	71	273	\$165 - \$355

Source: Management

Notes:

- (1) The Health Center is comprised of 67 units that are interchangeable between skilled nursing beds and assisted living beds.
- (2) Daily fees of \$165 are only available to certain residents ("Residents") admitted to the Community before October 1, 2021 for either assisted living services or skilled nursing services.
- (3) The Daily Fee for Residents with life care contracts are \$177 and Residents admitted directly into the Health Center is \$355, respectively for either assisted living services or skilled nursing services.
- (4) There is a non-refundable entrance fee of \$35,000 for Residents admitted directly into the Health Center.

### The Stonecrest Project

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

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

Unit Type	Units	Square Footage	Entrance Fees <sup>(1)(2)(3)(4)</sup>	Monthly Fees <sup>(1)(5)</sup>
<b>New Independent Living Units</b>				
1 BR - 1.5 Bath, Den	3	1,030	\$ 298,000	\$ 3,675
2 BR - 2 Bath	4	1,230	\$ 350,000	\$ 4,000
1 BR - 2 Bath, Den	6	1,450	\$ 395,000	\$ 4,380
2 BR - 2.5 Bath, Den	6	1,650	\$ 450,000	\$ 4,975
1 BR - 2.5 Bath, Den (4th Floor)	2	1,920	\$ 520,000	\$ 5,450
Total New Independent Living Units / Weighted Average	21	1,450	\$ 400,190	\$ 4,479

Source: Management

Notes:

- (1) The Entrance Fee and Monthly Fee pricing is effective as of October 1, 2025.
- (2) Entrance Fees reflect the Traditional Amortizing Plan.
- (3) The Corporation charges a one-time, non-refundable administrative fee of \$1,000.
- (4) Second person Entrance Fees for the New Independent Living Units are \$50,000.
- (5) Second person Monthly Fees for the New Independent Living Units are \$1,500.

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

See Independent Accountants' Compilation Report

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

### INTRODUCTION AND BACKGROUND INFORMATION (CONTINUED)

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

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

Source: Management

### **Residency Agreement**

#### *Services and Amenities*

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

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

#### *Admittance Standards*

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

- Must be 65 years of age or older, except that in the case of a married couple, in which one spouse is 65 years of age or older, the other spouse may be as young as 62 years of age;
- Shall submit the following for review by Covenant Village Admissions Committee (the “Admissions Committee”): an application for admission, including a personal health history, confidential financial statement, and all forms furnished by Covenant Village at the time of application;

**See Independent Accountants’ Compilation Report**

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

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

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

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

#### *Additional Services or Care*

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



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

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

#### **Basis of Presentations**

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

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

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

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

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

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

#### **Accounts Receivable**

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

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

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

#### **Investments**

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

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

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

#### **Property and Equipment**

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

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

#### **Intangible Assets**

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

#### **Unit Deposits**

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

#### **Deferred Entrance Fees**

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

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

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

#### **Leases**

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

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

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

#### **Contributions**

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

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

Unconditional promises to give are recognized at the net present value, net of an allowance for uncollectible amounts, and are classified as with or without donor restrictions based on the donors' intentions, as applicable. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or right of release, are not recognized until the conditions on which they depend have been substantially met. At September 30, 2024, the Corporation had unconditional promises to give of approximately \$892,000, net of discount, designated for certain projects at the Community. Unconditional promises to give are recorded as a contribution receivable on the projected statement of financial position and collection has been projected by Management based upon the terms of the contribution receivable during the Projection Period.

#### **Income Taxes**

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

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

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

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

#### **Continuing Care Contracts**

The Corporation enters into fee-for-service continuing care contracts with various residents. A fee-for-service continuing care contract is an agreement between a resident and the Corporation specifying the services and facilities to be provided to a resident over his or her remaining life. Under the fee-for-service contracts, the Corporation has the ability to increase fees as deemed necessary. For the year ended September 30, 2024, the Corporation calculated the present value of estimated net costs of future services and the use of facilities to be provided to current residents and compared that amount with the balance of deferred revenue from entrance fees. If the present value of net costs of future services and the use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services) with a corresponding charge to income. No liability was recorded at September 30, 2024, 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, 2024. Management has not projected any future service obligation during the Projection Period.

#### **Benevolent Assistance**

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

#### **Debt Issuance Costs**

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

#### **Use of Estimates**

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

#### **Resident Service Revenue**

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

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

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

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

relate to residents living at Covenant Village receiving independent living or healthcare services. Covenant Village considers daily services provided to residents of the health center, and monthly rent charged to residents living in independent living, as a separate performance obligation measured on a monthly basis or upon move-out within the month, whichever is shorter. Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement similar to the output method. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to residents and customers in a retail setting (for example, meals or guest rooms) and Covenant Village does not believe it is required to provide additional goods or services related to that sale.

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

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

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

#### **Contract Costs**

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

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

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

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

### SUMMARY OF REVENUE ASSUMPTIONS

#### Resident Service Fees

Resident service fee revenue for Residents living in the Independent Living Units and Enhanced Living Units is based upon the assumed occupancy and Monthly Fees of the respective units. The Independent Living Units' and Enhanced Living Units' Monthly Fees are assumed to increase 3.0 percent on October 1, 2025 and annually thereafter.

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

<b>For the Years Ending September 30,</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
<b>Average Available Units:</b>					
Existing Independent Living Units and Enhanced Living Units	180.0	180.0	180.0	180.0	180.0
New Independent Living Units <sup>(1)</sup>		21.0	21.0	21.0	21.0
<b>Total Available Units</b>	<b>180.0</b>	<b>201.0</b>	<b>201.0</b>	<b>201.0</b>	<b>201.0</b>
<b>Average Occupied Units:</b>					
Existing Independent Living Units and Enhanced Living Units	165.0	165.0	165.0	165.0	165.0
New Independent Living Units <sup>(1)</sup>	-	6.8	20.0	20.0	20.0
<b>Total Average Occupied Units</b>	<b>165.0</b>	<b>171.8</b>	<b>185.0</b>	<b>185.0</b>	<b>185.0</b>
<b>Average Occupancy Percentage:</b>					
Existing Independent Living Units and Enhanced Living Units	92%	92%	92%	92%	92%
New Independent Living Units <sup>(1)</sup>	N/A	32%	95%	95%	95%
<b>Total Occupancy Percentage</b>	<b>92%</b>	<b>85%</b>	<b>92%</b>	<b>92%</b>	<b>92%</b>

Source: Management

Note:

- (1) The 21 New Independent Living Units are projected to be available for occupancy in April 2026 and are anticipated to fill over a 6 month period at an average of approximately 3.33 units per month.

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

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

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

### SUMMARY OF REVENUE ASSUMPTIONS (CONTINUED)

**Table 8**  
**Fill-Up Schedule – New Independent Living Units**

<b>Fiscal Year / Month</b>	<b>Net Move-Ins</b>	<b>Cumulative Occupied</b>	<b>Cumulative Occupancy</b>
<b>2026</b>			
April	5.0	5.0	23.8%
May	4.0	9.0	42.9%
June	4.0	13.0	61.9%
July	3.0	16.0	76.2%
August	2.0	18.0	85.7%
September	2.0	20.0	95.2%
Thereafter	20.0	20.0	95.2%

Source: Management

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

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

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

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

### SUMMARY OF REVENUE ASSUMPTIONS (CONTINUED)

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

**Table 9**  
**Entrance Fee Receipts and Total Entrance Fee Refunds**  
**(In Thousands)**

	2025	2026	2027	2028	2029
<b>Independent Living and Enhanced Living Units:</b>					
Entrance Fee Receipts from Initial Residents	\$ -	\$ 8,504	\$ -	\$ -	\$ -
Entrance Fee Receipts from Unit Turnover	3,889	3,843	3,905	4,266	4,625
Entrance Fees Refunded from Unit Turnover	(125)	(164)	(237)	(255)	(219)
Entrance Fees Received, Net of Refunds	\$ 3,764	\$ 12,183	\$ 3,668	\$ 4,011	\$ 4,406
<b>Entrants Generating Entrance Fees:</b>					
Number of Independent Living Initial Entrants	-	20	-	-	-
Number of Independent Living and Enhanced Living Turnover Unit Entrants	24	23	21	22	22

Source: Management

Notes:

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

Entrance Fees for the Independent Living Units are assumed to increase 3.0 percent on October 1, 2025 and for each year thereafter.

### Health Center

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

The Daily Fees are generated from the Health Center services provided to Residents transferring from the Independent Living Units, as well as direct admissions from the surrounding area to the Health Center. Residents permanently transferring from the Independent Living Units to the Health Center are assumed to pay a discount on the then-current Daily Fee. Health Center Daily Fees, either for assisted living services or for skilled nursing services, are assumed to increase 3.0 percent on October 1, 2025 and for each year thereafter.

In addition to the Health Center Daily Fee, Residents admitted directly to a Health Center Beds from the surrounding area are to pay a \$35,000 non-refundable Entrance Fee, which are to increase 3.0 percent on October 1, 2025 and for each year thereafter.

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



## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

### SUMMARY OF REVENUE ASSUMPTIONS (CONTINUED)

**Table 10**  
**Utilization of Health Center Beds**

For the Years Ending September 30,	Life Care	Direct Admission	Occupied	Available	Occupancy Percentage
2025	50.0	17.0	67.0	71.0	94.4%
2026	50.0	17.0	67.0	71.0	94.4%
2027	50.0	17.0	67.0	71.0	94.4%
2028	50.0	17.0	67.0	71.0	94.4%
2029	50.0	17.0	67.0	71.0	94.4%

Source: Management

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

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

For the Years Ending September 30,	2025	2026	2027	2028	2029
<b>Average Available Units:</b>					
Assisted Living Units	42.0	42.0	42.0	42.0	42.0
Skilled Nursing Beds	29.0	29.0	29.0	29.0	29.0
Total Available Units	71.0	71.0	71.0	71.0	71.0
<b>Average Occupied Units:</b>					
Assisted Living Units	40.5	40.5	40.5	40.5	40.5
Skilled Nursing Beds	26.5	26.5	26.5	26.5	26.5
Total Average Occupied Units	67.0	67.0	67.0	67.0	67.0
<b>Average Occupancy Percentage:</b>					
Assisted Living Units	96%	96%	96%	96%	96%
Skilled Nursing Beds	91%	91%	91%	91%	91%
Total Occupancy Percentage	94%	94%	94%	94%	94%

Source: Management

### Other Revenue

In addition, resident revenues for the Independent Living Units and Health Center Beds also include revenues from additional resident meals, barber and beauty services, and gift shop sales, which are assumed to increase 3.0 percent beginning October 1, 2025 and annually thereafter.

### Interest Income

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

### Contributions

Contributions include unrestricted and donor restricted gifts, which are assumed to increase 3.0 percent beginning October 1, 2025 and annually thereafter.

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

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### **SUMMARY OF EXPENSE ASSUMPTIONS**

#### **Operating Expenses**

Operating expenses are estimated by Management based on its historical experience and expectations for the Projection Period. Staff salaries and benefits are based on prevailing local salary and wage rates and are assumed to increase 3.0 percent on October 1, 2025 and for each year thereafter throughout the Projection Period. The costs of employee fringe benefits are assumed to approximate 20.2 percent of salaries and wages for the Projection Period.

Other non-salary operating expenses are assumed to include ongoing marketing costs, raw food costs, utilities, supplies, maintenance and security contracts, building and general liability insurance, legal and accounting fees, and other miscellaneous expenses and are assumed to increase 3.0 percent on October 1, 2025 and for each year thereafter throughout the Projection Period

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

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

Interest expense is projected related to the debt service requirements of the Series 2024 Bank Loans, and amortization of debt issuance costs associated with the Series 2024 Bank Loans.

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

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

#### ***Amortization Expense***

Long-lived intangible assets are being amortized over their estimated respective lives using the straight-lining method.

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

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### **SUMMARY OF OTHER ITEMS**

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

##### *Cash and Cash Equivalents*

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

##### *Accounts Receivable*

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

##### *Contribution Receivable*

Contribution Receivable is projected to be collected based upon the terms of the donor.

##### *Other Receivables*

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

##### *Inventories*

Inventories are projected based on historical levels at 7 days of operating expenses less salaries and benefits, interest expense, amortization, and depreciation.

##### *Prepays*

Prepays are projected based on historical levels at 5 days of operating expenses less salaries and benefits, interest expense, amortization, and depreciation.

##### *Accounts Payable*

Accounts payable are projected based on historical levels at 48 days of operating expenses, less salaries and benefits, interest expense, amortization, and depreciation.

##### *Accrued Expenses*

Accrued expenses are projected based on historical levels at 22 days of salaries and benefits operating expenses.

##### *Accrued Interest Payable*

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

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

### SUMMARY OF OTHER ITEMS (CONTINUED)

#### Assets Limited as to Use

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

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

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

**Table 12**  
**Projected Statutory Operating Reserve Calculation**  
**Years Ending September 30,**  
**(In Thousands)**

	2025	2026	2027	2028	2029
<b>Statutory Operating Reserve Calculation (Expenses in Thousands):</b>					
Total Operating Expenses	\$ 17,635	\$ 19,902	\$ 21,618	\$ 22,325	\$ 23,074
Add: Principal Payment on Long-Term Debt	-	7,255	1,039	468	481
Less: Depreciation	(1,963)	(3,040)	(3,418)	(3,673)	(3,936)
Less: Amortization on Bond Issuance Costs	(26)	(26)	(26)	(26)	(26)
Less: Amortization of Intangible Assets	(21)	(21)	(21)	(21)	(21)
Less: Principal Payments Funded from Initial Entrance Fees	-	(7,255)	(1,000)	-	-
Total Operating Costs	\$ 15,625	\$ 16,815	\$ 18,192	\$ 19,073	\$ 19,572
Required Reserve <sup>(1)</sup>	25%	25%	25%	25%	25%
Required Operating Reserve	\$ 3,906	\$ 4,204	\$ 4,548	\$ 4,768	\$ 4,893
<b>Available Units at September 30:</b>					
Existing Independent Living Units and Enhanced Living Units	180	180	180	180	180
New Independent Living Units	-	21	21	21	21
Assisted Living Units	42	42	42	42	42
Total Available Units	222	243	243	243	243
<b>Occupied Units at September 30:</b>					
Existing Independent Living Units and Enhanced Living Units	165	165	165	165	165
New Independent Living Units	-	20	20	20	20
Assisted Living Units	41	41	41	41	41
Total Occupied Units	206	226	226	226	226
Occupancy at September 30	92.8%	93.0%	93.0%	93.0%	93.0%

Source: Management

Note:

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

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

### SUMMARY OF OTHER ITEMS (CONTINUED)

#### Property and Equipment

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

**Table 13**  
**Projected Routine Capital Additions**  
**For the Years Ending September 30,**  
**(In Thousands)**

	2025	2026	2027	2028	2029
Project Costs	\$ 22,140	\$ 6,884	\$ -	\$ -	\$ -
Capitalized Interest, Net of Interest Earnings, During Project Construction	1,011	827	-	-	-
Routine Capital Additions	2,500	2,575	2,652	2,732	2,814
<b>Total</b>	<b>\$ 25,651</b>	<b>\$ 10,286</b>	<b>\$ 2,652</b>	<b>\$ 2,732</b>	<b>\$ 2,814</b>

Source: Management

**Table 14**  
**Projected Property and Equipment <sup>(1)</sup>**  
**At September 30,**  
**(In Thousands)**

	2025	2026	2027	2028	2029
Land and Land Improvements	\$ 2,604	\$ 2,604	\$ 2,604	\$ 2,604	\$ 2,604
Buildings and Building Improvement	43,500	75,791	77,913	80,099	82,350
Furniture and Fixtures	5,237	7,482	8,012	8,558	9,121
Vehicles	368	368	368	368	368
Collectibles	25	25	25	25	25
Capitalized Interest	55	1,893	1,893	1,893	1,893
Total Before Accumulated Depreciation	51,789	88,163	90,815	93,547	96,361
Less Accumulated Depreciation	(35,492)	(38,532)	(41,950)	(45,623)	(49,559)
Construction in Progress	27,503	1,415	1,415	1,415	1,415
<b>Net Property and Equipment</b>	<b>\$ 43,800</b>	<b>\$ 51,046</b>	<b>\$ 50,280</b>	<b>\$ 49,339</b>	<b>\$ 48,217</b>

Source: Management

Note:

(2) Management has projected the Project will be completed and placed into service in April 2026.

#### Interest and Long-Term Debt

On July 8, 2024, Covenant Village entered into a Construction Loan Agreement (Construction Loan) with a financial institution in which the proceeds are to be used to pay certain costs of construction and renovations related to the Project, refinance the unsecured note payable outstanding, and to pay certain closing costs and other expenses associated with closing the loan. The Construction Loan is made up of two loans, 2024A Bank Loan and 2024B Bank Loan. The 2024A Bank Loan is a draw down loan with a total available principal amount of \$30,046,000. The 2024B Bank Loan is a draw down loan with a total available principal amount of \$8,255,000. All draws from the 2024A Bank Loan and the 2024B Bank Loan shall be made within 24 months of the effective date of the Construction Loan. As of September 30, 2024, there were no draw downs on the 2024A Bank Loan and \$4,179,828 of draw downs on the 2024B Bank Loan. Interest is payable on the amounts drawn at Prime Rate minus 2.15%, with a floor of 4.50%, beginning September 1, 2024. Principal and interest payments begin September 1, 2027. At September 30, 2024, the interest rate was 5.85%. Management has projected the interest rate on the debt at an

See Independent Accountants' Compilation Report

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

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### SUMMARY OF OTHER ITEMS (CONTINUED)

interest rate of 5.35%, the current interest rate as of the date of the Projection. In addition, Management had projected total draws on the 2024A Bank Loan of \$29,936,000 and on the 2024B Bank Loan of \$8,255,000 during the Projection Period.

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

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**Table 15**  
**Projected Principal Payments**  
**(In Thousands)**

<b>Year Ending September 30,</b>	<b>2024A Bank Loan</b>	<b>2024B Bank Loan</b>	<b>Total</b>
2025	\$ -	\$ -	\$ -
2026	-	7,255	7,255
2027	39	1,000	1,039
2028	468	-	468
2029	481	-	481
Thereafter	28,948	-	28,948
<b>Total</b>	<b>\$ 29,936</b>	<b>\$ 8,255</b>	<b>\$ 38,191</b>

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Source: Management

## **X. ATTACHMENT 3**

### **Resident Agreements/Contacts**

Life Care Agreement Apartment Homes

Life Care Agreement Cottage Homes

Life Care Agreement Founders Hall

Life Care Agreement Stonecrest Villa

Direct Admit Agreement



# COVENANT VILLAGE

*Where Life Is Filled With Promise*

## **LIFE CARE AGREEMENT COVENANT VILLAGE, INC. APARTMENT HOMES**

THIS LIFE CARE AGREEMENT, hereafter called "Agreement," is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ by and between Covenant Village, Inc., a North Carolina non-profit corporation, hereinafter called the "Covenant Village" and \_\_\_\_\_, hereinafter called "Resident" (if husband and wife, or two other persons enter into this Agreement, the word "Resident" shall apply to them collectively unless the context otherwise requires).

WHEREAS, Covenant Village owns and operates a Life Plan 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 Residence and using the facilities, services, programs and activities 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, programs, and activities at Covenant Village described as follows:

- A. Living Accommodation.** Apartment Home number \_\_\_\_\_, a \_\_\_\_\_ type of Apartment Home located on Level \_\_\_\_ in the \_\_\_\_\_ Building on the Covenant Village campus (hereinafter referred to as the "Residence"). Resident has the exclusive right to occupy and use the Residence subject to the terms and conditions set forth in this Agreement.
- B. Utilities.** Covenant Village will furnish electricity, gas, water, sewer, trash removal, municipal services, and charges related to landline telephone, cable television, and wireless internet services through Covenant Village's bundled services. Resident is responsible for any charges related outside the standard bundled services.



**C. Features, Furnishings and Fixtures.** Covenant Village will provide certain standard features, furnishings and fixtures within the Residence, including LVT flooring throughout, plantation shutters for windows, crown molding, painted walls, smooth ceilings, tiled walk-in shower with frameless glass shower door, grab bars, framed mirror, heat and air conditioning with individual thermostat, emergency call devices, automatic fire alarm, 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, cable TV and telephone pre-wiring. One-Bedroom and Two-Bedroom Apartment Homes have quartz countertops and subway tile backsplash in the kitchen, standard refrigerator with freezer, stove, dishwasher, garbage disposal and microwave. Studio Apartment Homes have kitchenettes with 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 or rug at their expense. Any bound carpet or 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 dining venues. Covenant Village delivers an exceptional Resident dining experience by offering a strong menu selection paired with value-focused meal options through a **declining balance of meal credits**. A declining balance is a debit-style meal plan where Resident accounts are loaded with specific amounts of credits which decline as they are used. The goal of declining balance is to allow Residents to pay for what they get and track meals with a credit amount. Resident will be given a credit amount equal to three meals per day.

Residents are allotted a certain number of meal credits per month as included in their monthly fees. On the 1st of the month, Resident accounts are loaded with these credits. Residents can use their "Name Badge" to purchase their meals as well as access their accounts on the Resident Portal to view their purchases and balances in real-time.

Special diets will be provided when ordered by Resident's physician. Please make an appointment with the Director of Food & Nutrition to discuss any special diets or dining questions. Meals for guests will be available for an additional charge. Guest meals may be paid for through the declining meal credits.

**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 Residence 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 may use balconies for small plants and flowers. Resident is responsible for maintenance, capacity, and look of such plantings.
- I. Parking.** Covenant Village will provide parking areas for Resident's personal vehicles.
- J. Common Facilities and Amenities.** Common facilities and amenities provided by Covenant Village for the use and benefit of Resident include a central dining room, other dining venues, a beverage bar, formal living room, card room, lounges, sitting areas, library, USPS mailboxes, internal mail cubby hole boxes, arts and crafts room, lobbies, beauty parlor, chapel, assembly room, multi-purpose spaces, outdoor walkways, and an outdoor pavilion. Names and uses of common facilities and amenities may change from time to time as determined by Covenant Village.
- K. Wellness Center.** Covenant Village provides a 9,700 square foot Wellness Center with state-of-the-art cardio and strength equipment, flat screen televisions, a 65-foot-long indoor swimming pool and spa. Covenant Village provides instructor-led group exercise classes in a designated exercise room. The Director of Wellness can conduct a wellness evaluation and develop a custom exercise program. Covenant Village provides men and women locker rooms with shower facilities. Massage services are available by appointment and at an additional charge.
- L. Life Enrichment Activities.** Social, spiritual, educational, recreational, cultural activities, lifelong learning, arts and crafts, wellness-centered exercise, and health programs are available to Residents.
- M. Access to Apartments.** Covenant Village will provide the ability for the Resident to move internally to a different apartment in the main buildings and to the Covenant Village Health Center when the Resident has a demonstrated need for such a transition in the continuum of care. Residents moving to the Health Center permanently will be subject to Covenant Village's policies for Health Center Residents.

**N. 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. Levels of care within the Health Center include: assisted living care, memory care, and skilled nursing care. Names and uses of health care may change from time to time as determined by Covenant Village.

## II. FINANCIAL AGREEMENTS

**A. Entrance Fee.** In consideration for the Residence and living accommodations, services, activities, and programs offered at Covenant Village, Resident agrees to pay a one-time Entrance Fee of \$\_\_\_\_\_ (First Person Entrance Fee) and \$\_\_\_\_\_ (Second Person Entrance Fee), totaling \$\_\_\_\_\_ (Total Entrance Fee).

Upon entering into this Agreement, Resident will pay a deposit of equal to ten percent (10%) of the Total Entrance Fee, less the **\$1,000** Application Fee and less the \$\_\_\_\_\_ Future Resident Priority Deposit previously paid and equal to \$\_\_\_\_\_ (Initial Deposit). The ninety percent (90%) balance of the Entrance Fee equal to \$\_\_\_\_\_ on the closing date set by Covenant.

For Apartment Homes undergoing major renovation, availability is typically sixty (60) to ninety (90) days from the signing of the Life Care Agreement. Resident agrees that occupancy and monthly service charges begin on the closing date.

**B. Monthly Service Fee.** In addition to the Entrance Fee, Resident agrees to pay a Monthly Service Fee during the term of this Agreement, which shall be payable in advance by the tenth day of each month by draft from the Resident's approved account. As of the date of this Agreement, Covenant Village estimates that the First Person Monthly Service Fee associated with the Residence will be \$\_\_\_\_\_ and plus an additional \$\_\_\_\_\_ per month, if a second Resident occupies the Residence.

For permanent or temporary residence in the Health Center, Resident shall pay a daily service rate equal to fifty percent (50%) of the published direct admission daily service rate at that time. The charges may be adjusted by Covenant Village prior to occupancy of the Residence by Resident. The charges are also subject to change during the term of this Agreement as described in Paragraph C. below.

**C. Adjustments to the Fees and Charges.** The charges are assessed to provide the facilities, services, programs, and activities 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, services, programs and activities described herein consistent with operating on a sound financial basis and maintaining the quality of care and services called for herein.

Any such increases in the Monthly Service Fees 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 Service Fees, if Resident is absent from the facility, except as may be determined, from time-to-time, by Covenant Village. For Ancillary Services, please consult the Ancillary Services Fee Sheet.

**D. Monthly Statements.** Covenant Village will furnish Resident a monthly statement showing the total amount of service 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. Requests can be made to the Finance Office for a full-year of monthly statements for an Ancillary Services fee.

**E. Additional Charges in the Covenant Village Health Center.** 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 at Covenant Village are nondiscriminatory except 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. Age Requirement.** 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. Application Profiles.** Resident shall submit for review by Covenant Village through the Marketing & Admissions Office, a Personal Profile, a Health Profile, and a Confidential Financial Profile, all on forms furnished by Covenant Village at or before the time of application. All forms must be completed and signed by Resident.
- C. Interview.** 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. Physical Examination Report.** Resident shall submit a report of a physical examination of Resident made by a physician selected by Resident within thirty (30) days prior to 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 Health Center 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 Personal Profile and Health Profile, Covenant Village shall have the right to decline admission of Resident and/or 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. Introductory Period.** Resident understands and agrees that the first ninety (90) days of occupancy will be known as an Introductory Period during which Resident will be required to live independently in the Residence in order to qualify to receive nursing services in the Covenant Village Health Center at the reduced rate for Residents with a Life Care Agreement. At the end of the initial ninety (90)

day introductory period, Covenant Village may review Resident's ability to maintain an independent lifestyle. Residents who are unable to live in the Residence at the time of the ninety (90) day review will be admitted to the Covenant Village Health Center, when space permits, at the full direct admission daily service rate for nursing care. It is understood that the determination by Covenant Village will be final.

**F. Right to Reject.** It is understood that Covenant Village has the right to reject any Resident's application for admission to Covenant Village.

**G. Representations.** Resident affirms that the representations made in the Personal Profile, Health Profile and Confidential Financial Profile are true and correct and may be relied upon by Covenant Village as a basis for entering into this Agreement. Any material misrepresentation or omission of information in these Profiles is subject to termination of the Agreement.

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

**A. Rights of Resident.** Resident has the right to occupy and enjoy the Residence 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, occupy and enjoy the Residence 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, Regulations and Policies.** Resident will abide by Covenant Village's rules, regulations, and policies, and such reasonable amendments, modifications, and changes of the rules, regulations, and policies as may hereafter be adopted by Covenant Village. It is understood that Covenant Village has the right to make exceptions to the rules, regulations, and policies when deemed necessary by the Board of Directors or the Executive Administration of Covenant Village.

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

- D. Visitors.** Except for short-term visitors or guests (less than seven [7] consecutive nights), no person other than Resident may reside in the Residence without the approval of the Covenant Village Administration.
- 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 Residence 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, this Agreement shall continue in effect as to the remaining or surviving Resident who shall have the option to retain the same Residence. The remaining or surviving Resident will thereafter pay the First Person Monthly Service Fee for one person associated with the Residence 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 Residence 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 Residence is considered to be occupied by Resident the date Monthly Service Fees commence and/or while Resident's personal effects are in the Residence.

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

- A. Change in Assignments.** 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. Transfers to Health Center.** Resident agrees that Covenant Village shall have authority to determine when or if Resident should be transferred from Resident's Residence 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, in collaboration with the Chief Executive Officer, 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. Care Outside Covenant Village.** If it is determined by the Medical Director and the Health Services Administrator, in collaboration with the Chief Executive Officer, that Resident needs additional 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, such 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. Permanent Transfers.** 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 Residence 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, in collaboration with 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 Service Fees.



## VI. TERMINATION AND REFUND PROVISIONS

**A. Right of Rescission.** Resident may rescind this agreement within thirty (30) 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 Residence, or if, on account of illness, injury, or incapacity, a Resident is precluded from occupying the Residence 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 Service Fees specified in the Agreement 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 Agreement or any Agreement 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. Termination After Occupancy.** 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 Fee. 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. Termination After 25 Months.** 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.

**D. Termination by Covenant Village.** 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. Vacation of Residence.** At the effective date of termination of this Agreement, Resident shall vacate the Residence 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 Residence to good condition except for normal wear and tear. Monthly Service 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 Covenant Village. The new spouse would be required to pay an Entrance Fee for the unit occupied, and Resident and the new spouse would pay the Second Person Monthly Service Fee, if they occupy the same residence.
- B. Tax Status and Ownership.** Covenant Village, Inc. is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. It is owned and operated as a non-profit corporation governed by a Board of Directors. Covenant Village is managed by its Board of Directors and its Executive Leadership Team.
- 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 Covenant Village 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 Covenant Village as to the location of this will and the Executor.
- H. Transfer of Property.** Resident agrees not to make any gift or other transfer of property for less than adequate consideration for the purpose of evading Resident's obligations under this Agreement or if such gift or transfer would render such Resident unable to meet such obligations.
- I. Inability to Pay.** The Board of Directors is committed to fulfilling the policy that no Resident will be discharged by reason of inability to pay monthly fees provided the Resident has not impaired his or her ability to meet obligations by transfer of assets below market value or sale of assets and the organization has the capability of meeting needs of the Resident.
- J. Governing Law.** This Agreement shall be governed by the laws of the State of North Carolina.

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

**ATTEST:**

**COVENANT VILLAGE, INC.**

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

\_\_\_\_\_  
Chief Executive Officer: **Dale Melton**

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

\_\_\_\_\_  
Resident:

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

\_\_\_\_\_  
Resident:

**Exhibit I**  
**Entrance Fee**

**The Entrance Fee**

Entrance Fee	\$
Second Person Entrance Fee	\$
<b>Total Entrance Fee</b>	<b>\$</b>
	X 10%
10% Deposit	\$
Less Administrative Fee	(\$ 1,000)
Less Future Resident Priority Deposit	(\$ _____)
<b>Amount of Initial Deposit</b>	<b>\$</b>
<b>90% Balance Due at Closing</b>	<b>\$</b>

**Monthly Fee**

First Person (2025)	\$
Second Person (2025)	\$ _____
<b>Total Monthly Fee (2025)</b>	<b>\$</b>



# COVENANT VILLAGE

*Where Life Is Filled With Promise*

## **LIFE CARE AGREEMENT** **COVENANT VILLAGE, INC.** **COTTAGE RESIDENCES**

THIS LIFE CARE AGREEMENT, hereafter called "Agreement," is made this \_\_\_ day of **Date** 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 Plan 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 Residence and using the facilities, services, programs and activities 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, programs and activities at Covenant Village described as follows:

- A. **Living Accommodation.** A Cottage located at **Address** on the Covenant Village campus (hereinafter referred to as the "Residence"). Resident has the exclusive right to occupy and use the Residence 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 electricity. 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 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.) Additionally, Covenant Village provides gutters and downspouts; sound insulation between cottages; USPS mailboxes, internal mail cubby hole boxes on Main Street near the Main Dining Room, a cottage number for each cottage, wireless internet infrastructure, 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.** Three nutritionally well-balanced meals will be available to Residents each day, which will be served in the Main Dining Room. Covenant Village delivers an exceptional Resident dining experience by offering a strong menu selection paired with value-focused meal options through a **declining balance of meal credits**. A declining balance is a debit-style meal plan where Resident accounts are loaded with specific amounts of credits which decline as they are used. The goal of declining balance is to allow Residents to pay for what they get and track meals with a credit amount.

Residents are allotted a certain number of meal credits per month as included in their monthly fees. On the 1st of the month, Resident accounts

are loaded with these credits. Residents can use their “Name Badge” to purchase their meals as well as access their accounts on the Resident Portal to view their purchases and balances in real-time.

Special diets will be provided when ordered by Resident's physician. Please make an appointment with the Director of Food & Nutrition to discuss any special diets or dining questions. 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 Residence 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. Please schedule an appointment with the Grounds Supervisor to discuss options prior to any work.
- I. **Parking.** Covenant Village will provide parking areas for Resident's personal vehicle. Parking near the main apartment buildings and Main Street is first come; first served.
- J. **Common Facilities and Amenities.** Common facilities and amenities provided by Covenant Village for the use and benefit of Resident include a central dining room, other dining venues, a beverage bar, formal living room, card room, lounges, sitting areas, library, USPS mailboxes, internal



mail cubby hole boxes, arts and crafts room, lobbies, beauty parlor, chapel, assembly room, multi-purpose spaces, outdoor walkways, and an outdoor pavilion. Names and uses of common facilities and amenities may change from time to time as determined by Covenant Village.

- 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 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 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. **Life Enrichment Activities.** Social, spiritual, educational, recreational, cultural activities, lifelong learning, arts and crafts, wellness-centered exercise, and health programs will be available to Residents.
  
- M. **Access to Apartments.** Covenant Village will provide the ability for the Resident to move internally to an apartment in the main buildings and to the Covenant Village Health Center when the Resident has a demonstrated need for such a transition in the continuum of care. 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. Residents moving to the Health Center permanently will be subject to Covenant Village's policies for Health Center Residents.
  
- N. **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. Levels of care within the Health Center include: assisted living care, memory care, and skilled nursing care. Names and uses of health care may change from time to time as determined by Covenant Village.

## II. FINANCIAL AGREEMENTS

- A. **Entrance Fee.** In consideration for the Residence and living accommodations, services, activities, and programs offered at Covenant Village, Resident agrees to pay a one-time Entrance Fee of \$\_\_\_\_\_ (First Person Entrance Fee) and \$\_\_\_\_\_ (Second Person Entrance Fee), totaling \$\_\_\_\_\_ (Total Entrance Fee).

Upon entering into this Agreement, Resident will pay a deposit of equal to ten percent (10%) of the Total Entrance Fee, less the **\$1,000.00** application fee previously paid equal to \$\_\_\_\_\_. The ninety percent (90%) balance of the Entrance Fee equal to \$\_\_\_\_\_ on the closing date set by Covenant.

For Cottages undergoing major renovation, this is typically sixty (60) to ninety (90) days from the signing of the Life Care Agreement. Resident agrees that occupancy and monthly service charges begin on the closing date.

If the balance of the Total Entrance Fee is not paid on this date, Resident forfeits the 10% deposit. Any exception provided is outlined below in Section VI.

- B. **Monthly Service Charge.** In addition to the Entrance Fee, Resident agrees to pay a Monthly Service 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 service charge associated with the Residence will be \$\_\_\_\_\_ plus an additional \$\_\_\_\_\_ per month, if a second Resident occupies the Residence.

For permanent or temporary residence in a room in the Health Center, Resident shall pay a daily service rate equal to fifty percent (50%) of the published direct admission daily service rate at that time. The charges may be adjusted by Covenant Village prior to occupancy of the Residence by Resident. The charges are also subject to change during the term of this Agreement as described in Paragraph C. below.

- C. **Adjustments to the Fees and Charges.** The charges are assessed to provide the facilities, services, programs, and activities 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, services, programs and activities described herein consistent with operating on a sound financial basis and maintaining the quality of care and services called for herein.

Any such increases in the Monthly Service Fees 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 Service Fees, if Resident is absent from the facility, except as may be determined, from time-to-time, by Covenant Village. For Ancillary Services, please consult the Ancillary Services Fee Sheet.

- D. **Monthly Statements.** Covenant Village will furnish Resident a monthly statement showing the total amount of service 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. Requests can be made to the Finance Office for a full-year of monthly statements for an Ancillary Services fee.
- E. **Additional Charges in the Covenant Village Health Center.** 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 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. **Age Requirement.** 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. **Application Profiles.** Resident shall submit for review by Covenant Village—through the Marketing & Admissions Office—a Personal Profile, a Health Profile, and a Confidential Financial Profile, all on forms furnished by Covenant Village at or before the time of application. All forms must be completed and signed by Resident.
- C. **Interview.** 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. **Physical Examination Report.** Resident shall submit a report of a physical examination of Resident made by a physician selected by Resident within thirty (30) days prior to 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 Health Center 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 Personal Profile and Health Profile, Covenant Village shall have the right to decline admission of Resident and/or 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. **Introductory Period.** Resident understands and agrees that the first ninety (90) days of occupancy will be known as an introductory period during which Resident will be required to live independently in the

Residence in order to qualify to receive nursing services in the Covenant Village Health Center at the reduced rate for Residents with a Life Care Agreement. At the end of the initial ninety (90) day introductory period, Covenant Village may review Resident's ability to maintain an independent lifestyle. Residents who are unable to live in the Residence at the time of the ninety (90) day review will be admitted to the Covenant Village Health Center, when space permits, at the full direct admission daily service rate for nursing care. It is understood that the determination by Covenant Village will be final.

- F. **Right to Reject.** It is understood that Covenant Village has the right to reject any Resident's application for admission to Covenant Village.
- G. **Representations.** Resident affirms that the representations made in the Personal Profile, Health Profile and Confidential Financial Profile are true and correct and may be relied upon by Covenant Village as a basis for entering into this Agreement. Any material misrepresentation or omission of information in these Profiles is subject to termination of the Agreement.

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

- A. **Rights of Resident.** Resident has the right to occupy and enjoy the Residence 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, occupy and enjoy the Residence 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, Regulations and Policies.** Resident will abide by Covenant Village's rules, regulations, and policies, and such reasonable amendments, modifications, and changes of the rules, regulations, and policies as may hereafter be adopted by Covenant Village. It is understood that Covenant Village has the right to make exceptions to the rules, regulations, and policies when deemed necessary by the Board of Directors or the Executive Administration of Covenant Village.

- C. **Changes in the Residence.** Covenant Village has the right to change the Residence to meet requirements of any applicable statute, law, or regulation. The Residence may not be used in any manner in violation of any zoning ordinances or other governmental law or regulation, or policies of Covenant Village.
- D. **Visitors.** Except for short-term visitors or guests (less than seven [7] consecutive nights), no person other than Resident may reside in the Residence without the approval of the Covenant Village Administration.
- 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 Residence 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, this Agreement shall continue in effect as to the remaining or surviving Resident who shall have the option to retain the same Residence. The remaining or surviving Resident will thereafter pay the First Person Monthly Service Fee for one person associated with the Residence 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 Residence 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 Residence is considered to be occupied by Resident the date Monthly Service Fees commence and/or while Resident's personal effects are in the Residence.

## **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 Residence 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, in collaboration with the Chief Executive Officer, 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, in collaboration with 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, such 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 Residence 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, in collaboration with 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 Service Fees.

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

- A. Resident may rescind this agreement within thirty (30) 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 Residence, or if, on account of illness, injury, or incapacity, a Resident is precluded from occupying the Residence 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 Service Fees specified in the Agreement 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 Agreement or any Agreement 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.
- 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 Residence 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 Residence to good condition except for normal wear and tear. Monthly Service 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 Covenant Village. 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 Service Fee, if they occupy the same living unit.
- B. **Tax Status and Ownership.** Covenant Village, Inc. is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. It is owned and operated as a non-profit corporation governed by a Board of Directors. Covenant Village is managed by its Board of Directors and its Executive Leadership Team.

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

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

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

**ATTEST:**

**COVENANT VILLAGE, INC.**

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

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

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

\_\_\_\_\_  
Resident:

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

\_\_\_\_\_  
Resident:

Exhibit I  
Entrance Fee

Cottage Address:

The Entrance Fee is Payable as Follows:

Entrance Fee Cottage	\$	
Second Person Entrance Fee	\$	
<b>Total Entrance Fee</b>	<b>\$</b>	
Less Waiting List Fee	\$	<b>1,000.00</b>
Less 10% Deposit	\$	
<b>90% Balance Due</b>	<b>\$</b>	
<b>Monthly Fee (1<sup>st</sup> Person 20__)</b>	<b>\$</b>	
<b>Second Person Fee (20__)</b>	<b>\$</b>	
<b>Total Monthly Fee (20__)</b>	<b>\$</b>	



## 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



**LIFE CARE AGREEMENT**  
**COVENANT VILLAGE, INC.**  
**STONECREST VILLA RESIDENCES**

THIS Life Care Agreement for Stonecrest Villa Residences, hereafter called "Agreement", is made this \_\_\_ day of \_\_\_\_\_, \_\_\_ by and between Covenant Village, Inc., a North Carolina non-profit corporation, hereinafter called the "Covenant Village") and \_\_\_\_\_ hereafter 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 at 1351 Robinwood Road in Gastonia, North Carolina, and,

WHEREAS, Resident is desirous of becoming a resident of Covenant Village and of living in a Stonecrest Villa Residence 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, programs and activities at Covenant Village described as follows:

- A. **Residence.** Resident agrees to reserve \_\_\_\_\_ number \_\_\_\_\_, a \_\_\_\_\_ (\_\_\_SF) type of floor plan (\_\_\_ **Bedroom** and \_\_\_ **Baths**), located on Level \_\_\_\_\_ in the Stonecrest Villa building, hereinafter referred to as the "Residence". Resident has the exclusive right to occupy and use the Residence subject to the terms and conditions set forth in this Agreement.
- B. **Utilities.** Covenant Village will furnish utilities including electricity, gas, water, sewer, trash removal, municipal services and a bundled cable television, basic



landline telephone, and wireless internet services. Resident is responsible for any charges related to cable television, landline telephone and wireless internet services outside of Covenant Village's bundled services.

- C. **Features, Furnishings and Fixtures.** Covenant Village will provide certain standard features, furnishings and fixtures within the Residence (for example, tiled walk-in shower with frameless shower door; heat and air conditioning with individual thermostat; emergency call devices and automatic fire alarm to summon assistance; mailboxes and a Residence number for each Residence; and set up for cable television and telephone services). A detailed listing of all features, furnishings and fixtures can be found in a list provided by Covenant Village as a marketing collateral piece.

Covenant Village will provide kitchen cabinets, quartz countertops; tile backsplashes and kitchen appliances including standard refrigerator with freezer, stove, dishwasher, garbage disposal and microwave. A washer and dryer are provided in each Residence. Ceiling fans are provided for the balcony and each bedroom. A storage bin will be provided within the building for each Residence.

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.** Nutritionally well-balanced meals will be available to Residents each day, which will be served in the central dining room and other dining venues as provided through a Declining Balance Point-of-Sale (POS) System. Prices will be affixed to each item or combinations. Special diets will be provided when ordered by Resident's physician. Meals for guests will be available for an additional charge.
- E. **Housekeeping Services.** Covenant Village provides regular scheduled housekeeping services, including vacuum cleaning, dusting, cleaning of baths and kitchens, as well as trash removal.
- F. **Laundry.** Covenant Village will change and launder Resident's bed and bath linens as needed.
- 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 Residence will require the approval of Covenant Village. Structural or physical change requires the approval of Covenant Village Administration; redecoration requires approval of Property Services. 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 use balconies for small plants and flowers. Resident is responsible for maintenance, capacity and look of such plantings.
- I. **Parking.** Covenant Village will provide one (1) parking space underbuilding for a Resident's personal vehicle. There will be outside surface parking adjacent to Stonecrest Villa, as well.
- J. **Common Facilities and Amenities.** Common facilities and amenities provided by Covenant Village for the use and benefit of Resident include a central dining room, other dining venues, a beverage bar, living room, card room, lounges, sitting areas, library, mailboxes, arts and crafts room, lobbies, beauty parlor, chapel, assembly room, multi-purpose spaces, outdoor walkways, and an outdoor pavilion. Names and uses of common facilities and amenities may change from time to time as determined by Covenant Village.
- K. **Life Enrichment Activities.** Social, spiritual, educational, recreational, cultural activities, lifelong learning, arts and crafts, wellness-centered exercise, and health programs will be available to Residents.
- L. **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. Levels of care within the Health Center include: assisted living care, memory care, and skilled nursing care. Names and uses of health care may change from time to time as determined by Covenant Village.

## II. FINANCIAL ARRANGEMENTS

- A. **Entrance Fee.** In consideration for the Residence and living accommodations, services, activities, and programs offered at Covenant Village, Resident agrees to pay a one-time Entrance Fee of \$\_\_\_\_\_ (First Person Entrance Fee) and **NA** (Second Person Entrance Fee), totaling \$\_\_\_\_\_ (Total Entrance Fee).

Upon entering into this Agreement, Resident will pay a deposit of equal to ten percent (10%) of the Total Entrance Fee, less the **\$1,000** application fee previously paid equal to \$\_\_\_\_\_. The ninety percent (90%) balance of the Entrance Fee equal to \$\_\_\_\_\_ is due upon completion of construction of Residence and receipt of the Certificate of Occupancy.

Resident agrees that occupancy and Monthly Service Fees as shown in Paragraph II. B. below begin on this date.

If the balance of the Total Entrance Fee is not paid within sixty (60) days from this date, Resident forfeits the 10% deposit. Any exception is provided below in Section VI.

- B. **Monthly Service Fee.** In addition to the Entrance Fee, Resident agrees to pay a Monthly Service Fee 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 Residence will be \$\_\_\_\_\_ per month for the First Person Monthly Service Fee, and **NA** per month for the Second Person Monthly Service Fee.

For permanent or temporary residence in a room in the Health Center, Resident shall pay the daily rate equal to fifty percent (50%) of published direct admission daily rate at that time. The charges in the Health Center are subject to change during the term of this Agreement, as described in Paragraph II. C. below.

- C. **Adjustments to the Fees and Charges.** The Monthly Service Fees and other charges are assessed to provide the facilities, programs, activities, 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 Monthly Service Fees and charges from time-to-time during the term of this Agreement as Covenant Village, in its sole discretion, deems necessary in order to reflect changes in costs of providing such facilities, programs, activities, and services described herein consistent with operating on a sound financial basis and maintaining the quality of services called

for herein. Any such increase in the Monthly Service Fees 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 Service Fees and other 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 a monthly statement showing the total amount of Monthly Service 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. Requests can be made to the Finance Office for a full-year of monthly statements for an Ancillary Services fee.
- E. **Additional Charges in the Covenant Village Health Center.** Charges may be made at the sole discretion of Covenant Village for ancillary services, extraordinary care, drugs, and supplies. Resident is responsible for the cost of prescription and nonprescription 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 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 admission requirements for residency at 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. **Age Requirement.** 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. **Application Profiles.** Resident shall submit for review by Covenant Village—through the Marketing & Admissions Office—a Personal Profile, a Health Profile, and a Confidential Financial Profile, all on forms furnished by Covenant Village at or before the time of application. All forms must be completed and signed by Resident.
- C. **Interview.** 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. **Physical Examination Report.** Resident shall submit a report of a physical examination of Resident made by a physician selected by Resident within thirty (30) days prior to 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 Personal Profile and Health Profile, 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. **Introductory Period.** Resident understands and agrees that the first ninety (90) days of occupancy will be known as an introductory period during which Resident will be required to live independently in the Residence in order to qualify to receive nursing services in the Covenant Village Health Center at the reduced rate for residents with Life Care Agreement. At the end of the initial ninety (90) day introductory period, Covenant Village may review Resident's ability to maintain an independent lifestyle. Residents who are unable to live in the Residence at the time of the ninety (90) day review will be admitted to the Covenant Village Health Center, when space permits, at the full direct admission rate for nursing care. It is understood that the determination by Covenant Village will be final.
- F. **Right to Reject.** It is understood that Covenant Village has the right to reject any Resident's application for admission to Covenant Village.
- G. **Representations.** Resident affirms that the representations made in the Personal Profile, Health Profile, and Confidential Financial Profile are true and correct and

may be relied upon by Covenant Village as a basis for entering into this Agreement. Any material misrepresentation or omission of information in these Profiles is subject to termination of the Agreement.

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

- A. **Rights of Resident.** Resident has the right to occupy and enjoy the Residence 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, occupy and enjoy the Residence 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, Regulations and Policies.** Resident will abide by Covenant Village's rules, regulations, and policies, and such reasonable amendments, modifications, and changes of the rules, regulations, and policies as may hereafter be adopted by Covenant Village. It is understood that Covenant Village has the right to make exceptions to the rules, regulations, and policies when deemed necessary by the Board of Directors or the Executive Administration of Covenant Village.
- C. **Changes in the Residence.** Covenant Village has the right to change the Residence to meet requirements of any applicable statute, law, or regulation. The Residence may not be used in any manner in violation of any zoning ordinances or other governmental law or regulation, or policies of Covenant Village.
- D. **Visitors.** Except for short-term visitors or guests (less than seven [7] consecutive nights), no person other than Resident may reside in the Residence without the approval of the Covenant Village Administration.
- 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 Residence 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, this Agreement shall continue in effect as to the remaining or surviving Resident who shall have the option to retain the same Residence. The remaining or surviving Resident will thereafter pay the First Person Monthly Service Fee for one person associated with the Residence 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 Residence 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 Residence is considered to be occupied by Resident the date Monthly Service Fees commence and/or while Resident's personal effects are in the Residence.

## V. TRANSFERS OR CHANGES ON LEVELS OF CARE

- A. **Assignments.** It is understood that Covenant Village has the right to make or change living Residence and accommodation assignments, if necessary, in order to best serve the needs of Resident and Covenant Village.
- B. **Internal Transfers.** Resident agrees that Covenant Village shall have authority to determine when or if Resident should be transferred from Resident's Residence 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. **External Transfers.** 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. **Permanent Transfers.** 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 Residence 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 Service Fees, as outlined in the Ancillary Services Fee document.

## VI. TERMINATION AND REFUND PROVISIONS

- A. **Right of Rescission.** Resident may rescind this Agreement within thirty (30) days of the latter of the execution date of this Agreement or the receipt of the Disclosure Statement on file with the North Carolina Department of Insurance, with no penalty. Resident is not required to move into the Residence before the expiration of the 30-day period. If Resident dies before occupying the Residence, or if, on account of illness, injury, or incapacity, Resident is precluded from occupying the Residence and such condition is certified in writing by a physician, then in either event the contract shall be deemed immediately cancelled and terminated. 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 Service Fees specified in this Agreement for the period of time the Residence was actually occupied by Resident, less non-standard costs specifically incurred by Covenant Village at the request of the Resident and described in this Agreement or any amendment to this Agreement 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. **Refund Before Occupancy.** This Agreement may be automatically terminated by the Resident for any reason prior to occupancy by giving written notice to Covenant Village. In the event of such termination, the Resident shall receive a refund of the Entrance Fee paid by the Resident, less a non-refundable fee for administrative services of \$1,000.00. No non-refundable fee will be charged, however, if such termination is because of death of a Resident, or because the Resident's physical, mental or financial condition makes the Resident ineligible for admission to the Community. Any such refund shall be paid by Covenant Village within Sixty (60) Days following receipt of written notification of such termination.
- C. **Refund After Occupancy.** 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 may not be made until Covenant Village receives full payment of the Total Entrance Fee from a qualified, next Resident to the Residence.
- D. **No Refund Provisions.** 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.
- E. **Termination by Covenant Village.** Covenant Village may terminate this Agreement at any time if there has been a material misrepresentation or omission made by Resident in Resident's Personal Profile, Health Profile, or Confidential Financial Profile; if a material change in Resident's health takes place before occupancy; if Resident fails to make payment to Covenant Village of any Monthly Service Fees or other 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.

- F. **Vacating the Residence.** At the effective date of termination of this Agreement, Resident shall vacate the Residence 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 Residence to good condition except for normal wear and tear. Monthly Service 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 must be approved by Covenant Village through the application process. The new spouse would be required to pay an Entrance Fee for the Residence occupied, and Resident and the new spouse would pay the two-person Monthly Service Fee if they occupy the same Residence or accommodation.
- B. **Tax Status and Ownership.** Covenant Village, Inc. 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's daily operations is managed by its Chief Executive Officer.
- C. **Entire Agreement.** This Agreement constitutes the entire Agreement or 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 residency.

- 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; the condition of Paragraph VII. H. has not been breached, and/or there has been no material misrepresentation or omission of information in the Admissions Forms.
  
- 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*

## 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

\_\_\_\_\_  
Dale Melton, CEO

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Current Address

\_\_\_\_\_  
City, State, Zip Code

\_\_\_\_\_  
Telephone

## **XI. ATTACHMENT 4**

### **Ancillary Service Fees**



COVENANT  
VILLAGE

Where Life Is Filled With Promise

# Ancillary Services

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

## **Administrative Support Services**

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

### Office Supplies:

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

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

## **Beauty Shop Services**

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

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

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

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

### **Manicure Services**

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

### **Pedicure Services**

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

Toenail Restructuring..... \$35

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

## **Dining Services**

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

Set-up/Breakdown Fee:

### Card Room Only:

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

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

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

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

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

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

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

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

### Private Dining Room:

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

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

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

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

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

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

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

## **Health Care Services**

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

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

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

Medical Supplies ..... Cost Varies

## **Wellness Services**

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

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

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

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



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

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

### **Guest Services**

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

### **Transportation Services**

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

If you are having an emergency, call 911.

#### Normal Service Hours:

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

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

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

Additional fees will be incurred for appointments:

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

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

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

### **Technology Services**

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

### **Property/Maintenance Services**

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

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

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

### **Miscellaneous Services**

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

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

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

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

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

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

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

Effective: February 1, 2024