

**FILED**  
**Commonwealth of Virginia**  
**State Corporation Commission**  
**Bureau of Insurance**

July 27, 2023

**Commissioner of Insurance**

**BY:** Sarowar Jahan

**DISCLOSURE STATEMENT**

for

**Covenant Woods**  
Facility located in  
Hanover County, Virginia

**Fiscal Year Ending March 31, 2023**  
**Submitted July 28, 2023**

*The filing of this Disclosure Statement with the State Corporation Commission, Bureau of Insurance, does not constitute recommendation or endorsement of this facility by the State Corporation Commission.*

# Covenant Woods

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**Commonwealth of Virginia  
State Corporation Commission  
Bureau of Insurance**

**CONTINUING CARE PROVIDER REGISTRATION STATEMENT**

Legal Name of Provider: Covenant Woods

Recorded Trade Name(s): \_\_\_\_\_

Mailing Address of Provider: 7090 Covenant Woods Drive

Mechanicsville, VA 23111

Location of Provider: 7090 Covenant Woods Drive

Mechanicsville, VA 23111

Telephone Number: 804-569-8002

Contact Person: Erik Mauritsen, Chief Financial Officer

On what date (month/day) does your fiscal year end: March 31

Have all applicable certificate of need requirements imposed by the Health Department for existing and planned facilities been met? yes If no, attach an exhibit that described the nature of the certificate of need deficiency and how it affects your ability to serve current and future residents.

Have all other applicable licensure or certification requirements been met? yes If no, attach an exhibit that describes the nature of the deficiency and how it affects your ability to serve current and future residents.

Are you in compliance with all other state, federal, and municipal laws and regulations? yes If no, attach an exhibit that describes the nature of your noncompliance and how it affects your ability to serve current and future residents.

Are you bankrupt, insolvent, under reorganization pursuant to federal bankruptcy laws, or in imminent danger of becoming bankrupt or insolvent? no If yes, attach an exhibit that describes the nature of the bankruptcy, insolvency, reorganization, or imminent bankruptcy or insolvency and how it affects your ability to serve current and future residents.

I Thom Wright as a duly authorized officer, principal, general partner, or trustee of Covenant Woods hereby certify that the information contained herein, in any attached exhibits, and in the attached disclosure statement is a true representation of said provider's operation, financial condition, and method of doing business.

(Signature) \_\_\_\_\_ President and CEO  
(Title)

COMMONWEALTH OF VIRGINIA

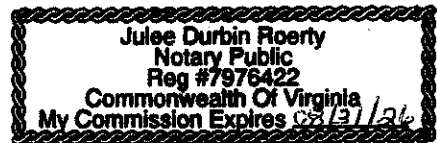
CITY/COUNTY OF Hanover

Subscribed and sworn to before me this 24<sup>th</sup> day of July, 2023.

Julee Durbin Roerty  
(Notary Public)

My commission expires: 08/31/2026

(SEAL)



**DISCLOSURE STATEMENT**

**for**

**COVENANT WOODS**

**CONTINUING CARE PROVIDER**

The provider is Covenant Woods (the "Corporation"). The Corporation currently owns and operates a facility for the aged located at 7090 Covenant Woods Drive, Mechanicsville, Virginia 23111 (the "Covenant Woods Facility") in Hanover County, Virginia. The Corporation is a Virginia non-stock corporation without members. The Corporation was established in 1883 to provide a home for elderly women in need. The amended and restated Articles of Incorporation, filed with the State Corporation Commission in 1999, provide that the purpose of the Corporation is the providing of services and facilities in the Commonwealth of Virginia to meet the special needs of the elderly, including without limitation, the services of providing a continuing care retirement community in which elderly men and women of responsible character may be provided a comfortable home and health care. The Corporation is also the sole member of Advance Care LLC, a home health agency; Advance Care Hospice LLC, a hospice agency, and Parker & Gregg LLC, a holding company whose purpose is to help fund strategic initiatives. The Corporation also started Woodhouse Catering, a for-profit catering business in 2021, this company was dissolved in 2022. Advance Care, Advance Care Hospice, and Parker & Gregg are disregarded entities for tax purposes with all revenues and activities flowing through Covenant Woods 990.

**OFFICERS, DIRECTORS, TRUSTEES, MANAGING AND GENERAL PARTNERS, AND CERTAIN PERSONS WHO HOLD EQUITY OR BENEFICIAL INTERESTS**

The names and addresses of the current Officers and Directors of the Corporation are:

|  |   |
|--|---|
| Brandon Armor - <i>Chair</i><br>9333 Kings Charter Dr<br>Mechanicsville, VA 23116      | Michele Satterlund<br>3600 Moss Side Avenue<br>Richmond, VA 23222       |
| Kyle Russell – <i>Vice Chair</i><br>8021 Strawhorn Drive<br>Mechanicsville, VA 23116   | Melissa Ball<br>10322 Sonny Meadows Lane<br>Mechanicsville, VA 23111    |
| Roger Bowers - <i>Secretary</i><br>10301 Perrins Mill Lane<br>Mechanicsville, VA 23116 | Marjorie Cooke<br>7090 Covenant Woods, M106<br>Mechanicsville, VA 23111 |
| Joe O’Connor<br>3551 Parsleys Mill Rd<br>Mechanicsville, VA 23111                      | Richard Adams<br>3624 Edenfield Road<br>Midlothian, VA 23113            |
| Jennifer Gentry<br>9522 Meredith Creek Lane<br>Glen Allen, VA 23060                    | Ed Clingman<br>7371 Beulah Church Rd<br>Mechanicsville, VA 23111        |

|  |   |
|--|---|
| Charles Graves<br>5138 Keitt's Corner Rd<br>Mechanicsville, VA 23111 | Kelsey Beaulieu<br>8136 Greystone East Circle<br>Richmond, VA 23229 |
| Natalie Kent<br>5704 West Franklin St.<br>Richmond, VA 23226         | Linda Pearson<br>1231 Rothesy Circle<br>Richmond, VA 23221          |
|  |   |

Additionally, there are two corporate officers:

President, Chief Executive Officer Thom Wright  
7090 Covenant Woods Drive  
Mechanicsville, Virginia 23111

CFO/Vice-President Home & Community Based Services Erik Mauritsen  
7090 Covenant Woods Drive  
Mechanicsville, Virginia 23111

The Corporation has no trustees and no managing or general partners. No person has a ten percent (10%) or greater equity or beneficial interest in the Corporation. The Corporation has no members. The Corporation is a cooperative effort of the United Methodist Church and the Presbyterian Church (U.S.A.). Neither church, however, is responsible for the financial and contractual obligations of the Corporation.

The Governing Committee, appointed by the Board of Directors, nominates persons to stand for election to the Board of Directors. The sitting president of the Residents' Council serves as a non-voting member of the Board of Directors. The Board of Directors currently consists of 14 voting Board members plus the Resident Council Chair .

**BUSINESS EXPERIENCE OF; ACQUISITION OF GOODS AND SERVICES FROM; AND CRIMINAL, CIVIL AND REGULATORY PROCEEDINGS AGAINST THE PROVIDER; ITS OFFICERS, DIRECTORS, TRUSTEES, MANAGING AND GENERAL PARTNERS; CERTAIN PERSONS WHO HOLD EQUITY OR BENEFICIAL INTERESTS; AND THE MANAGEMENT**

**A. Business Experience**

The Corporation operated the Richmond Home for Ladies in the City of Richmond, Virginia from 1914 to 2001. The Corporation has operated the Covenant Woods Facility since July 2001.

The experience in operation or management of the Corporation by the Directors and Officers is as follows:

| Director            | Member Since | Experience                           |
|---------------------|--------------|--------------------------------------|
| Kelsey Beaulieu     | 2020         | Financial planner, Morgan Stanley    |
| Kyle Russell        | 2022         | Director of strategy, VHI            |
| Linda Pearson       | 2020         | Retired CPA                          |
| Michelle Satterlund | 2020         | Attorney, McGuire Woods              |
| Ed Clingman         | 2020         | Attorney & CPA, bankruptcy attorney  |
| Melissa Ball        | 2020         | Business Owner, Ball Office Products |
| Marjorie Cooke      | 2023         | Retired Nurse                        |
| Richard Adams       | 2022         | Financial Advisor                    |
| Brandon Armor       | 2021         | Chair, Genworth, Director            |
| Jennifer Gentry     | 2023         | Fundraising Executive                |
| Joe O'Connor        | 2021         | Retired Project Manager              |
| Chuck Graves        | 2019         | Director of Finance, Retired         |
| Roger Bowers        | 2019         | Attorney, Future Law                 |
| Natalie Kent        | 2019         | Health care executive                |

| Officers:                | Member Since | Experience:               |
|--------------------------|--------------|---------------------------|
| Brandon Armor, Chairman  | 2021         | Genworth, Director        |
| Kyle Russell, Vice Chair | 2022         | Director of strategy, VHI |
| Roger Bowers, Secretary  | 2019         | Attorney, Future Law      |

### **B. Reserve Funding**

The investments of the Corporation are directed by the Finance Committee of the Corporation with the benefit of professional advice. An Investment Policy has been developed in consultation with our investment advisor and Board adopted with the intention to maximize returns, while seeking to limit risk through diversification. The policy and adherence to the policy, along with monitoring investment performance is reviewed not less than annually by The Finance Committee with retained investment consultant. The Finance Committee is appointed by the Board of Directors and is currently comprised of the following members with the following experiences:

#### Members of Finance Committee                      Experience

Brandon Armor    Genworth, Director

Marjorie Cooke    Retired nurse

|                             |                                   |
|-----------------------------|-----------------------------------|
| Kyle Russell                | Director of strategy, VHI         |
| Richard Adams - Chairperson | Financial advisor                 |
| Kelsey Beaulieu             | Financial planner, Morgan Stanely |
| Linda Pearson               | Retired CPA                       |
| Chuck Graves                | Retired, Finance Director         |

**C. Acquisition of Goods and Services**

Neither the Corporation nor any of its officers or directors have any interest, indirectly or directly in any professional services, firm, association, foundation, trust, partnership or corporation or any other business or legal entity which is intended to or will or may provide goods, leases or services to the Corporation of a value of \$500.00 or more within any year.

**D. Criminal and Civil Proceedings**

Neither the Corporation nor any of its officers or directors:

- (1) Has been convicted of a felony or pleaded nolo contendere to a criminal charge, or been held liable or enjoined in a civil action by final judgment where the crime or civil action involved fraud, embezzlement, fraudulent conversion, misappropriation of property, or moral turpitude; or
- (2) Is subject to an injunctive or restrictive order of a court of record, or within the past five years had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, arising out of or relating to business activity or healthcare, including, without limitation, actions affecting a license to operate a foster care facility, nursing home, retirement home, home for the aged or facility registered under Chapter 49, Title 38.2 of the Code of Virginia of 1950, as amended, or similar laws in another state; or
- (3) Is currently the subject of any state or federal prosecution, or administrative investigation involving allegations of fraud, embezzlement, fraudulent conversion, or misappropriation of property.

**OWNERSHIP OF REAL PROPERTY**

The real property on which the Covenant Woods facility is located (approximately 90 acres on the east line State Route 643, Lee-Davis Road, Hanover County, VA) is titled in the name of the Corporation. The Economic Development Authority of the County of Hanover has issued, for the benefit of the Corporation, Series 2012A bonds, the proceeds of which were used to finance in part the expansion of Covenant Woods and refund the Series 1999 Bonds. Series A of the 2012 Bonds was a fixed rate bond issue, issued under a master trust indenture with U.S. Bank for \$64,495,000 with final maturity in 2047. Series B of the 2012 Bonds was a variable rate bond issue held by First Tennessee Bank under a non-qualified bank loan for \$37,000,000, that was repaid in full in July of 2015. The Corporation's obligations to make such payments are secured by a mortgage (deed of trust) on the Covenant Woods facility, a security interest in the equipment at such facility, an assignment of leases and rents and a security interest in rents and monthly service fees. In July 2018, The Corporation issued \$30,200,000 of series 2018 bonds, through the County of Hanover, for the refunding of the 2016 bonds held by Union Bank & Trust and completion of the Health Care Center expansion. In April of 2022, The Corporation issued \$54,540,000 of series 2022 bonds, through the County of Hanover, for the call and refunding of series 2012 series bonds.

**LOCATION AND DESCRIPTION OF REAL ESTATE**

The Covenant Woods facility is located at 7090 Covenant Woods Drive, Mechanicsville, Virginia 23111 in Hanover County.

The Covenant Woods facility consists of a main building of steel frame construction with an exterior of brick and vinyl siding. Behind the main building are 43 cottages of style and construction compatible with the main building. The architecture and



design of the main building and the cottages attempt to create a natural residential environment and "campus" setting. The site plan retains as many trees and natural features as possible. The property includes a pond with a paved walking trail.

The 43 cottages are for Independent Living. All consist of 2 bedrooms with 2 full baths. The cottages are fully equipped with such amenities as full eat-in kitchens, separate dining areas, emergency alert systems, window coverings (blinds), wall-to-wall carpeting, exterior patios, refrigerators, microwaves, and dishwashers.

The main building has a central area and 13 wings. The main building is 2 and 3 stories in height. Located in the main building are 188 fully equipped independent living apartments. The apartments are of the following configurations: (i) one bedroom, one bath; (ii) one bedroom, den, one and one-half baths; and (iii) two bedrooms, two baths. The main building also contains the Assisted Living Center of 39 private rooms, the Memory Support Assisted Living Center of 21 private rooms, and the Health Care Center with 62 licensed nursing care beds in all private rooms

The main building includes an indoor pool, a lobby area, mailboxes, parlor, 2 dining rooms, pub, private dining room, game room, conference room, chapel/cultural activity center, bistro, and administrative offices. In addition, the main building has a clinic, wellness center, exercise room, therapeutic pool, activities area, barber/beauty salon, which includes nail and massage studio, arts and crafts room and employee lounge. In various portions of the main building, there are numerous social areas and activity spaces. The design of the main building is intended both to provide for the best possible care and to create the most pleasant residential environment for the Residents of the Covenant Woods Facility.

Advance Care LLC and Advance Care Hospice are located and operated from rental office space at 7501 Boulders View Dr Richmond, VA 23225. The space is under a 5 year lease that started in September 2021.

Woodhouse Catering is a catering division operating under The Corporation at 7090 Covenant Woods Dr Mechanicsville, VA 23111.

#### **AFFILIATIONS WITH RELIGIOUS, CHARITABLE OR OTHER NONPROFIT ORGANIZATIONS; TAX STATUS OF PROVIDER**

A. The Corporation is not subject to the control of the United Methodist Church or the Presbyterian Church (U.S.A.). Neither church is or will be responsible for the financial and contractual obligations of the Corporation. The Corporation, correspondingly, is not and will not be responsible for the financial and contractual obligations of either church.

The Board of Directors currently consists of 14 members, however, there may be up to 15 voting members. The sitting Chair of the Residents' Council is a non-voting member of the Board of Directors.

B. The Corporation is exempt from the payment of Federal Income Tax under the provisions of Section 501(c)(3) of the Internal Revenue Code.

C. As previously discussed, The Corporation is also sole member of Advance Care LLC, a home health agency, Advance Care Hospice LLC, a hospice agency, and Parker & Gregg LLC, a holding company whose purpose is to help fund strategic initiatives.

#### **RESIDENCY AGREEMENTS**

The Corporation currently offers three types of continuing care contracts: (1) Lifecare Residency Agreement, (2) Continuing Care Residency Agreement (Per Diem Health Care), (3) Joint Residency Hybrid Agreement. The form of these contracts are attached hereto as Appendix C and are collectively referred to herein as the "Residency Agreements." The main difference between the Life Care Residency Agreement and the Continuing Care Residency Agreement are the fees payable by the resident upon transfer to the Health and Wellness Center. The Hybrid Agreement is only for couples and combines elements of the first two types of agreements where one person would be a Lifecare resident and the second person would be a Per Diem Health Care resident.

In 2020, The Corporation added a rental contract option that is available for only the Primrose/Rowan 1 bedroom unit. This contract is for one year with renewal option but does not guarantee or imply any access to higher levels of care.

Attached as Appendix D is the Corporation's retired residency agreement; 3-Year Deductible Health Care Agreement. The Corporation no longer accepts Residents under this plan.

## **SERVICES PROVIDED UNDER RESIDENCY AGREEMENTS**

Services provided to Residents are listed in Section H of the Residency Agreements in Appendix C. Section H.2, lists services available at extra charge. See also Section D.3, in the Residency Agreements attached as Appendix C:2 and C:3, with respect to the fees payable by Residents under such agreements with respect to healthcare.

## **FEES REQUIRED OF RESIDENTS**

### **A. *Residency Agreements***

An Entrance Fee is charged as more particularly set forth in Section D.1 of the Residency Agreements. Deposits received prior to the date a resident may take possession are placed in a bank escrow account in accordance with Va. Code 38.2-4904.1. See Sections D and G of the Residency Agreements for more information concerning Entrance Fees, including refunds of Entrance Fees.

The Entrance Fees for admission to the Covenant Woods facility are shown on the following pages. Entrance Fees are expected to increase from time to time. An Administrative Fee equal to 4% of the Entrance Fee is assessed against the Entrance Fee. As set forth in Section G of the Agreement, the full amount of the Entrance Fee, including the Administrative Fee, is refunded when required prior to the Occupancy Date of a Resident. The Administrative Fee is not subject to refund after the Occupancy Date of a Resident as set forth in Section G.4 of the of the Residency Agreement.

Residents must pay a Monthly Service Fee, the amount of which is dependent upon the living unit or residence selected. See Sections D.2 and G of the Residency Agreements for other information concerning Monthly Service Fees, including refunds of Monthly Service Fees.

The Corporation reserves the right to increase Monthly Fees periodically so as to cause the fees from time to time to reflect increases in the cost of care as more particularly set forth in Section D.2.e of the Residency Agreements. However, there are no limitations on the amount, or frequency, of increases in the Monthly Service Fees. The corporation is required, legally and contractually, to provide at least 30-days' notice of any increase in fees.

Residents under the Continuing Care Residency Agreements pay a Daily Fee for care in the Assisted Living Center, the Memory Support Center and the Nursing Facility. See Section D.3 in the Residency Agreements attached as Appendix C:2 and C:3. The Daily Fee is subject to adjustment from time to time.

Rates are reviewed annually by the Finance Committee and approved by the Board of Directors. Increases generally are based on cost of operational expense increases. The charts that follow show the periodic increases of Monthly Service Fees and Daily Fees.

Residents may reserve their living units by making a deposit equal to ten percent (10%) of the Entrance Fee applicable to their respective Living Units at the time of application as more particularly set forth in Section D.1.b of the Residency Agreements. The balance of the Entrance Fee is due prior to Residents moving in to their Living Units.

For information regarding costs associated with the transfer by a Resident to another Living Unit within the facility, refer to Sections J and N.1, of the Residency Agreements. For information regarding potential costs in the event a Resident marries a non-Resident and the spouse desires accommodations at the Covenant Woods facility, refer to Section N of the Residency Agreements.

Residents are required to carry Medicare Insurance Parts A and B and a Medicare Supplement, or the equivalent of such coverages, as provided in Section H.7 or H.5 of the applicable Residency Agreement. Residents are encouraged to maintain insurance coverage on their personal property, as provided in Section R.1 of the Residency Agreements.

## **Covenant Woods - Current Entrance Fees by Contract Type**

Effective April 1, 2023

|                            | Option I -<br>Lifecare 50<br>Month<br>Declining<br>Balance | Option II -<br>Lifecare 50%<br>Guaranteed<br>Refund | Option III -<br>Lifecare 90%<br>Guaranteed<br>Refund | Option IV -<br>Per Diem (Fee<br>for Service) |
|----------------------------|--|---|--|--|
| <b>Apartments:</b>         |  |   |  |  |
| Primrose/Rowan             | 250,000  | 350,000   | 462,500  | 175,000                                      |
| Hawthorn                   | 316,663  | 443,328   | 585,826  | 221,664                                      |
| Laurel                     | 357,261  | 500,165   | 660,932  | 250,083                                      |
| Laurel Deluxe              | 394,286  | 552,000   | 729,429  | 276,000                                      |
| Aster                      | 367,329  | 514,261   | 679,559  | 257,130                                      |
| Camellia                   | 421,892  | 590,649   | 780,501  | 295,325                                      |
| Cypress                    | 428,388  | 599,743   | 792,518  | 299,872                                      |
| Holly                      | 427,739  | 598,834   | 791,316  | 299,417                                      |
| Holly II                   | 427,739  | 598,834   | 791,316  | 299,417                                      |
| Willow                     | 432,610  | 605,654   | 800,329  | 302,827                                      |
| Iris                       | 333,876  | 467,427   | 617,671  | 233,713                                      |
| Azalea                     | 399,482  | 559,275   | 739,043  | 279,638                                      |
| Violet                     | 433,909  | 607,473   | 802,732  | 303,737                                      |
| Sage                       | 474,832  | 664,763   | 878,439  | 332,382                                      |
| Wisteria                   | 513,806  | 719,328   | 950,541  | 359,664                                      |
| Heather                    | 527,772  | 738,880   | 976,377  | 369,440                                      |
| Hyacinth                   | 523,436  | 732,810   | 968,356  | 366,405                                      |
| Garden Hyacinth            | 488,798  | 684,317   | 904,276  | 342,158                                      |
| <b>Cottages:</b>           |  |   |  |  |
| Bartlett                   | 498,877  | 698,428   | 922,923  | 349,214                                      |
| Cortland                   | 537,862  | 753,007   | 995,045  | 376,504                                      |
| York                       | 582,133  | 814,987   | 1,076,947  | 407,493                                      |
| Magnolia                   | 637,349  | 892,288   | 1,179,096  | 446,144                                      |
| Mulberry                   | 502,181  | 703,053   | 929,035  | 351,527                                      |
| Spruce                     | 564,954  | 790,935   | 1,045,164  | 395,467                                      |
| Poplar                     | 589,732  | 825,625   | 1,091,005  | 412,813                                      |
| Hickory                    | 612,859  | 858,000   | 1,133,789  | 429,001                                      |
| Second Person Entrance Fee | 78,400   | 107,600   | 149,300  | 51,100                                       |

## Covenant Woods Monthly Fee Rate History

|  | Effective<br>4/1/2019 | Effective<br>4/1/2020 | Effective<br>4/1/2021 | Effective<br>4/1/2022 | Effective<br>4/1/2023 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Apartments:</b>                     |                       |                       |                       |                       |                       |
| Bayberry                               | 3,427                 | 3,538                 | 3,645                 | 3,790                 | 4,046                 |
| Primrose/Rowan                         |                       | 3,046                 | 3,137                 | 3,790                 | 4,046                 |
| Hawthorn                               | 3,803                 | 3,927                 | 4,044                 | 4,206                 | 4,490                 |
| Laurel                                 | 4,290                 | 4,429                 | 4,562                 | 4,745                 | 5,065                 |
| Laurel Deluxe                          | 4,553                 | 4,701                 | 4,842                 | 5,036                 | 5,376                 |
| Aster                                  | 4,241                 | 4,379                 | 4,510                 | 4,691                 | 5,007                 |
| Camellia                               | 4,676                 | 4,828                 | 4,973                 | 5,172                 | 5,521                 |
| Cypress                                | 4,748                 | 4,902                 | 5,049                 | 5,251                 | 5,606                 |
| Holly                                  | 4,741                 | 4,895                 | 5,042                 | 5,244                 | 5,598                 |
| Holly II                               | 4,741                 | 4,895                 | 5,042                 | 5,244                 | 5,598                 |
| Willow                                 | 4,795                 | 4,951                 | 5,099                 | 5,303                 | 5,661                 |
| Iris                                   | 4,009                 | 4,139                 | 4,263                 | 4,434                 | 4,733                 |
| Azalea                                 | 4,613                 | 4,763                 | 4,906                 | 5,102                 | 5,446                 |
| Violet                                 | 5,010                 | 5,173                 | 5,328                 | 5,541                 | 5,915                 |
| Sage                                   | 5,483                 | 5,661                 | 5,831                 | 6,064                 | 6,474                 |
| Wisteria                               | 5,695                 | 5,880                 | 6,056                 | 6,299                 | 6,724                 |
| Heather                                | 5,850                 | 6,040                 | 6,221                 | 6,470                 | 6,907                 |
| Hyacinth                               | 5,976                 | 6,170                 | 6,355                 | 6,610                 | 7,056                 |
| Garden Hyacinth                        | 4,891                 | 5,050                 | 5,201                 | 5,410                 | 5,775                 |
| <b>Cottages:</b>                       |                       |                       |                       |                       |                       |
| *Bradford                              | 5,310                 | 5,482                 | 5,647                 | 5,873                 | 6,269                 |
| *Bradford Expanded                     | 5,462                 | 5,640                 | 5,809                 | 6,041                 | 6,449                 |
| *Bradford Deluxe                       | 5,550                 | 5,731                 | 5,903                 | 6,139                 | 6,553                 |
| Bartlett                               | 4,590                 | 4,739                 | 4,881                 | 5,077                 | 5,419                 |
| Cortland                               | 4,949                 | 5,110                 | 5,263                 | 5,474                 | 5,843                 |
| York                                   | 5,356                 | 5,530                 | 5,696                 | 5,924                 | 6,324                 |
| Magnolia                               | 6,040                 | 6,236                 | 6,423                 | 6,680                 | 7,131                 |
| Mulberry                               | 4,621                 | 4,771                 | 4,914                 | 5,111                 | 5,456                 |
| Spruce                                 | 5,198                 | 5,367                 | 5,528                 | 5,749                 | 6,137                 |
| Poplar                                 | 5,426                 | 5,602                 | 5,770                 | 6,001                 | 6,406                 |
| Hickory                                | 5,639                 | 5,822                 | 5,997                 | 6,237                 | 6,658                 |
| Second Person Fee                      | 1,560                 | 1,610                 | 1,650                 | 1,725                 | 1,840                 |
| <b>Health &amp; Wellness Per Diem:</b> |                       |                       |                       |                       |                       |
| Assisted Living                        | 208                   | 218                   | 229                   | 236                   | 236                   |
| Memory Support                         | 252                   | 265                   | 278                   | 287                   | 287                   |
| Nursing - Private                      | 331                   | 348                   | 365                   | 376                   | 376                   |

*\*Bradford cottages are no longer being marketed*

**SERVICE FEES**  
**Effective April 1, 2022**

**Various Services**

---

|   |  |
|---|--|
| Dry Cleaning                              | Price list located at concierge desk + admin fee   |
| Facility Work Order Request               | <i>Varies*</i>   |
| <i>Internal Move to a New Unit</i>        | <i>\$50/Hour/Staff Member</i>  |
| Housekeeping (additional)                 | \$25 / Hour  |
| Comforters/Oversized Bedding/Laundry      | \$35/per item  |
| IT Work Order Request                     | \$50 / Hour  |
| Key/FOB/Door Badge Replacement<br>\$15.00 | \$15.00 Windshield Reader Replacement  |
| Name Badge Replacement                    | \$17.50  |
| SARA Replacement – Double Button          | \$200.00   |
| SARA Replacement – Single Button          | \$175.00   |
| CATIE Tablet Replacement                  | \$500.00   |
| CATIE Tablet Magnetic Case                | \$130.00   |
| CATIE Tablet Charging Base                | \$175.00   |
| Package delivery and handling             | \$5.00 / per item  |
| Bounced check or auto draft               | \$25 per occurrence  |
| Photo Copies & Faxes (B/W & Color)        | \$0.10 every B&W copy/page<br>\$0.50 every color copy/page<br><i>(Two-sided copies equal 2 copies)</i> |

**Monthly Services** *(billed monthly)*

---

|   |                                   |
|---|-----------------------------------|
| Laundry (Assisted Living)                 | \$65.00 per resident              |
| CW Telephone                              | \$14.00 per room                  |
| CW Telephone w/Voice Mail                 | \$18.00 per room                  |
| Comcast Internet, Premium Channels, Phone | Charge list provided by Comcast** |

*\*\*Covenant Woods provides complimentary basic Comcast cable to residents*

|  |   |
|--|---|
| <b>Guest Room</b>                          | \$135.00/night (includes breakfast for each guest, Wi-Fi and use of gym)                                  |
| <b>Beauty Shop / Barber Services</b>       | Charge list is posted in Beauty Salon & Spa   |
| <b>Fitness Personal Training Sessions:</b> | \$45/one hour<br>\$25/thirty minutes<br>\$225 for six 1-hour sessions<br>\$125 for six 30-minute sessions |

**Dining**

Catering - Must give 72 hours' notice for catering orders.

Meal Credit Plan (Independent living only for contracts dating before July 2012):

|                     |       |
|---------------------|-------|
| Additional 15 meals | \$75  |
| Additional 30 meals | \$150 |

Meal Delivery in Independent Living \$5 per entree

**Dining – Manor East Only**

*Health & Wellness Meals (as per contract):*

|   |                   |
|---|-------------------|
| Health & Wellness meal charge             | \$390 / Per Month |
| Health & Wellness meal charge (temp stay) | \$13 / Per Day    |

*Guest Meals in Manor East (must pre-purchase at Bistro & present ticket to dining staff):*

|                         | <u>Adults</u> | <u>Children (12 &amp; under)</u> |
|-------------------------|---------------|----------------------------------|
| Breakfast \$8.00 \$6.00 |               |                                  |
| Lunch/Dinner            | \$12.00       | \$6.00                           |

**Clinic Services**

|  | <u>Regular Hours</u>    | <u>After Hours</u>      |
|--|-------------------------|-------------------------|
| <u>Assistance Scheduling Appointments/RX Refills</u>   | <u>25.00/request</u>    | <u>not available</u>    |
| Vital Sign Check   | complimentary           | not available           |
| Weight Check   | complimentary           | not available           |
| VIP Pack Review  | complimentary           | not available           |
| Review of Services   | complimentary           | not available           |
| Glucose Check (finger stick only) -<br><i>device &amp; supplies provided by the resident</i> | complimentary           | \$35                    |
| Injections - <i>medication provided by resident</i>  | complimentary           | \$35                    |
| Lab Draw & Specimen Collection   | \$20                    | \$40                    |
| Wound Care - <i>Dressing Change</i>  | \$50 & cost of supplies | \$55 & cost of supplies |
| Wound Care - <i>Suture/Staple Removal</i>  | \$50 & pplies           | \$55 & cost of supplies |

*Medical Ancillary Supply fees are reflective of then current expenses. A complete list may be requested through the Clinic. Any new services made available will be announced to residents along with any associated cost.*

**Transportation Services**

| <u>Type of Trip</u>                    | <u>Distance^^</u>   |
|--|---|
| Medical – less than 5 miles round trip | complimentary   |
| Medical – over 5 miles round trip      | \$1.25 per mile   |
| Personal+                              | \$1.25 per mile plus driver fee (\$25 per hour) with a minimum driver fee of \$10 |

Recreation

\$0.66 per mile round trip when using the Covenant Woods bus

*^Distance is calculated on a round trip basis for each occurrence, with a maximum of 40 miles round trip. For example, if the driver takes you to the airport, you will be charge the mileage for both the driver taking you from Covenant Woods to the airport as well as the driver's mileage back to Covenant Woods.*

*+Personal services are subject to availability. Priority will be given to medical transportation services for both Manor East and Independent Living residents.*

No-Shows or Cancellations

Medical  
Personal

Charge

\$5 fee per occurrence  
Less than 24 hour notice will be assessed the full mileage of the scheduled trip plus the minimum \$10 driver fee

## **AUDITED Financial Statements**

Attached as Appendix A are audited Financial Statements of the Corporation including the balance sheets, statements of operations, and changes in unrestricted net assets and statement of cash flows for the two most recent fiscal years.

## **Pro forma Income Statements**

Attached as Appendix B is a Pro Forma Income Statement for the year ending March 31, 2023. The statement conforms to generally accepted accounting principles and includes specific descriptions of the major assumptions used in developing these pro forma statements.

## **Admission of New Residents**

A minimum age of 62 is required at the time of application. In the case of Joint Residents, with administrative approval, only one must meet the minimum age requirement. Applicants must also demonstrate the ability to meet the cost of care.

Please refer to the Residency Agreements, specifically the Premise and Section A, for additional admission requirements and procedures.

## **Access to Community and Services by Non-Residents**

Guests of Residents do not receive the benefit of services afforded Residents. However, arrangements may be made to accommodate overnight guests in two guest rooms.

Direct entry into the Assisted Living Center, the Memory Support Center and the Nursing Facility is permitted in some circumstances depending on anticipated needs for Residents of the Covenant Woods Facility as determined from time to time by the Corporation.

## **Procedure by Which a Resident May File a Complaint or Disclose Any Concern**

A Resident may file a complaint or disclose any concern, in writing, as follows:

- 1) The complaint or concern should first be submitted in writing to the appropriate Department Head who will provide a written response within 15 days.
- 2) In the event the Resident's complaint or concern is not resolved to the Resident's satisfaction by the Department Head within such 15 day period, the Resident may submit the complaint or concern to the Administrator who will provide a written response within 15 days.



**FINANCIAL STATEMENTS**

**COVENANT WOODS**

Fiscal Years ended March 31, 2023 and 2022 with Report of Independent Auditors

# **Covenant Woods**

Consolidated Financial Statements and  
Supplementary Information

March 31, 2023 and 2022

## **Covenant Woods**

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March 31, 2023 and 2022

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## Independent Auditors' Report

To the Board of Directors of  
Covenant Woods

### Opinion

We have audited the consolidated financial statements of Covenant Woods (the Organization), which comprise the consolidated balance sheet as of March 31, 2023, and the related consolidated statements of operations and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of March 31, 2023, and the results of its operations, changes in its 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Prior Period Financial Statements

The consolidated financial statements of Covenant Woods as of March 31, 2022 were audited by other auditors whose report dated July 12, 2022 expressed an unmodified opinion on those statements.

### Responsibilities of Management for the Consolidated Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 consolidated 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 consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 audit.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information appearing on pages 23 - 26 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*Baker Tilly US, LLP*

Tysons, Virginia  
July 26, 2023

## Covenant Woods

Consolidated Balance Sheets  
March 31, 2023 and 2022

|  | <u>2023</u>           | <u>2022</u>           |
|--|-----------------------|-----------------------|
| <b>Assets</b>                                  |                       |                       |
| <b>Current Assets</b>                          |                       |                       |
| Cash and cash equivalents                      | \$ 2,221,665          | \$ 2,350,782          |
| Resident and patient accounts receivables, net | 1,655,896             | 1,058,846             |
| Prepaid expenses and other current assets      | 498,959               | 642,587               |
| Total current assets                           | <u>4,376,520</u>      | <u>4,052,215</u>      |
| <b>Investments</b>                             | <u>25,600,146</u>     | <u>30,725,444</u>     |
| <b>Assets Whose Use is Limited</b>             |                       |                       |
| Restricted under perpetual donor restrictions  | 1,365,367             | 1,588,047             |
| Restricted under purpose donor restrictions    | 2,363,516             | 2,596,473             |
| Bond trustee funds and other                   | 6,626,333             | 7,724,919             |
| Total assets whose use is limited              | <u>10,355,216</u>     | <u>11,909,439</u>     |
| <b>Goodwill</b>                                | <u>1,481,436</u>      | <u>1,700,908</u>      |
| <b>Property and Equipment, Net</b>             | <u>109,497,280</u>    | <u>114,715,740</u>    |
| <b>Other Assets</b>                            | <u>472,308</u>        | <u>499,842</u>        |
| Total assets                                   | <u>\$ 151,782,906</u> | <u>\$ 163,603,588</u> |
| <b>Liabilities and Net Assets</b>              |                       |                       |
| <b>Current Liabilities</b>                     |                       |                       |
| Accounts payable                               | \$ 601,090            | \$ 445,033            |
| Accrued salaries and benefits                  | 1,258,288             | 1,215,260             |
| Interest payable                               | 910,845               | 1,047,773             |
| Unearned revenue                               | 93,177                | 87,304                |
| Refundable deposits                            | 781,607               | 1,608,770             |
| Current portion of lease liability             | 117,278               | 109,355               |
| Current portion of long-term debt              | 1,417,500             | 1,370,000             |
| Other  | 702,132               | 940,749               |
| Total current liabilities                      | <u>5,881,917</u>      | <u>6,824,244</u>      |
| <b>Long-Term Liabilities</b>                   |                       |                       |
| Long-term debt, net of current portion         | 84,864,039            | 84,260,453            |
| Lease liability, net of current portion        | 358,167               | 476,652               |
| Refundable entrance fees                       | 1,981,799             | 2,198,709             |
| Deferred revenue from entrance fees            | 52,767,902            | 51,564,941            |
| Total long-term liabilities                    | <u>139,971,907</u>    | <u>138,500,755</u>    |
| Total liabilities                              | <u>145,853,824</u>    | <u>145,324,999</u>    |
| <b>Net Assets</b>                              |                       |                       |
| Without donor restrictions                     | <u>1,834,124</u>      | <u>13,737,729</u>     |
| With donor restrictions:                       |                       |                       |
| Purpose restrictions                           | 2,729,591             | 2,952,813             |
| Perpetual in nature                            | 1,365,367             | 1,588,047             |
| Total net assets with donor restrictions       | <u>4,094,958</u>      | <u>4,540,860</u>      |
| Total net assets                               | <u>5,929,082</u>      | <u>18,278,589</u>     |
| Total liabilities and net assets               | <u>\$ 151,782,906</u> | <u>\$ 163,603,588</u> |

See notes to consolidated financial statements

## Covenant Woods

Consolidated Statements of Operations  
Years Ended March 31, 2023 and 2022

|  | <u>2023</u>            | <u>2022</u>           |
|--|------------------------|-----------------------|
| <b>Revenues, Gains and Other Support</b>                               |                        |                       |
| Resident services, net   | \$ 20,999,597          | \$ 19,730,980         |
| Amortization of entrance fees  | 7,366,686              | 7,561,969             |
| Home health and hospice services                                       | 4,503,882              | 4,025,230             |
| Gifts and donations  | 196,335                | 202,434               |
| Interest and dividend income   | 1,262,915              | 1,766,489             |
| Net realized gains and losses on sales of investments                  | 944,525                | 3,926,797             |
| Net assets released from restrictions, operations                      | 124,550                | 94,248                |
| Other  | 1,140,337              | 724,110               |
|  | <u>36,538,827</u>      | <u>38,032,257</u>     |
| <b>Operating Expenses</b>  |                        |                       |
| Residential, home health and hospice services                          | 9,928,084              | 8,363,379             |
| Dietary  | 4,867,945              | 4,632,770             |
| Plant operations   | 3,337,562              | 3,285,481             |
| Housekeeping and laundry   | 1,308,947              | 1,176,789             |
| Social services and activities   | 1,277,847              | 1,294,522             |
| Marketing and advertising  | 1,199,650              | 1,098,811             |
| General and administrative   | 9,593,872              | 10,528,509            |
| Depreciation and amortization  | 6,598,922              | 6,692,447             |
| Interest   | 3,810,373              | 4,565,903             |
| Fundraising  | 130,236                | 93,595                |
| Other  | 599,037                | 134,136               |
|  | <u>42,652,475</u>      | <u>41,866,342</u>     |
| Total operating expenses   | <u>42,652,475</u>      | <u>41,866,342</u>     |
| Operating loss   | <u>(6,113,648)</u>     | <u>(3,834,085)</u>    |
| <b>Nonoperating Income (Loss)</b>                                      |                        |                       |
| Unrealized gains and losses on investments                             | (3,296,845)            | (4,742,292)           |
| Loss of debt extinguishment  | (1,727,751)            | -                     |
| COVID-19 relief revenue  | -                      | 42,344                |
| COVID-19 expenses  | (625,389)              | (790,253)             |
| Loss on disposal of assets   | (139,972)              | (186,479)             |
|  | <u>(5,789,957)</u>     | <u>(5,676,680)</u>    |
| Total nonoperating income (loss)                                       | <u>(5,789,957)</u>     | <u>(5,676,680)</u>    |
| Revenues, gains and other support<br>in excess of (less than) expenses | <u>\$ (11,903,605)</u> | <u>\$ (9,510,765)</u> |

See notes to consolidated financial statements

## Covenant Woods

Consolidated Statements of Changes in Net Assets  
Years Ended March 31, 2023 and 2022

|   | <u>2023</u>         | <u>2022</u>          |
|---|---------------------|----------------------|
| <b>Net Assets Without Donor Restrictions</b>                        |                     |                      |
| Revenues, gains and other support in excess of (less than) expenses | \$ (11,903,605)     | \$ (9,510,765)       |
| Change in net assets without donor restrictions                     | <u>(11,903,605)</u> | <u>(9,510,765)</u>   |
| <b>Net Assets With Donor Restrictions, Purpose</b>                  |                     |                      |
| Contributions   | 59,970              | 96,199               |
| Interest income and dividends                                       | 88,175              | 84,919               |
| Net realized gains  | 49,384              | 31,874               |
| Net unrealized (losses) gains                                       | (296,201)           | 100,087              |
| Releases from restrictions  | <u>(124,550)</u>    | <u>(94,248)</u>      |
| Change in net assets with donor restrictions, purpose               | (223,222)           | 218,831              |
| <b>Net Assets With Donor Restrictions, Perpetual</b>                |                     |                      |
| Change in fair value of perpetual trusts                            | <u>(222,680)</u>    | <u>(56,382)</u>      |
| Change in net assets with donor restrictions                        | <u>(445,902)</u>    | <u>162,449</u>       |
| Change in net assets  | (12,349,507)        | (9,348,316)          |
| <b>Net Assets, Beginning</b>  | <u>18,278,589</u>   | <u>27,626,905</u>    |
| <b>Net Assets, Ending</b>   | <u>\$ 5,929,082</u> | <u>\$ 18,278,589</u> |

See notes to consolidated financial statements



## Covenant Woods

Consolidated Statements of Cash Flows  
Years Ended March 31, 2023 and 2022

|   | <u>2023</u>         | <u>2022</u>         |
|---|---------------------|---------------------|
| <b>Cash Flows From Operating Activities</b>   |                     |                     |
| Change in net assets  | \$ (12,349,507)     | \$ (9,348,316)      |
| Adjustments to reconcile change in net assets to net cash used in operating activities: |                     |                     |
| Loss on disposal of assets  | 139,972             | 186,479             |
| Loss of debt extinguishment   | 1,727,751           | -                   |
| Amortization of deferred revenue from entrance fees                                     | (7,366,686)         | (7,561,969)         |
| Proceeds from entrance fees   | 9,054,064           | 6,766,603           |
| Depreciation  | 6,379,450           | 6,472,975           |
| Amortization of deferred financing costs  | 132,280             | 144,654             |
| Net realized and unrealized losses on investments                                       | 2,599,137           | 683,534             |
| Change in fair value of perpetual trusts  | 222,680             | 56,382              |
| Amortization of capitalized interest  | 212,540             | 212,540             |
| Amortization of bond premium costs  | (243,790)           | (73,324)            |
| Amortization of goodwill  | 219,472             | 219,472             |
| Net change in:  |                     |                     |
| Resident and patient accounts receivables, net  | (597,050)           | (105,830)           |
| Prepaid expenses and other current assets   | 143,628             | (80,617)            |
| Net assets with donor restrictions, purpose   | -                   | (149,754)           |
| Accounts payable  | 156,057             | 99,661              |
| Accrued salaries and benefits   | 43,028              | (192,502)           |
| Interest payable  | (136,928)           | (34,003)            |
| Unearned revenue  | 5,873               | (15,644)            |
| Refundable deposits   | (827,163)           | 1,608,770           |
| Deferred revenue, provider relief funding   | -                   | (42,344)            |
| Other   | (321,645)           | (183,946)           |
| Net cash used in operating activities   | <u>(806,837)</u>    | <u>(1,337,179)</u>  |
| <b>Cash Flows From Investing Activities</b>   |                     |                     |
| Purchases of property and equipment   | (1,513,502)         | (2,345,954)         |
| Net sales of investments and assets whose use is limited                                | <u>3,857,704</u>    | <u>7,214,167</u>    |
| Net cash provided by investing activities   | <u>2,344,202</u>    | <u>4,868,213</u>    |
| <b>Cash Flows From Financing Activities</b>   |                     |                     |
| Net proceeds from Series 2022 refinancing   | 327,776             | -                   |
| Payments for deferred financing costs   | (1,087,931)         | (51,950)            |
| Principal payments on long-term debt  | (205,000)           | (1,315,000)         |
| Refunds to residents  | <u>(701,327)</u>    | <u>(2,051,364)</u>  |
| Net cash used by financing activities   | <u>(1,666,482)</u>  | <u>(3,418,314)</u>  |
| Net change in cash and cash equivalents   | (129,117)           | 112,720             |
| <b>Cash and Cash Equivalents, Beginning</b>   | <u>2,350,782</u>    | <u>2,238,062</u>    |
| <b>Cash and Cash Equivalents, Ending</b>  | <u>\$ 2,221,665</u> | <u>\$ 2,350,782</u> |
| <b>Supplemental Disclosure of Noncash Activities</b>                                    |                     |                     |
| Assets acquired through lease liability   | <u>\$ -</u>         | <u>\$ 619,981</u>   |
| <b>Supplemental Disclosure of Cash Flows Information</b>                                |                     |                     |
| Cash paid for interest  | <u>\$ 3,846,271</u> | <u>\$ 4,316,036</u> |

See notes to consolidated financial statements

## **Covenant Woods**

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Notes to Consolidated Financial Statements  
March 31, 2023 and 2022

### **1. Organization**

Covenant Woods is a nonprofit corporation founded by the Presbyterian and Methodist churches in 1883. Covenant Woods provides housing, healthcare and other related services to residents through the operation of its continuing care retirement community, which currently sits on 90 acres in Hanover County, Virginia. Covenant Woods seeks to provide continuing care, in accordance with the terms of governmental licenses and restrictions, to the extent of its resources and facilities, which currently includes 231 independent living units, 39 assisted living units, 21 memory care units and 62 licensed skilled nursing beds.

Parker & Gregg, LLC (Parker & Gregg), a wholly owned subsidiary of Covenant Woods, helps aid in the development and implementation of future strategic initiatives of Covenant Woods.

Advance Care, LLC (Advance Care), a wholly owned subsidiary of Covenant Woods, is a home health and related services provider in Richmond, Virginia.

Advance Care Hospice, LLC (Advance Care Hospice), a wholly owned subsidiary of Covenant Woods, provides hospice services to the local community.

Woodhouse Catering, Inc. (Woodhouse), was organized as a wholly owned subsidiary of Parker & Gregg. Woodhouse ceased operations on October 1, 2022.

### **2. Summary of Significant Accounting Policies**

#### **Principles of Consolidation**

The consolidated financial statements include the accounts of Covenant Woods, Advance Care, Parker & Gregg, Advance Care Hospice and Woodhouse (collectively, the Organization). All significant intercompany transactions and balances have been eliminated in consolidation.

#### **Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. 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 consolidated 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**

For the purposes of the consolidated statements of cash flows, cash and cash equivalents, cash equivalents include investments purchased with an initial maturity of three months or less. The Organization maintains its cash and cash equivalents at various financial institutions. The Organization has not experienced any losses in such accounts as does not believe it is exposed to any significant credit risk on cash and cash equivalents which may at times, exceed federally insured limits.

## Covenant Woods

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Notes to Consolidated Financial Statements  
March 31, 2023 and 2022

### Resident and Patient Accounts Receivable

The Organization assesses collectability on all resident and patient accounts prior to providing services. An allowance for uncollectible accounts is recognized to reduce accounts receivable to its net realizable value for impairment of revenues for changes in resident and patient credit worthiness. The allowance is estimated by management during periodic review of individual accounts and historical experience. Accounts are written off through bad debt expense when the Organization has exhausted all collection efforts and accounts are deemed impaired. The allowance for doubtful accounts was approximately \$235,000 and \$30,000, as of March 31, 2023 and 2022, respectively.

### Investments and Investment Risk

The Organization's investments are comprised of a variety of financial instruments and are managed by third-party investment advisors. The fair values reported in the accompanying consolidated balance sheets are subject to various risks, including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the consolidated balance sheets could change materially in the near term.

Investments in money market funds, mutual funds, equity securities and debt and obligation securities with readily determinable fair values are measured at fair value in the consolidated balance sheets and are determined based upon quoted market prices. Investments in hedge funds and perpetual trusts are determined using underlying assumptions developed by the Organization in determining fair value. Contributions of investments are stated at the fair market value at the date of receipt. Certain investments in limited partnerships are recorded on the cost method.

Investment income or loss (including net realized gains and losses on investments, interest and dividend income) and net unrealized gains and losses on investments are included in the determination of revenues, gains and other support in excess (less than) expenses unless the income or loss is restricted by donor or law. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

### Assets Whose Use is Limited

Included in assets whose use is limited is the Organization's funds restricted under perpetual donor restrictions, restricted under purpose donor restrictions and assets held by a trustee under bond indenture agreements.

*Restricted under perpetual donor restrictions* - Assets whose use is limited which are externally restricted under perpetual donor restriction are administered by independent trustees and generally consist of cash and cash equivalents, mutual funds and debt and equity securities, which are carried at fair value. Under the terms of the trusts, the donors have established and funded the trusts with specified distributions to be made to the Organization in perpetuity. Because the trusts are perpetual, these funds are reported as perpetually restricted net assets. Income distributions from these trusts are recorded as interest and dividend income in the accompanying consolidated statements of operations, while any appreciation (depreciation) in the trust value is recorded as a change in perpetually restricted net assets with donor restrictions, in accordance with donor restrictions.

## **Covenant Woods**

Notes to Consolidated Financial Statements  
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*Restricted under purpose donor restrictions* - Assets whose use is limited which are externally restricted for purpose donor restriction generally consist of cash and cash equivalents, limited partnerships, corporate bonds and debt and equity securities, which are carried at fair value. Under the terms of the trust, the donor has established that the funds be reported as net assets with donor restrictions, where the income and principal, if need be, is used to provide financial assistance to residents in need. These funds are not to be considered as a source for capital improvements for the Organization. Income distributions from this trust are recorded as interest and dividend income in the accompanying consolidated statements of operations, while any appreciation (depreciation) in the trust value is recorded as a change in purpose restricted net assets with donor restrictions.

*Bond trustee funds* - Assets whose use is limited which are externally assets held by a trustee under bond indenture agreements generally consist of cash and cash equivalents.

### **Goodwill**

The excess of the purchase price over the fair value of the identifiable net assets acquired related to the acquisition of Advance Care is recorded as goodwill. The Organization is amortizing this amount into expense over 10 years. Amortization expense was approximately \$219,000 for each of the years ended March 31, 2023 and 2022.

### **Property and Equipment**

Property and equipment, including construction in progress, is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The general range of estimated useful lives is 10 years to 40 years for land improvements, buildings, and buildings improvements, seven years to 10 years for furniture and equipment, five years to 10 years for vehicles and three years to five years for computer equipment and software. Covenant Woods uses a capitalization threshold of \$1,000. The other entities use a capitalization threshold of \$500.

Property and equipment are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If the expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceed the fair value of the assets. There were no impairment losses in 2023 or 2022.

### **Leases**

The Organization determines if an arrangement is a lease at inception. Operating leases are included in property, plant and equipment as right-of-use (ROU) assets and lease payable in the consolidated balance sheets. ROU assets present the Organization's right to use an underlying asset for the lease term and lease payables represent the Organization's obligation to make lease payments arising from the lease. ROU assets and payables are recognized at the commencement date of the lease based on present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization 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 payables or ROU assets on the consolidated balance sheets.

### **Deferred Financing Costs**

Financing costs incurred in connection with the issuance of debt are deferred and amortized as a component of interest expense over the term of the related indebtedness on a straight-line basis, which approximates the effective interest method. These costs are shown as a direct deduction from the face amount of the related borrowings.

## Covenant Woods

Notes to Consolidated Financial Statements  
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### Deferred Revenue From Entrance Fees and Refundable Entrance Fees

Deferred revenue from entrance fees represents the nonrefundable fees received at the time a resident is admitted to the community. Nonrefundable advance fees are amortized over the estimated life expectancy of the individual resident, or couple, and adjusted annually depending on the type of contract. Upon the death of a sole surviving resident, any remaining unamortized portion of the nonrefundable advance fee is recognized as operating revenue. No amortization is recorded on the refundable portion of entrance fees.

Under the residency agreement, a reservation fee of 10% of the advance fee may be required with each reservation. The reservation fee is refundable in full if, before the occupancy date, (i) a written request is received from the applicant, (ii) the applicant is not admitted, or (iii) the applicant dies before the date of closing. Upon occupancy, reservation fees are reclassified as deferred revenue from entrance fees.

The Organization provides the following resident agreements:

*The Declining Refund* is a refundable lifecare contract. This contract provides for assisted living and nursing care at no additional charge. The refund for withdrawal is reduced by 2% each month of occupancy for 50 months. There is no refund after the 50th month of occupancy. For contracts signed before July 2013, the refund for the death of a resident is reduced by 2% each month of occupancy for 12 months. Beginning with month 13, the refund will be zero upon the death of the resident. For contracts signed July 2013 and thereafter, the refund for death of a resident is reduced by 2% each month of occupancy for 50 months. The refund will be made upon reoccupancy of the vacated unit or 12 months, whichever occurs first, following the date of termination.

*The 90% Guaranteed Refund* is a refundable lifecare contract. This contract has the same health care provisions as the declining refund contract. The refund for death or withdrawal is reduced by 2% each month of occupancy for five months and remains at 90% of the advance fee thereafter. The refund will be made upon reoccupancy of the vacated unit or 12 months, whichever occurs first, following the date of termination.

*The 50% Guaranteed Refund* is a refundable lifecare contract. This contract has the same health care provisions as the declining refund contract. The refund for death or withdrawal is reduced by 2% each month of occupancy for 25 months and remains at 50% of the advance fee thereafter. The refund will be made upon reoccupancy of the vacated unit or 12 months, whichever occurs first, following the date of termination.

*The Per Diem Health Care contract* is a refundable lifecare contract. This contract has the same health care provisions as the declining refund contract, with the exception that the monthly fees in health care convert to the going market rate for those services. In addition, for all contracts signed before September 2014, the contract requires that the resident maintain a long-term care insurance policy. The refund provisions are the same as the Declining Refund contract.

*The Direct Admit to Healthcare contract* is a nonrefundable contract. This provides for health care at the agreed upon level of care at the time of contract execution and does not guarantee the resident the right to transition to a higher level of care. The resident does not pay a direct admittance fee upon admission; however, the resident pays the going market rate for services provided.

*The Hybrid contract* is a hybrid of the declining refund contract described above and a per diem contract. As of March 31, 2023, no residents have this type of contract.

*The Rental contract* is a rental option where the resident pays a monthly service fee for a residential unit. The contract includes access to amenities and certain services.

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Advance fees received from prospective residents of the Organization prior to admission are subject to the refund provisions of residents' agreements. At March 31, 2023 and 2022, there were approximately \$17,643,000 and \$15,937,000, respectively, of entrance fees subject to refund provisions, none of which are considered current liabilities.

### Obligation to Provide Future Services

The Organization annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from advance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from advance fees, a liability is recorded (estimated obligation to provide future services). No liability has been recorded as of March 31, 2023 and 2022 as the present value of the estimated net costs of future services and use of facilities is less than deferred revenues from advance fees.

### Contributed Support

The Organization's policy is to provide residential services and nursing care to certain residents for which full payment is not anticipated. As part of the conversion to the larger continuing care retirement community, the Central Virginia Health Planning Agency (CVHPA) allowed the Organization to relocate and maintain the 22 nursing home beds without restrictions. In exchange, the Organization must provide an assistance subsidy of at least \$230,000 annually. As of March 31, 2023, the Organization has remained in compliance.

The Organization has estimated its direct and indirect costs of providing support under its assistance subsidy policy. In order to estimate the cost of providing such care, management calculated a cost-to-charge ratio by comparing the total operating costs to total operating revenue. The cost-to-charge ratio is applied to the charges foregone to calculate the estimated direct and indirect cost of providing support. Using this methodology, the Organization has estimated the costs for services under the Organization's assistance policy to be approximately \$389,000 and \$326,000 for the years ended March 31, 2023 and 2022, respectively.

The Organization received approximately \$175,000 and \$110,000 to subsidize the costs of providing support under its assistance subsidy policy for the years ended March 31, 2023 and 2022, respectively.

### Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net Assets Without Donor Restriction** - net assets available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restriction.

**Net Assets With Donor Restrictions** - net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. 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 to net assets without donor restrictions.

## **Covenant Woods**

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Notes to Consolidated Financial Statements  
March 31, 2023 and 2022

### **Resident Service Revenues**

Resident service revenues are reported at the amount that reflects the consideration the Organization expects to receive in exchange for the services provided. These amounts are due from residents or third-party payors and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. Net resident service revenues are recognized as performance obligations are satisfied.

Resident service revenues are primarily comprised of skilled nursing, assisted living, independent living and other resident service streams, which are primarily derived from providing housing, skilled nursing, personal care and other services to residents at a stated daily or monthly fee, net of any explicit or implicit price concessions. The Organization has determined that the services included in the stated daily or monthly fee for each level of care represents a series of distinct services that have the same timing and pattern of transfer. Therefore, the Organization considers the services provided to residents in each level of care to be one performance obligation which is satisfied over time as services are provided. As such, skilled nursing, assisted living, independent living and other resident services are recognized on a daily or month-to-month basis as services are rendered.

Revenues collected from residents in advance are recognized as deferred revenue from entrance fees until the performance obligations are satisfied and are included in deferred revenues from entrance fees in the accompanying balance sheets. In 2023 and 2022, the Organization recognized approximately \$7,033,000 and \$7,217,000, respectively, of revenue that was included in the deferred revenue from entrance fees balance as of April 1, 2022 and 2021, respectively. The Organization applies the practical expedient in Accounting Standards Codification (ASC) 606, and therefore, does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

The Organization receives revenues for services under third-party payor programs, including Medicare and other third-party payors. Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are included in the determination of the estimated transaction price for providing services. The Organization estimates the transaction price based on the terms of the contract and correspondence with the third-party payor and historical payment trends and retroactive adjustments are recognized in future periods as final settlements are determined.

### **Performance Indicator**

The statements of operations include a performance indicator labeled revenues, gain and other support in excess of (less than) expenses. Changes in net assets without donor restrictions which are excluded from revenues in excess of (less than) expenses, consistent with industry practice, generally include net assets released from restrictions for capital purchases and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), if any.

### **Income Taxes**

Covenant Woods is a tax-exempt organization as defined in Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes on related activities pursuant to Section 509(a). Parker & Gregg, Advance Care and Advance Care Hospice are organized as limited liability companies. As such, Parker & Gregg, Advance Care and Advance Care Hospice are considered disregarded entities for tax purposes.

Woodhouse was a for-profit taxable corporation. Taxable income and income taxes due for the years ended March 31, 2023 and 2022 were not material to the consolidated financial statements.

## Covenant Woods

Notes to Consolidated Financial Statements  
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Income tax returns of Covenant Woods are subject to review and examination by federal and state authorities. Management is not aware of any activities that would jeopardize its tax-exempt status or any activities that are subject to tax on unrelated business income, excise or other taxes for Covenant Woods.

Covenant Woods follows the income tax standard for uncertain tax positions. This standard clarifies the accounting for uncertainty in income taxes recognized in an organization's consolidated financial statements. This standard prescribes recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. This standard had no material impact on the consolidated financial statements for the years ended March 31, 2023 and 2022.

### Reclassifications

Certain amounts in 2022 consolidated financial statements have been reclassified to conform to the 2023 presentation, with no effect on the previously reported net assets or change in net assets.

### Subsequent Events

The Organization evaluated the effect subsequent events would have on the consolidated financial statements through July 26, 2023, which is the date the consolidated financial statements were available to be issued.

### 3. Resident Service, Home Health and Hospice Revenues

The Organization disaggregates revenue from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors.

Resident service, home health, and hospice revenues consist of the following for the years ended March 31:

|                     | 2023                 |                     |                     |                     |                   |                               | Total                |
|---------------------|----------------------|---------------------|---------------------|---------------------|-------------------|-------------------------------|----------------------|
|                     | Independent Living   | Assisted Living     | Skilled Nursing     | Home Health         | Hospice           | Amortization of Entrance Fees |                      |
| Private pay         | \$ 13,570,351        | \$ 2,750,602        | \$ 3,261,816        | \$ 33,988           | \$ -              | \$ 7,366,686                  | \$ 26,983,443        |
| Medicare            | -                    | -                   | 1,243,765           | 1,372,343           | 462,929           | -                             | 3,079,037            |
| Medicaid            | -                    | -                   | -                   | 14,037              | -                 | -                             | 14,037               |
| Medicare Advantage  | -                    | -                   | 173,063             | 470,695             | -                 | -                             | 643,758              |
| Commercial Insurers | -                    | -                   | -                   | 2,149,890           | -                 | -                             | 2,149,890            |
| <b>Total</b>        | <b>\$ 13,570,351</b> | <b>\$ 2,750,602</b> | <b>\$ 4,678,644</b> | <b>\$ 4,040,953</b> | <b>\$ 462,929</b> | <b>\$ 7,366,686</b>           | <b>\$ 32,870,165</b> |
|                     | 2022                 |                     |                     |                     |                   |                               | Total                |
|                     | Independent Living   | Assisted Living     | Skilled Nursing     | Home Health         | Hospice           | Amortization of Entrance Fees |                      |
| Private pay         | \$ 13,483,612        | \$ 1,847,589        | \$ 3,277,448        | \$ 23,751           | \$ -              | \$ 7,561,969                  | \$ 26,194,369        |
| Medicare            | -                    | -                   | 1,039,488           | 2,381,751           | -                 | -                             | 3,421,239            |
| Medicaid            | -                    | -                   | -                   | 8,695               | -                 | -                             | 8,695                |
| Medicare Advantage  | -                    | -                   | 82,843              | 295,792             | -                 | -                             | 378,635              |
| Commercial Insurers | -                    | -                   | -                   | 1,315,241           | -                 | -                             | 1,315,241            |
| <b>Total</b>        | <b>\$ 13,483,612</b> | <b>\$ 1,847,589</b> | <b>\$ 4,399,779</b> | <b>\$ 4,025,230</b> | <b>\$ -</b>       | <b>\$ 7,561,969</b>           | <b>\$ 31,318,179</b> |



## Covenant Woods

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Notes to Consolidated Financial Statements  
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Payment terms and conditions for the Organization's resident contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Net resident service fee revenues for recurring and routine monthly services are generally billed monthly in advance. Net resident service fee revenues for ancillary services are generally billed monthly in arrears. Additionally, nonrefundable entrance fees are generally billed and collected in advance of move-in. Revenues collected from residents in advance are recognized as deferred revenue from entrance fees until the performance obligations are satisfied and are included in deferred revenues from entrance fees in the accompanying consolidated balance sheets.

The Organization receives revenue for services under a third-party payor program, Medicare. Settlements with Medicare for retroactive adjustments due to audits, reviews or investigations are included in the determination of the estimated transaction price for providing services. The Organization estimates the transaction price based on the terms of the contract and a correspondence with the Medicare and historical payment trends and retroactive adjustments are recognized in future periods as final settlements are determined.

As described above, the Medicare Part A rates are based on clinical, diagnostic and other factors. The determination of these rates is partially based on The Organization's clinical assessment of its residents. The Organization is required to clinically assess its residents at predetermined time periods throughout the year. Therapy services provided to Medicare Part B beneficiaries are paid at the letter of a published fee schedule or actual charges. The documented assessments are subject to review and adjustment by the Medicare program. Advance Care and Advance Care Hospice also have entered into payment agreements with certain commercial insurance carriers and others. The basis for payment to the Advance Care and Advance Care Hospice under these agreements includes prospectively determined rates per day or discounts from established charges.

#### **4. Fair Value Measurements, Investments and Assets Whose Use is Limited**

For financial instruments required to be measured at fair value on a recurring basis, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using a hierarchy prioritizing the inputs used in determining valuations into three levels. The level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Organization 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 - Unadjusted quoted prices in active markets that are accessible to the Organization for identical instruments.

Level 2 - Significant inputs, other than Level 1 inputs that are observable either directly or indirectly for substantially the full term of the instruments through corroboration with observable market data.

Level 3 - Significant unobservable inputs.

## Covenant Woods

Notes to Consolidated Financial Statements  
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The following table presents the fair value hierarchy for the balances of the assets and liabilities of the Organization reported at fair value on a recurring basis as of March 31:

|                               | 2023          |         |              | Total         |
|-------------------------------|---------------|---------|--------------|---------------|
|                               | Level 1       | Level 2 | Level 3      |               |
| Cash and money market funds   | \$ 6,815,035  | \$ -    | \$ -         | \$ 6,815,035  |
| Mutual funds:                 |               |         |              |               |
| Fixed income funds            | 6,163,709     | -       | -            | 6,163,709     |
| Equity funds                  | 8,319,124     | -       | -            | 8,319,124     |
| Exchange-traded funds         | 7,076,582     | -       | -            | 7,076,582     |
| Total mutual funds            | 21,559,415    | -       | -            | 21,559,415    |
| Equity securities:            |               |         |              |               |
| Large Cap                     | 905,821       | -       | -            | 905,821       |
| Mid Cap                       | 407,809       | -       | -            | 407,809       |
| International                 | 77,726        | -       | -            | 77,726        |
| Emerging markets and other    | 71,411        | -       | -            | 71,411        |
| Total equity securities       | 1,462,767     | -       | -            | 1,462,767     |
| Corporate and municipal bonds | 687,265       | -       | -            | 687,265       |
| Limited partnerships          | 21,282        | -       | -            | 21,282        |
| Hedge fund of funds           | -             | -       | 1,936,173    | 1,936,173     |
| Perpetual trusts              | -             | -       | 1,365,367    | 1,365,367     |
| Total                         | \$ 30,545,764 | \$ -    | \$ 3,301,540 | \$ 33,847,304 |

## Covenant Woods

Notes to Consolidated Financial Statements  
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The Organization had \$3,500 of cash equivalents reported with assets whose use is limited on the consolidated balance sheet at March 31, 2023, which is not included in the above table. Additionally, the above table does not include certain limited partnership investments reported at cost of \$2,104,559 included within investments on the consolidated balance sheet at March 31, 2023.

|                               | 2022          |         |              | Total         |
|-------------------------------|---------------|---------|--------------|---------------|
|                               | Level 1       | Level 2 | Level 3      |               |
| Cash and money market funds   | \$ 7,730,546  | \$ -    | \$ -         | \$ 7,730,546  |
| Mutual funds:                 |               |         |              |               |
| Fixed income funds            | 6,768,333     | -       | -            | 6,768,333     |
| Equity funds                  | 13,920,262    | -       | -            | 13,920,262    |
| Exchange-traded funds         | 5,184,363     | -       | -            | 5,184,363     |
| Total mutual funds            | 25,872,958    | -       | -            | 25,872,958    |
| Equity securities:            |               |         |              |               |
| Large Cap                     | 1,171,012     | -       | -            | 1,171,012     |
| Mid Cap                       | 454,595       | -       | -            | 454,595       |
| International                 | 96,557        | -       | -            | 96,557        |
| Emerging markets and other    | 89,334        | -       | -            | 89,334        |
| Total equity securities       | 1,811,498     | -       | -            | 1,811,498     |
| Corporate and municipal bonds | 670,372       | -       | -            | 670,372       |
| Limited partnerships          | 22,470        | -       | -            | 22,470        |
| Hedge fund of funds           | -             | -       | 3,346,013    | 3,346,013     |
| Perpetual trusts              | -             | -       | 1,588,047    | 1,588,047     |
| Total                         | \$ 36,107,844 | \$ -    | \$ 4,934,060 | \$ 41,041,904 |

The Organization had \$86,506 of cash equivalents reported with assets whose use is limited on the consolidated balance sheet at March 31, 2022, which is not included in the above table. Additionally, the above table does not include certain limited partnership investments reported at cost of \$1,506,473 included within investments on the consolidated balance sheet at March 31, 2022.

## Covenant Woods

Notes to Consolidated Financial Statements  
March 31, 2023 and 2022

### Valuation Methodologies

Money market funds, mutual funds, equity securities and corporate and municipal bonds are valued at closing price reported in active markets for the same or similar securities.

The perpetual trusts and hedge fund of funds are valued based on the following:

| Investment Instrument | Fair Value          |                     | Principal Valuation Technique                    | Unobservable Input        |
|-----------------------|---------------------|---------------------|--|---------------------------|
|                       | 2023                | 2022                |  |                           |
| Perpetual trusts      | \$ 1,365,367        | \$ 1,588,047        | FMV of trust investments                         | Timing of distributions   |
| Hedge fund of funds   | 1,936,173           | 3,346,013           | FMV of underlying investments held by hedge fund | Value of underlying funds |
|                       | <u>\$ 3,301,540</u> | <u>\$ 4,934,060</u> |  |                           |

No capital calls were made in fiscal years 2023 and 2022.

### 5. Liquidity and Availability of Resources

The Organization invests cash in excess of short-term requirements in short-term investments. In addition, the Organization has long-term mutual funds and equity securities which are liquid within one week and hedge funds which are liquid quarterly.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated balance sheet date, comprise the following:

|  | 2023                 | 2022                 |
|--|----------------------|----------------------|
| Cash and cash equivalents                                | \$ 2,221,665         | \$ 2,350,782         |
| Investments  | 25,600,146           | 30,725,444           |
| Receivables, net   | 1,655,896            | 1,058,846            |
| Total financial assets available to meet liquidity needs | <u>\$ 29,477,707</u> | <u>\$ 34,135,072</u> |

## Covenant Woods

Notes to Consolidated Financial Statements  
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### 6. Property and Equipment

Property and equipment consists of the following at March 31:

|                                     | <u>2023</u>           | <u>2022</u>           |
|-------------------------------------|-----------------------|-----------------------|
| Land and land improvements          | \$ 12,022,309         | \$ 11,991,310         |
| Buildings and building improvements | 142,067,044           | 141,410,732           |
| Furniture and equipment             | 8,772,091             | 8,543,956             |
| Vehicles                            | 559,135               | 559,135               |
| Right of use asset                  | 466,151               | 619,981               |
| Computer equipment and software     | 3,538,947             | 3,532,455             |
|                                     | <u>167,425,677</u>    | <u>166,657,569</u>    |
| Less accumulated depreciation       | <u>(57,990,894)</u>   | <u>(52,205,998)</u>   |
|                                     | 109,434,783           | 114,451,571           |
| Construction in progress            | 62,497                | 264,169               |
| Property and equipment, net         | <u>\$ 109,497,280</u> | <u>\$ 114,715,740</u> |

Construction in progress at March 31, 2023 and 2022 relates to general renovations.

Depreciation expense was approximately \$6,379,000 and \$6,473,000 for the years ended March 31, 2023 and 2022, respectively. No interest was capitalized during the years ended March 31, 2023 or 2022.

### 7. Long-Term Debt

Long-term debt consists of the following at March 31:

|  | <u>2023</u>          | <u>2022</u>          |
|--|----------------------|----------------------|
| Note payable issued in December 2012 to the Economic Development Authority of Hanover County, who in turn issued tax exempt Residential Care Facility Revenue Bonds, Series 2012A. The note payable was refinanced in April 2022 in connection with the Series 2022 note payable.            | \$ -                 | \$ 56,160,000        |
| Note payable issued in July 2018 to the Economic Development Authority of Hanover County, who in turn issued tax exempt Residential Care Facility Revenue Refunding Bonds, Series 2018.  | 29,615,000           | 29,820,000           |
| Serial and term bonds issued in April 2022 to the Economic Development Authority of Hanover County, who in turn issued tax exempt Residential Care Facility Revenue Refunding Bonds, Series 2022. The bonds were issued in connection with the refinancing of the Series 2012A note payable. | <u>54,540,000</u>    | <u>-</u>             |
| Total long-term debt   | 84,155,000           | 85,980,000           |
| Plus unamortized premium, Series 2018 and 2022   | 3,815,211            | 1,800,761            |
| Less unamortized deferred financing costs  | <u>(1,688,672)</u>   | <u>(2,150,308)</u>   |
|  | 86,281,539           | 85,630,453           |
| Less current portion   | <u>(1,417,500)</u>   | <u>(1,370,000)</u>   |
| Long-term debt, net of current portion   | <u>\$ 84,864,039</u> | <u>\$ 84,260,453</u> |

## Covenant Woods

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Notes to Consolidated Financial Statements  
March 31, 2023 and 2022

In December 2012, the Organization received financing through the issuance of Residential Care Facility Revenue Bond Series 2012A through the Economic Development Authority of Hanover County, (the Issuer). The Series 2012A bonds were issued in the amount of \$64,495,000, to finance the acquisition, construction and equipping of 106 independent living units, additional community living space including parking and dining facilities, renovations to existing facilities and finance other costs associated with issuance of the Series 2012A bonds. The Series 2012A term bonds were scheduled to mature gradually, starting July 1, 2013 through July 1, 2047. The Series 2012A note payable was fully refunded during the year ending March 31, 2023 as part of the Series 2022 refinancing transaction described below.

At March 31, 2022, the total amount advanced under the Series 2012A bond was \$64,495,000. The note payable required interest and principal payments which began January 1, 2013. Annual principal payments were made as required in fiscal years 2014 through 2016. During 2016 and until refinancing in April 2022, the Organization made deposits to the reserve funds in anticipation of the next required principal payment due on July 1, 2022. The note payable had an interest rate consisting of 360 days growing from 2.00% to 5.00% over the life of the bonds. The interest rate as of March 31, 2022 was 3.00%.

The Series 2012A bond agreements required the establishment and maintenance of several reserve accounts for the collecting, holding and disbursement of funds related to the issuance of the bonds, payment of project costs and repayment of principal and interest. At March 31, 2022, only the reserve account for the repayment of principal and interest remained.

In July 2018, the Organization received financing through the issuance of Residential Care Facility Revenue Refunding Bonds Series 2018 through the Economic Development Authority of Hanover County, (the Issuer). The Series 2018 bonds were issued in the amount of \$30,200,000 to finance the acquisition, construction and equipping of additional assisted living / memory support units, additional nursing units, renovation of existing units and community living space including dining facilities and to finance other costs associated with issuance of the Series 2018 bonds. In addition, the Series 2018 bonds were issued in part to refund the outstanding Series 2016 bond. The loan agreement is collateralized by a deed of trust which grant the credit institution a first priority lien on and a security interest in the property and equipment collateralized. The Series 2018 bonds mature gradually, starting July 1, 2028 through July 1, 2051.

The note payable requires semi-annual interest payments which began January 1, 2019. Beginning in July 2020, the Organization started making deposits to the reserve funds in anticipation of the next required principal payment due on July 1, 2028. The note payable has an interest rate consisting of 360days growing from 3.625% to 5.00% over the life of the bonds. The interest rate as of March 31, 2023 and 2022 was 3.625%.

In April 2022, the Organization received financing through the issuance of Residential Care Facility Revenue Refunding Bonds Series 2022 through the Economic Development Authority of Hanover County, (the Issuer). The Series 2022 bonds were issued in the total amount of \$54,540,000 to refinance the Series 2012A note payable and to fund a debt service reserve fund and to fund costs of issuance and other financing expenses related to the issuance of the Series 2022 bonds. The refinancing resulted in a loss on extinguishment of debt totaling approximately \$1,700,000, primarily related to unamortized deferred financing costs associated with the Series 2012A note payable. The Series 2022 loan agreement is collateralized by a deed of trust which grants the credit institution a first priority lien on and a security interest in the property and equipment collateralized. The Series 2022 debt is comprised of \$12,855,000 in serial bonds which require annual payments which begin July 1, 2024 through July 1, 2031. The remaining portion of the Series 2022 debt is comprised of term bonds totaling \$20,195,000 and \$21,490,000, due July 1, 2046 and July 1, 2047, respectively. The Series 2022 bonds bear interest at 4%.

Under the debt agreements, the Obligated Group, which is comprised of Covenant Woods and Advance Care, must maintain cash on hand of not less than 150 days. This requirement is the same as in the Master Trust Indenture. In addition, the Obligated Group must maintain a long-term debt service coverage ratio of 1.20, or 1.0 if days cash on hand is greater than 300.

## Covenant Woods

Notes to Consolidated Financial Statements  
March 31, 2023 and 2022

The Organization is required to make monthly payments to a trustee of interest and principal on the Series 2018 and 2022 bonds. Required reserve fund payments are as follows:

|                        |                      |
|------------------------|----------------------|
| Years ending March 31: |                      |
| 2024                   | \$ 1,417,500         |
| 2025                   | 1,655,000            |
| 2026                   | 1,722,500            |
| 2027                   | 1,792,500            |
| 2028                   | 1,866,250            |
| Thereafter             | <u>75,701,250</u>    |
| Total                  | <u>\$ 84,155,000</u> |

### 8. Benefit Plan

Covenant Woods sponsors a 403(b) defined contribution plan for all eligible employees. The Organization matches 50% of employee contributions, up to 3% of the participant's annual compensation as well as an additional 3% of the participant's annual compensation regardless if the employee made a contribution to the plan. Total expense related to the plan was approximately \$447,000 and \$403,000 for years ended March 31, 2023 and 2022, respectively.

The Organization also maintains a 401(k) profit sharing plan that is offered to eligible employees of Advance Care, Advance Care Hospice and Woodhouse. The Organization matches 50% of employee contributions, up to 3% of the participant's annual compensation as well as an additional 3% of the participant's annual compensation regardless if the employee made a contribution to the plan. Total expense related to the plan was approximately \$184,000 and \$118,000 for the years ended March 31, 2023 and 2022, respectively.

### 9. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of March 31:

|  | <u>2023</u>         | <u>2022</u>         |
|--|---------------------|---------------------|
| Subject to expenditure for specific purpose: |                     |                     |
| Resident assistance                          | \$ 2,363,589        | \$ 2,596,540        |
| Employee scholarships                        | 184,436             | 180,751             |
| Elder support in greater community           | 135,628             | 134,675             |
| Other  | <u>45,938</u>       | <u>40,841</u>       |
| Total  | 2,729,591           | 2,952,807           |
| Beneficial interests in perpetual trusts     | <u>1,365,367</u>    | <u>1,588,047</u>    |
| Total net assets with donor restrictions     | <u>\$ 4,094,958</u> | <u>\$ 4,540,854</u> |

## **Covenant Woods**

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Notes to Consolidated Financial Statements  
March 31, 2023 and 2022

### **10. Liability Insurance Coverage**

#### **Liability Insurance**

The Organization has insurance coverage for possible litigation in the ordinary course of business related to general and professional liability claims. Management believes that claims, if asserted, would be settled within the limits of coverage.

The Organization's medical malpractice coverage is on a claims-made basis with insurance limits of \$2,000,000 per claim and \$4,000,000 in the aggregate. Should the Organization not renew its claims-made policy, or replace it with equivalent insurance, claims incurred during the current policy's term but asserted after its expiration would be uninsured unless the Organization obtains tail coverage. Management plans to continue or renew all professional and medical liability coverage policies.

#### **Health Insurance**

During 2016, the Organization began to self-insure its employees' health plan by joining the Heritage Group Health Program. This program, on behalf of the Organization and other similar retirement communities in the state of Virginia, has contracted with an administrative service company to supervise and administer this program and act as its representative. Provisions for expected future payments are accrued based on the Organization's experience and include amounts for claims filed and claims incurred but not reported. The Organization insures for excessive and unexpected health claims and is liable for claims not to exceed \$50,000 for each employee per plan year and an aggregate amount of \$1,000,000 per plan year.

### **11. Commitments and Contingencies**

The Organization is subject to legal proceedings and claims which arise in the course of providing health care services. The Organization maintains liability insurance coverage for claims made during the policy year. In management's opinion, adequate provision has been made for amounts expected to be paid under the policy's deductible limits for unasserted claims not covered by the policy and any other uninsured liability.

The senior living services industry is subject to numerous laws, regulations and administrative directives of federal, state and local governments and agencies. Compliance with these laws, regulations and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance; however, the possible future financial effects of this matter on the Organization, if any, are not presently determinable.



## Covenant Woods

Notes to Consolidated Financial Statements  
March 31, 2023 and 2022

### 12. Functional Expenses

The Organization's expenses for program services (including residential services, dietary, plant operations, housekeeping and laundry, social services and activities), general and administrative (including general and administrative, marketing and advertising) and fundraising are as follows for the years ended March 31, 2023 and 2022:

|   | 2023                 |                      |                   |                                       |                   |                      |
|---|----------------------|----------------------|-------------------|---------------------------------------|-------------------|----------------------|
|   | Resident Services    | Home Health Services | Hospice Services  | Management General and Administrative | Fundraising       | Total                |
| Salaries and benefits                   | \$ 11,588,352        | \$ 3,725,996         | \$ 447,114        | \$ 5,938,919                          | \$ 122,857        | \$ 21,823,238        |
| Supplies, materials and office expenses | 677,606              | 54,627               | 18,386            | 96,257                                | 1,505             | 848,381              |
| Food                                    | 1,642,229            | -                    | -                 | 10,563                                | 1,098             | 1,653,890            |
| Repairs and maintenance                 | 349,295              | -                    | -                 | 2,522                                 | -                 | 351,817              |
| Occupancy costs                         | 1,640,987            | 119,003              | 52,189            | -                                     | -                 | 1,812,179            |
| Insurance                               | 3,991                | -                    | -                 | 649,485                               | -                 | 653,476              |
| Professional fees                       | 168,607              | -                    | 50,888            | 471,644                               | -                 | 691,139              |
| Interest                                | 2,476,547            | -                    | -                 | 1,333,826                             | -                 | 3,810,373            |
| Depreciation and amortization           | 4,047,184            | 353,947              | 18,538            | 2,179,253                             | -                 | 6,598,922            |
| Other                                   | 1,933,271            | 238,266              | 90,532            | 2,767,604                             | 4,776             | 5,034,449            |
| Total expenses by function              | <u>\$ 24,528,069</u> | <u>\$ 4,491,839</u>  | <u>\$ 677,647</u> | <u>\$ 13,450,073</u>                  | <u>\$ 130,236</u> | <u>\$ 43,277,864</u> |
|   | 2022                 |                      |                   |                                       |                   |                      |
|   | Resident Services    | Home Health Services | Hospice Services  | Management General and Administrative | Fundraising       | Total                |
| Salaries and benefits                   | \$ 10,588,663        | \$ 3,402,849         | \$ 227,203        | \$ 7,043,266                          | \$ 30,449         | \$ 21,292,430        |
| Supplies, materials and office expenses | 706,326              | 63,645               | 12,589            | 150,882                               | 1,300             | 934,742              |
| Food                                    | 1,455,130            | -                    | -                 | 11,792                                | 3,294             | 1,470,216            |
| Repairs and maintenance                 | 375,758              | -                    | -                 | 2,353                                 | -                 | 378,111              |
| Occupancy costs                         | 1,654,504            | 93,904               | 11,781            | -                                     | -                 | 1,760,189            |
| Insurance                               | 4,385                | -                    | -                 | 506,601                               | -                 | 510,986              |
| Professional fees                       | 209,081              | 30,000               | 39,305            | 526,941                               | 37,500            | 842,827              |
| Interest                                | 2,964,086            | 3,606                | 2,165             | 1,596,046                             | -                 | 4,565,903            |
| Depreciation and amortization           | 4,113,194            | 343,900              | 20,557            | 2,214,796                             | -                 | 6,692,447            |
| Other                                   | 1,827,354            | 165,534              | 5,882             | 2,188,922                             | 21,052            | 4,208,744            |
| Total expenses by function              | <u>\$ 23,898,481</u> | <u>\$ 4,103,438</u>  | <u>\$ 319,482</u> | <u>\$ 14,241,599</u>                  | <u>\$ 93,595</u>  | <u>\$ 42,656,595</u> |

Depreciation and amortization and interest, as reported in the consolidated financial statements are attributable to more than one supporting function. Therefore, these expenses have been allocated on a reasonable basis that is consistently applied, generally based on a square footage basis of the campus for which the supporting function occupies.

**Covenant Woods**

 Consolidating Balance Sheet  
 March 31, 2023

|  | Covenant Woods | Advance Care, LLC | Eliminations   | Obligated Group | Parker & Gregg, LLC | AC Hospice, LLC | Woodhouse Catering | Eliminations | Consolidated   |
|--|----------------|-------------------|----------------|-----------------|---------------------|-----------------|--------------------|--------------|----------------|
| <b>Assets</b>                                  |                |                   |                |                 |                     |                 |                    |              |                |
| <b>Current Assets</b>                          |                |                   |                |                 |                     |                 |                    |              |                |
| Cash and cash equivalents                      | \$ 2,000,458   | \$ 26,002         | \$ -           | \$ 2,026,460    | \$ 118,725          | \$ 76,480       | \$ -               | \$ -         | \$ 2,221,665   |
| Resident and patient accounts receivables, net | 124,862        | 1,126,740         | -              | 1,251,602       | -                   | 404,294         | -                  | -            | 1,655,896      |
| Prepaid expenses and other current assets      | 416,094        | 59,990            | -              | 476,084         | -                   | 22,875          | -                  | -            | 498,959        |
| Total current assets                           | 2,541,414      | 1,212,732         | -              | 3,754,146       | 118,725             | 503,649         | -                  | -            | 4,376,520      |
| <b>Investments</b>                             | 25,464,423     | -                 | -              | 25,464,423      | 135,723             | -               | -                  | -            | 25,600,146     |
| <b>Assets Whose Use is Limited</b>             |                |                   |                |                 |                     |                 |                    |              |                |
| Restricted under perpetual donor restrictions  | 1,365,367      | -                 | -              | 1,365,367       | -                   | -               | -                  | -            | 1,365,367      |
| Restricted under purpose donor restrictions    | 2,363,516      | -                 | -              | 2,363,516       | -                   | -               | -                  | -            | 2,363,516      |
| Bond trustee funds and other                   | 6,626,333      | -                 | -              | 6,626,333       | -                   | -               | -                  | -            | 6,626,333      |
| Total assets whose use is limited              | 10,355,216     | -                 | -              | 10,355,216      | -                   | -               | -                  | -            | 10,355,216     |
| <b>Investments in Subsidiaries</b>             | 2,852,079      | -                 | (2,597,787)    | 254,292         | -                   | -               | -                  | (254,292)    | -              |
| <b>Goodwill</b>                                | -              | 1,481,436         | -              | 1,481,436       | -                   | -               | -                  | -            | 1,481,436      |
| <b>Property and Equipment, Net</b>             | 108,607,121    | 618,953           | -              | 109,226,074     | -                   | 271,206         | -                  | -            | 109,497,280    |
| <b>Other Assets</b>                            | 472,308        | -                 | -              | 472,308         | -                   | -               | -                  | -            | 472,308        |
| Total assets                                   | \$ 150,292,561 | \$ 3,313,121      | \$ (2,597,787) | \$ 151,007,895  | \$ 254,448          | \$ 774,855      | \$ -               | \$ (254,292) | \$ 151,782,906 |

**Covenant Woods**

Consolidating Balance Sheet  
March 31, 2023

|  | Covenant Woods | Advance Care, LLC | Eliminations   | Obligated Group | Parker & Gregg, LLC | AC Hospice, LLC | Woodhouse Catering | Eliminations | Consolidated   |
|--|----------------|-------------------|----------------|-----------------|---------------------|-----------------|--------------------|--------------|----------------|
| <b>Liabilities and Net Assets</b>        |                |                   |                |                 |                     |                 |                    |              |                |
| <b>Current Liabilities</b>               |                |                   |                |                 |                     |                 |                    |              |                |
| Accounts payable                         | \$ 544,559     | \$ 47,000         | \$ -           | \$ 591,559      | \$ -                | \$ 9,531        | \$ -               | \$ -         | \$ 601,090     |
| Accrued salaries and benefits            | 948,298        | 270,436           | -              | 1,218,734       | -                   | 39,554          | -                  | -            | 1,258,288      |
| Interest payable                         | 910,845        | -                 | -              | 910,845         | -                   | -               | -                  | -            | 910,845        |
| Unearned revenue                         | -              | 93,177            | -              | 93,177          | -                   | -               | -                  | -            | 93,177         |
| Refundable deposits                      | 781,607        | -                 | -              | 781,607         | -                   | -               | -                  | -            | 781,607        |
| Current portion of lease liability       | -              | 72,650            | -              | 72,650          | -                   | 44,628          | -                  | -            | 117,278        |
| Current portion of long-term debt        | 1,417,500      | -                 | -              | 1,417,500       | -                   | -               | -                  | -            | 1,417,500      |
| Other                                    | 690,749        | 10,197            | -              | 700,946         | 150                 | 1,036           | -                  | -            | 702,132        |
| Total current liabilities                | 5,293,558      | 493,460           | -              | 5,787,018       | 150                 | 94,749          | -                  | -            | 5,881,917      |
| <b>Long-Term Liabilities</b>             |                |                   |                |                 |                     |                 |                    |              |                |
| Long-term debt, net of current portion   | 84,864,039     | -                 | -              | 84,864,039      | -                   | -               | -                  | -            | 84,864,039     |
| Lease liability, net of current portion  | -              | 221,874           | -              | 221,874         | -                   | 136,293         | -                  | -            | 358,167        |
| Refundable entrance fees                 | 1,981,799      | -                 | -              | 1,981,799       | -                   | -               | -                  | -            | 1,981,799      |
| Deferred revenue from entrance fees      | 52,767,902     | -                 | -              | 52,767,902      | -                   | -               | -                  | -            | 52,767,902     |
| Total long-term liabilities              | 139,613,740    | 221,874           | -              | 139,835,614     | -                   | 136,293         | -                  | -            | 139,971,907    |
| Total liabilities                        | 144,907,298    | 715,334           | -              | 145,622,632     | 150                 | 231,042         | -                  | -            | 145,853,824    |
| <b>Net Assets</b>                        |                |                   |                |                 |                     |                 |                    |              |                |
| Without donor restrictions               | 1,290,305      | 2,597,787         | (2,597,787)    | 1,290,305       | 254,298             | 543,813         | -                  | (254,292)    | 1,834,124      |
| With donor restrictions:                 |                |                   |                |                 |                     |                 |                    |              |                |
| Purpose restrictions                     | 2,729,591      | -                 | -              | 2,729,591       | -                   | -               | -                  | -            | 2,729,591      |
| Perpetual in nature                      | 1,365,367      | -                 | -              | 1,365,367       | -                   | -               | -                  | -            | 1,365,367      |
| Total net assets with donor restrictions | 4,094,958      | -                 | -              | 4,094,958       | -                   | -               | -                  | -            | 4,094,958      |
| Total net assets                         | 5,385,263      | 2,597,787         | (2,597,787)    | 5,385,263       | 254,298             | 543,813         | -                  | (254,292)    | 5,929,082      |
| Total liabilities and net assets         | \$ 150,292,561 | \$ 3,313,121      | \$ (2,597,787) | \$ 151,007,895  | \$ 254,448          | \$ 774,855      | \$ -               | \$ (254,292) | \$ 151,782,906 |

**Covenant Woods**

 Consolidating Statement of Operations  
 Year Ended March 31, 2023

|  | Covenant Woods         | Advance Care, LLC  | Eliminations     | Obligated Group        | Parker & Gregg, LLC | AC Hospice, LLC   | Woodhouse Catering | Eliminations      | Consolidated           |
|--|------------------------|--------------------|------------------|------------------------|---------------------|-------------------|--------------------|-------------------|------------------------|
| <b>Revenues, Gains and Other Support</b>                                   |                        |                    |                  |                        |                     |                   |                    |                   |                        |
| Resident services, net   | \$ 20,999,597          | \$ -               | \$ -             | \$ 20,999,597          | \$ -                | \$ -              | \$ -               | \$ -              | \$ 20,999,597          |
| Amortization of entrance fees  | 7,366,686              | -                  | -                | 7,366,686              | -                   | -                 | -                  | -                 | 7,366,686              |
| Home health and hospice services   | -                      | 4,040,953          | -                | 4,040,953              | -                   | 462,929           | -                  | -                 | 4,503,882              |
| Gifts and donations  | 196,335                | -                  | -                | 196,335                | -                   | -                 | -                  | -                 | 196,335                |
| Interest and dividend income   | 1,249,733              | 753                | -                | 1,250,486              | 12,429              | -                 | -                  | -                 | 1,262,915              |
| Net realized gains on sales of investments                                 | 974,615                | -                  | -                | 974,615                | (30,090)            | -                 | -                  | -                 | 944,525                |
| Net assets released from restrictions, operations                          | 124,550                | -                  | -                | 124,550                | -                   | -                 | -                  | -                 | 124,550                |
| Other  | 970,132                | 68,837             | -                | 1,038,969              | -                   | -                 | 101,368            | -                 | 1,140,337              |
| Intercompany revenue (expense)   | (73,503)               | 97,545             | -                | 24,042                 | -                   | (16,284)          | (7,758)            | -                 | -                      |
| <b>Total revenues, gains and other support</b>                             | <b>31,808,145</b>      | <b>4,208,088</b>   | <b>-</b>         | <b>36,016,233</b>      | <b>(17,661)</b>     | <b>446,645</b>    | <b>93,610</b>      | <b>-</b>          | <b>36,538,827</b>      |
| <b>Operating Expenses</b>  |                        |                    |                  |                        |                     |                   |                    |                   |                        |
| Residential, home health and hospice services                              | 5,615,972              | 3,767,625          | -                | 9,383,597              | -                   | 544,487           | -                  | -                 | 9,928,084              |
| Dietary  | 4,767,456              | -                  | -                | 4,767,456              | -                   | -                 | 100,489            | -                 | 4,867,945              |
| Plant operations   | 3,337,562              | -                  | -                | 3,337,562              | -                   | -                 | -                  | -                 | 3,337,562              |
| Housekeeping and laundry   | 1,308,947              | -                  | -                | 1,308,947              | -                   | -                 | -                  | -                 | 1,308,947              |
| Social services and activities   | 1,229,851              | -                  | -                | 1,229,851              | -                   | 47,998            | -                  | -                 | 1,277,847              |
| Marketing and advertising  | 952,123                | 233,402            | -                | 1,185,525              | -                   | 14,125            | -                  | -                 | 1,199,650              |
| General and administrative   | 6,663,600              | 2,413,440          | -                | 9,077,040              | 832                 | 516,000           | -                  | -                 | 9,593,872              |
| Depreciation and amortization  | 6,226,375              | 353,947            | -                | 6,580,322              | -                   | 18,538            | 62                 | -                 | 6,598,922              |
| Interest   | 3,810,373              | -                  | -                | 3,810,373              | -                   | -                 | -                  | -                 | 3,810,373              |
| Fundraising  | 130,236                | -                  | -                | 130,236                | -                   | -                 | -                  | -                 | 130,236                |
| Other  | 163,491                | 434,215            | -                | 597,706                | -                   | 1,331             | -                  | -                 | 599,037                |
| <b>Total operating expenses</b>  | <b>34,205,986</b>      | <b>7,202,629</b>   | <b>-</b>         | <b>41,408,615</b>      | <b>832</b>          | <b>1,142,477</b>  | <b>100,551</b>     | <b>-</b>          | <b>42,652,475</b>      |
| <b>(Loss) income from operations</b>                                       | <b>(2,397,841)</b>     | <b>(2,994,541)</b> | <b>-</b>         | <b>(5,392,382)</b>     | <b>(18,493)</b>     | <b>(695,832)</b>  | <b>(6,941)</b>     | <b>-</b>          | <b>(6,113,648)</b>     |
| <b>Nonoperating Income (Loss)</b>  |                        |                    |                  |                        |                     |                   |                    |                   |                        |
| Unrealized gains and losses on investments                                 | (3,296,104)            | -                  | -                | (3,296,104)            | (741)               | -                 | -                  | -                 | (3,296,845)            |
| Loss of debt extinguishment  | (1,727,751)            | -                  | -                | (1,727,751)            | -                   | -                 | -                  | -                 | (1,727,751)            |
| COVID-19 expenses  | (606,111)              | (18,966)           | -                | (625,077)              | -                   | (312)             | -                  | -                 | (625,389)              |
| Loss on disposal of assets   | (139,426)              | -                  | -                | (139,426)              | -                   | -                 | (546)              | -                 | (139,972)              |
| <b>Total nonoperating income (loss)</b>                                    | <b>(5,769,392)</b>     | <b>(18,966)</b>    | <b>-</b>         | <b>(5,788,358)</b>     | <b>(741)</b>        | <b>(312)</b>      | <b>(546)</b>       | <b>-</b>          | <b>(5,789,957)</b>     |
| <b>Revenues, gains and other support in excess of (less than) expenses</b> | <b>(8,167,233)</b>     | <b>(3,013,507)</b> | <b>-</b>         | <b>(11,180,740)</b>    | <b>(19,234)</b>     | <b>(696,144)</b>  | <b>(7,487)</b>     | <b>-</b>          | <b>(11,903,605)</b>    |
| <b>Other Changes in Net Assets Without Donor Restrictions</b>              |                        |                    |                  |                        |                     |                   |                    |                   |                        |
| Change in investment in subsidiary   | (1,052,289)            | -                  | 30,569           | (1,021,720)            | (7,487)             | -                 | (22,608)           | 1,051,815         | -                      |
| Related-party transfers  | (2,982,938)            | 2,982,938          | -                | -                      | (395,000)           | 995,000           | -                  | (600,000)         | -                      |
| <b>Total other changes in net assets without donor restrictions</b>        | <b>(4,035,227)</b>     | <b>2,982,938</b>   | <b>30,569</b>    | <b>(1,021,720)</b>     | <b>(402,487)</b>    | <b>995,000</b>    | <b>(22,608)</b>    | <b>451,815</b>    | <b>-</b>               |
| <b>Change in net assets without donor restrictions</b>                     | <b>\$ (12,202,460)</b> | <b>\$ (30,569)</b> | <b>\$ 30,569</b> | <b>\$ (12,202,460)</b> | <b>\$ (421,721)</b> | <b>\$ 298,856</b> | <b>\$ (30,095)</b> | <b>\$ 451,815</b> | <b>\$ (11,903,605)</b> |

## Covenant Woods

Consolidating Statement of Changes in Net Assets  
Year Ended March 31, 2023

|   | Covenant Woods      | Advance Care, LLC   | Eliminations          | Obligated Group     | Parker & Gregg, LLC | AC Hospice, LLC   | Woodhouse Catering | Eliminations        | Consolidated        |
|---|---------------------|---------------------|-----------------------|---------------------|---------------------|-------------------|--------------------|---------------------|---------------------|
| <b>Net Assets Without Donor Restrictions</b>                        |                     |                     |                       |                     |                     |                   |                    |                     |                     |
| Revenues, gains and other support in excess of (less than) expenses | \$ (8,167,233)      | \$ (3,013,507)      | \$ -                  | \$ (11,180,740)     | \$ (19,234)         | \$ (696,144)      | \$ (7,487)         | \$ -                | \$ (11,903,605)     |
| Total other changes in net assets without donor restrictions        | (4,035,227)         | 2,982,938           | 30,569                | (1,021,720)         | (402,487)           | 995,000           | (22,608)           | 451,815             | -                   |
| Change in net assets without donor restrictions                     | (12,202,460)        | (30,569)            | 30,569                | (12,202,460)        | (421,721)           | 298,856           | (30,095)           | 451,815             | (11,903,605)        |
| <b>Net Assets With Donor Restrictions, Purpose</b>                  |                     |                     |                       |                     |                     |                   |                    |                     |                     |
| Contributions   | 59,970              | -                   | -                     | 59,970              | -                   | -                 | -                  | -                   | 59,970              |
| Interest income and dividends                                       | 88,175              | -                   | -                     | 88,175              | -                   | -                 | -                  | -                   | 88,175              |
| Net realized gains  | 49,384              | -                   | -                     | 49,384              | -                   | -                 | -                  | -                   | 49,384              |
| Net unrealized losses   | (296,201)           | -                   | -                     | (296,201)           | -                   | -                 | -                  | -                   | (296,201)           |
| Releases from restrictions  | (124,550)           | -                   | -                     | (124,550)           | -                   | -                 | -                  | -                   | (124,550)           |
| Change in net assets with donor restrictions, purpose               | (223,222)           | -                   | -                     | (223,222)           | -                   | -                 | -                  | -                   | (223,222)           |
| <b>Net Assets With Donor Restrictions, Perpetual</b>                |                     |                     |                       |                     |                     |                   |                    |                     |                     |
| Change in fair value of perpetual trusts                            | (222,680)           | -                   | -                     | (222,680)           | -                   | -                 | -                  | -                   | (222,680)           |
| Change in net assets with donor restrictions, perpetual             | (222,680)           | -                   | -                     | (222,680)           | -                   | -                 | -                  | -                   | (222,680)           |
| Change in net assets with donor restrictions                        | (445,902)           | -                   | -                     | (445,902)           | -                   | -                 | -                  | -                   | (445,902)           |
| Change in net assets  | (12,648,362)        | (30,569)            | 30,569                | (12,648,362)        | (421,721)           | 298,856           | (30,095)           | 451,815             | (12,349,507)        |
| <b>Net Assets, Beginning</b>  | <b>18,033,625</b>   | <b>2,628,356</b>    | <b>(2,628,356)</b>    | <b>18,033,625</b>   | <b>676,019</b>      | <b>244,957</b>    | <b>30,095</b>      | <b>(706,107)</b>    | <b>18,278,589</b>   |
| <b>Net Assets, Ending</b>   | <b>\$ 5,385,263</b> | <b>\$ 2,597,787</b> | <b>\$ (2,597,787)</b> | <b>\$ 5,385,263</b> | <b>\$ 254,298</b>   | <b>\$ 543,813</b> | <b>\$ -</b>        | <b>\$ (254,292)</b> | <b>\$ 5,929,082</b> |

## APPENDIX B

### Pro Forma Income Statements

Following is a discussion of the actual results of operations for the fiscal year ended March 31, 2023, as compared to the budget for the same period. In addition, there is a schedule showing not only the actual and budgeted information for fiscal year 2023, but also the budget adopted for the fiscal year that will end on March 31, 2024.

The pro forma schedule is presented in the same format as the audited financial statements for consistency purposes.

In total, revenues were less than budgeted by approximately \$2.1 million. This represents a 5.4% variance from budget. The primary reason for this variance was due lower than expected census and home health/hospice revenue.

In total, expenses were lower than forecast, finishing 2.2% less than budget. The primary drivers behind this variance were interest expense, due to refinancing of 2012 bonds and benefit expense being less than expected.

Covenant Woods refinanced its Series 2012 bonds in 2022 at a more attractive interest rate but as a result of this refinancing, had to record a loss of extinguishment of debt of \$1,727,751. This amount is shown "below the line" of normal operating income on the consolidated statement of operations due to its one-time, non-operating nature.

The unrealized gain or loss on investments is a difficult figure to budget due to its relationship to the performance of the stock market. Further, any gain or loss reported on this line is only a "paper" gain or loss, since the Organization still owns the investments on which it is based. For FY23 we had an unrealized loss of \$3.3 million vs a budgeted gain of \$814,000.

FY24 budgeted revenues are forecasted to be approximately 14.6% higher than FY23 budgeted and 8.5% more than audited FY23 revenues. The expectation for FY24 is to get some normalization after the continued effect of Covid in FY23, but also an increase in Hospice & Home Health revenues. Additionally, the budget assumes increased census in Assisted Living and slight increase in Independent Living. FY24 expenses are forecasted to be 1.9% higher than FY23 budgeted and 4.1% more than FY23 audited expenses. The majority of increase in expenses is due to rising costs of salaries/benefits, and overall higher than normal rates of inflation on supplies.

|  | <u>FY24 Pro Forma</u> | <u>FY23 Audited</u> | <u>FY23 Pro Forma</u> |
|--|-----------------------|---------------------|-----------------------|
| Unrestricted revenue, gains, and other support:                  |                       |                     |                       |
| Residential Services - Independent                               | 15,273,410            | 13,959,607          | 14,588,452            |
| Residential Services - Assisted Living                           | 4,691,514             | 3,845,877           | 3,640,247             |
| Residential Services - Nursing                                   | 8,330,988             | 7,434,057           | 8,041,333             |
| Earned Entrance fees   | 7,119,308             | 7,366,687           | 7,523,856             |
| Covenant Program   | (480,000)             | (389,256)           | (336,000)             |
| Contractual Adjustment   | (4,077,128)           | (3,850,689)         | (4,241,646)           |
| Home Health Revenue  | 6,330,375             | 4,040,997           | 5,844,144             |
| Hospice Revenue  | 1,497,576             | 462,929             | 724,312               |
| Catering Revenue   | 241,648               | 233,690             | 352,860               |
| Gifts and donations  | 348,000               | 196,334             | 348,000               |
| Interest and dividend income                                     | 834,871               | 1,262,917           | 832,471               |
| Net realized gain (loss) on sale of investments                  | 330,000               | 944,525             | 495,000               |
| Other  | 1,438,932             | 1,031,198           | 797,385               |
| <b>Total revenues</b>  | <b>41,879,494</b>     | <b>36,538,873</b>   | <b>38,610,412</b>     |
| Expenses:  |                       |                     |                       |
| Salaries   | 23,095,007            | 21,667,412          | 22,016,962            |
| Supplies and materials   | 909,432               | 897,896             | 772,645               |
| Depreciation and amortization                                    | 6,515,335             | 6,567,672           | 6,960,133             |
| Repairs and maintenance  | 936,633               | 931,280             | 895,510               |
| Professional fees  | 518,340               | 741,352             | 366,624               |
| Food   | 1,838,009             | 1,705,513           | 1,739,922             |
| Occupancy costs  | 1,992,711             | 1,837,193           | 1,661,163             |
| Taxes  | 972,736               | 994,571             | 977,324               |
| Insurance  | 737,645               | 703,014             | 640,819               |
| Interest   | 3,940,700             | 3,841,623           | 4,243,308             |
| Other  | 2,963,819             | 2,764,994           | 3,334,475             |
| <b>Total Expenses</b>  | <b>44,420,367</b>     | <b>42,652,520</b>   | <b>43,608,885</b>     |
| <b>Operating Income (Loss)</b>                                   | <b>(2,540,873)</b>    | <b>(6,113,647)</b>  | <b>(4,998,472)</b>    |
| Covid expenses, net of HHS funds                                 |                       | (625,389)           |                       |
| Loss on extinguishment of debt                                   |                       | (1,727,751)         |                       |
| Loss on disposal of assets                                       | -                     | (139,972)           |                       |
| <b>Excess of revenues, gains and other support over expenses</b> | <b>(2,540,873)</b>    | <b>(8,606,759)</b>  | <b>(4,998,472)</b>    |
| Other changes in unrestricted net assets:                        |                       |                     |                       |
| Net unrealized gain (loss) on investments                        | 660,000               | (3,296,845)         | 814,000               |
| <b>Increase (decrease) in unrestricted net assets</b>            | <b>(1,880,873)</b>    | <b>(11,903,604)</b> | <b>(4,184,472)</b>    |

**Summary of Financial Information**

**Covenant Woods**

**As of March 31, 2023**

|                   | <u>Current Year</u> | <u>Prior Year</u> |
|-------------------|---------------------|-------------------|
| Total Assets      | \$151,782,906       | \$163,603,588     |
| Total Liabilities | 145,853,824         | 145,324,999       |
| Total Net Assets  | 5,929,082           | 18,278,589        |
| Total Revenues    | 36,538,827          | 38,032,257        |
| Total Expenses    | 42,652,475          | 38,596,788        |
| Operating Income  | (6,113,648)         | (3,834,085)       |
| Net Income (loss) | \$(11,903,605)      | \$(9,510,765)     |

Narrative on Financial Condition:

Total assets decreased by approximately \$11.8 million and total liabilities increased by approximately \$528 thousand in FY2023. Revenues decreased in FY2023 by 4% in total. Residential service fee revenue was up approximately 6% mostly due to occupancy increases. Total expenses were up approximately \$4 million compared to FY2022. Operating income was down \$2.3 million from prior year, primarily due to increased expenses. Net income was down approximately \$2.4 million primarily due to less unrealized gains on investments, and operating income mentioned above.

| Occupancy Information | Available Units* | Average Occupancy | % Occupancy |
|-----------------------|------------------|-------------------|-------------|
| Independent Living    | 231              | 205               | 89%         |
| Assisted Living       | 39               | 29                | 75%         |
| Memory Support        | 21               | 13                | 61%         |
| Nursing               | 62               | 49                | 79%         |

*\*Available units are based on number of units at year end*



**APPENDIX C**

**COVENANT WOODS RESIDENCY AGREEMENTS**

**APPENDIX C:1**

**LIFECARE RESIDENCY AGREEMENT**

**COVENANT WOODS**  
**LIFECARE RESIDENCY AGREEMENT**

**COVENANT WOODS**  
**LIFECARE RESIDENCY AGREEMENT**

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**COVENANT WOODS**  
**LIFECARE RESIDENCY AGREEMENT**

**THIS AGREEMENT ("Agreement")** is made and entered into this \_\_\_ day of \_\_\_\_\_, 20\_\_\_, by and between \_\_\_\_\_ (collectively referred to as the "**Resident**," "**Joint Resident(s)**," "**You**" or "**Your**") and **COVENANT WOODS ("Our," "We" or "Us")**, a Virginia non-stock not-for-profit corporation, operating Covenant Woods, a continuing care retirement community ("**Community**" or "**Covenant Woods**").

We have accepted Your application for residence in the Community subject to the provisions of this Agreement.

**A. SERVICES PROVIDED**

Subject to the terms and conditions of this Agreement, We will provide You the residential and health care facilities and services specified in this Agreement from the Occupancy Date (as defined in Section C.2) until the death of Resident or the earlier termination of this Agreement.

You agree to comply with the terms of this Agreement and to abide by Covenant Woods' Resident Handbook, policies, rules and regulations as current and in effect at any time ("**Community Policies**"), including any rules reasonably promulgated especially for either You or a limited group of residents or otherwise agreed to by You as a condition of continuing residence.

You shall disclose to Us immediately any material change in Your physical, mental or financial condition prior to establishing residency; and this obligation to disclose shall continue throughout Your residency. You shall provide financial statements and tax returns at Our request.

**B. JOINT RESIDENCY**

If there are two persons named above as Resident, this is a Joint Residency Agreement. If this Agreement is terminated with respect to one of the Joint Residents, the Agreement will remain in effect with respect to the remaining Resident unless otherwise stated in this Agreement. For Joint Residents the Entrance Fee and the Monthly Service Fee due under this Agreement shall include an Additional Person Fee. Each Joint Resident is jointly and severally liable for the payment of the Entrance Fee, the Monthly Service Fee and all other amounts required to be paid to the Corporation pursuant to this Agreement.

**C. RESIDENCE; OCCUPANCY DATE**

1. Residence

The Residence selected by Resident is set forth in Exhibit A (the "**Residence**"). You will have a personal, non-assignable right to reside in the Residence, subject to the terms and conditions of this Agreement, including a change in accommodations as hereinafter provided.

While residing in the Residence, You may have pets in Your Residence only in accordance with Our established pet policy.

2. Occupancy Date

"Occupancy Date" means the date provided in Exhibit A (whether or not Resident actually occupies the Residence on such date), or such other date as may be agreed to by the parties in writing.

If Resident does not occupy the Residence within 90 days of the execution of this Agreement, We may require Resident, prior to occupancy, to submit additional financial and health information and undergo an additional health care examination to determine if the Resident is able to live independently in the Residence without special assistance or services not normally provided by Us in such residence. Resident recognizes Our right to determine whether Resident qualifies for independent living.

**D. FEES**

Resident shall pay the following fees:

1. Entrance Fee

a. The Resident agrees to pay the Entrance Fee set forth in Exhibit A. An Administrative Fee equal to 4% of the Entrance Fee shall be assessed against the Entrance Fee. Any refund of the Entrance Fee and Administrative Fee shall be governed by Section G of this Agreement.

b. If the Residence is currently ready for occupancy by Resident, You shall pay the full amount of the Entrance Fee to Us when You sign this Agreement and return it to Us, or on such later date as agreed to by Us as set forth in Exhibit A. If the Residence is not ready for occupancy on the date hereof, the Entrance Fee shall be payable as follows:

(i) A deposit equal to 10% of the Entrance Fee, less any previously paid reservation fee, as set forth in Exhibit A, is due when You sign this Agreement and return it to Us.

(ii) The remaining balance is due on or before the Occupancy Date.

2. Monthly Service Fee

- a. You agree to pay to Us each month, starting with the month of the Occupancy Date, the Monthly Service Fee applicable to the Residence based on the numbers of Residents. The Monthly Service Fee shall be prorated for the first month according to the number of days remaining in the calendar month following Occupancy Date.
- b. The first Monthly Service Fee is due on the Occupancy Date. The Monthly Service Fee is thereafter payable in advance on the first day of each calendar month. If it is not paid within 7 days after You have been billed, We may levy a late charge of 5% of the amount due. Resident also shall pay interest at the rate of 8% per annum on any amount which is not paid within 60 days after the billing statement reflecting such amount is mailed or presented to Resident.
- c. The Monthly Service Fee is payable whether or not You actually occupy the Residence. The Monthly Service Fee will not change because of Resident's or Joint Resident's transfer to a higher level of living in the Community, other than as provided in section J.4.
- d. If this is a Joint Residency Agreement and the Agreement is terminated with respect to one of the Joint Residents, the Monthly Service Fee will be reduced by the then current Additional Person Fee, effective the month following the date of termination.
- e. We may adjust the Monthly Service Fee from time to time, in Our sole discretion, with 30 days advance written notice to You. We will endeavor to maintain the Monthly Service Fee at the lowest possible rate based on actual costs and consistent with sound financial practice, including the maintenance of reserves, and maintenance of the scope of services called for by this Agreement.
- f. Resident acknowledges that there may be different fee schedules in effect for the Community's residents and that other residents may pay a lower Monthly Service Fee for a residence similar to Resident's Residence. Resident further acknowledges that We may provide residence and care at the Community under other types of agreements.

3. Other Services

You will be billed monthly, in arrears, for any services and supplies provided by Us, but not included in the Monthly Service Fee. The bills are due within 5 days of receipt. If payment is not made within 7 days after the date due, We may levy a late charge of 5% of the amount due. Resident also shall pay interest at the rate of

8% per annum on any amount which is not paid within 60 days after the billing statement reflecting such amount is mailed or presented to Resident.

**E. RESCISSION OR TERMINATION OF THIS AGREEMENT BEFORE OCCUPANCY DATE**

1. Voluntary Rescission within 7 days

You have the right to rescind this Agreement without penalty or forfeiture by delivering written notice to Us within 7 days after the last to occur of the following:

- a. making the initial Entrance Fee Deposit, or
- b. signing this Agreement,

If You rescind the Agreement within that 7-day period for any reason, You will receive a refund of any Entrance Fee paid pursuant to Section G.1. You are not required to move in during the 7-day period. If this is a Joint Residency Agreement, and one Joint Resident rescinds within the 7-day period for any reason, the Agreement will be deemed terminated as to both Residents.

2. Voluntary Termination prior to Occupancy Date

After the 7-day period described in Section E.1., but prior to the Occupancy Date, You may terminate this Agreement with immediate effect by delivering written notice of termination to Us. You will receive a refund of any Entrance Fee paid pursuant to Section G.2. If this is a Joint Residency Agreement, and only one of the Joint Residents terminates the Agreement pursuant to this section, the Agreement will be deemed terminated as to both Residents.

3. Termination upon Death

If Resident dies prior to the Occupancy Date, this Agreement shall be considered automatically terminated. Refund of any paid Entrance Fee shall be paid in accordance with Section G.3. If this is a Joint Residency Agreement, the Agreement will be deemed terminated as to both Residents.

4. Termination upon Material Change in Physical, Mental or Financial Condition

If, after the 7-day period described above but prior to the Occupancy Date, You become incapacitated physically or mentally to the degree that You may no longer qualify for Independent Living or Your financial condition has materially deteriorated in comparison to the information submitted as part of Your Application for Residency, You, whether a Resident or a Joint Resident, or Your representative shall immediately notify Us of the occurrence and nature of such incapacitation. If, in Our opinion, the Resident prior to the Occupancy Date has become unable to enter the Community in Independent Living under this contract form due to illness, injury or incapacity or change in financial condition, We shall notify the Resident



and this Agreement shall be considered automatically terminated. Refund of any paid Entrance Fee shall be paid in accordance with Section G.3. If this is a Joint Residency Agreement, the Agreement will be deemed terminated as to both Residents.

**F. TERMINATION OF RESIDENCY AGREEMENT AFTER OCCUPANCY DATE**

1. Death of a Resident

If not a Joint Residency Agreement, this Agreement shall terminate at the date of Resident's death. The Monthly service fee will continue to be in effect until all property is removed from the unit. If this is a Joint Residency Agreement, this Agreement shall remain effective with respect to the surviving Joint Resident (see also Section G.6.).

2. Termination by Resident

You may terminate this Agreement at any time by giving Us written notice. The Agreement shall terminate (the "**Termination Date**") at the later of (i) the date that is 45 days after Our receipt of Your written notice of termination, (ii) the date that You, in fact, vacate Your Residence or (iii) the date all personal property of the Resident has been removed from the Community. If this is a Joint Residency Agreement, and only one Resident gives a notice of termination, this Agreement shall remain effective with respect to the other Resident.

3. Termination by Covenant Woods

We shall not terminate this Agreement except for Good Cause. "Good Cause" means a determination by Us that one or more of the following statements are true: (i) You are a danger to Yourself or others; (ii) You have failed to pay fees that are due to Us; (iii) You have repeatedly engaged in conduct that interferes with other Residents' quiet enjoyment of Covenant Woods; (iv) You have persistently refused to comply with reasonable written rules and regulations of Covenant Woods; (v) You made a material misrepresentation, either intentionally or recklessly, in Your Application for Residency, or related materials, regarding information which, if accurately provided, would have resulted in either Your failure to qualify for Residency or a material increase in the cost of providing to You the care and services provided under this Agreement; or (vi) You have committed a material breach of the terms and conditions of this Agreement. We shall not terminate this Agreement until We have given You written notice stating the grounds of termination and a reasonable period of time for cure. The effective date of such termination shall be stated in the written notice. In the case of Joint Residents, this termination can apply to both Residents or to only one Resident; if the termination applies to only one Resident, this Agreement shall remain effective with respect to the other Resident.

## G. REFUNDS

Any refunds due to You under this Agreement shall be made according to the provisions of this Section and in certain events Sections J and N.

### 1. Rescission Within 7 Days prior to Occupancy Date

If You rescind this Agreement in accordance with Section E.1., You will receive a full refund within 30 days of the date of rescission of any paid Entrance Fee and other sums paid to Us, less any costs specifically incurred by Us at Your request according to a written amendment to this Agreement or Special Provisions set forth in Exhibit A. No interest shall be paid to Resident on the refunded amounts.

### 2. Voluntary Termination prior to Occupancy Date

If You terminate this Agreement in accordance with Section E.2., You will receive a refund within 30 days of the date of termination of any paid Entrance Fee and other sums paid to Us, less (i) an administrative fee of \$1,000, and (ii) any costs specifically incurred by Us at Your request according to a written amendment to this Agreement or Special Provisions set forth in Exhibit A. No interest shall be paid to Resident on the refunded amounts.

### 3. Termination upon Death or Incapacity prior to Occupancy Date

If this Agreement is terminated because of death or incapacity, as described in Sections E.3. and E.4., You or Your estate will receive a full refund within 30 days of the date of termination of any paid Entrance Fee and other sums paid to Us, less any costs specifically incurred by Us at Your request according to a written amendment to this Agreement or Special Provisions set forth in Exhibit A. No interest shall be paid to Resident on the refunded amounts.

### 4. Termination After Occupancy Date

In the event of termination after the Occupancy Date, refunds shall be made in accordance with the type of Entrance Fee selected by Resident as set forth in Exhibit A and further described below. Any refund provided for under this Section G.4 of the Agreement shall not include refund of the Administrative Fee.

#### a. Declining Refund Entrance Fee

A portion of the Entrance Fee paid will be refunded if You move from Covenant Woods and terminate this Agreement within 49 months after the Occupancy Date. The refund will be an amount equal to the Entrance Fee paid, less the 4% Administrative Fee deducted from the Entrance Fee and less 2% of the Entrance Fee paid for each full or partial month of residency (the period between the Occupancy Date and the date this Agreement is terminated) until the balance is 0. Any unpaid charges will be deducted

from the refund. We may deduct the full amount of financial assistance, including interest, from the refund.

b. 50% Guaranteed Refund Entrance Fee

If You move from Covenant Woods and terminate this Agreement after the Occupancy Date, no less than 50% of the Entrance Fee paid, less the 4% Administrative Fee deducted from the Entrance Fee, will be refunded. The refund will be an amount equal to the Entrance Fee paid, less the 4% Administrative Fee deducted from the Entrance Fee and less 2% of the Entrance Fee paid for each full or partial month of residency (the period between the Occupancy Date and the date this Agreement is terminated) through the 25th month of residency, at which time the refund will be 50% of the Entrance Fee, less the 4% Administrative Fee deducted from the Entrance Fee. It will remain a constant 50% thereafter, less the 4% Administrative Fee deducted from the Entrance Fee, regardless of the length of residency at Covenant Woods. Any unpaid charges will be deducted from the refund. We may deduct the full amount of financial assistance, including interest, from the refund.

c. 90% Guaranteed Refund Entrance Fee

If You move from Covenant Woods and terminate this Agreement after the Occupancy Date, no less than 90% of the Entrance Fee paid, less the 4% Administrative Fee deducted from the Entrance Fee, will be refunded. The refund will be an amount equal to the Entrance Fee paid, less the 4% Administrative Fee deducted from the Entrance Fee and less 2% of the Entrance Fee paid for each full or partial month of residency (the period between the Occupancy Date and the date this Agreement is terminated) through the 5th month of residency, at which time the refund will reach 90% of the Entrance Fee, less the 4% Administrative Fee deducted from the Entrance Fee. It will remain a constant 90% thereafter, less the 4% Administrative Fee deducted from the Entrance Fee, regardless of the length of residency at Covenant Woods. Any unpaid charges will be deducted from the refund. We may deduct the full amount of financial assistance, including interest, from the refund.

d. Any required refund shall be paid to You or Your estate upon the earlier to occur of (i) the execution of a new Residency Agreement by another Resident for Your Residence or (ii) the expiration of 12 months from the date of termination. No interest shall be paid to Resident on the refunded amounts.

5. Monthly Service Fee

In the event of Your death or termination by Us, You or Your estate shall receive a refund of a pro rata portion, if any, of the Monthly Service Fee paid for the month termination occurs.

In the event of termination by You, the Monthly Service Fee will be due until the Termination Date determined pursuant to Section F.2. You shall receive a refund of a pro rata portion, if any, of the Monthly Service Fee paid for the month of the Termination Date.

Any refund of the Monthly Service Fee will be paid as provided in sub-section (4)(d) above.

6. Joint Residents

If this is a Joint Residency Agreement there shall be no refund of the paid Entrance Fee until both Joint Residents cease to be Residents of the Community. Any refund shall be paid to the estate of the last surviving Joint Resident, or to the last Joint Resident who resided at the Community.

If this Agreement is terminated with respect to one of the Joint Residents, there shall be no refund of the Monthly Service Fee. The Monthly Service Fee will be reduced by the then current Additional Person Fee effective the month following the termination.

## **H. SERVICES TO RESIDENTS**

The Monthly Service Fee includes access to amenities and certain services. Other services may be available for an additional charge. Except for changes required by state or federal assistance programs, We will notify Resident of any proposed change in the scope of care or services provided by Us at least 30 days before such change is effective.

1. Services currently included in the Monthly Service Fee:

- a. Flex meal credits as defined in the resident handbook, as updated from time to time. These credits can be used to purchase any food or non-alcoholic beverage at any of the dining venues on campus, as defined in the resident handbook.
- b. Basic housekeeping bi- weekly.
- c. Real estate taxes and utilities (electricity, water, natural gas, sewer, and refuse), subject to availability to Covenant Woods by the providers thereof.
- d. Cable/Satellite T.V. hook-up availability (but not cable/satellite services), washer and dryer, stove, dishwasher, refrigerator, and microwave.

- e. Maintenance of Residence and grounds.
  - f. Transportation in accordance with the Community Policies.
  - g. Assisted Living Care, Memory Support Care and Nursing services, as provided in this Agreement.
  - h. The Community's Wellness Program.
  - i. Security consisting of monitoring of the premises by security personnel and cameras, and limited access to the Community.
  - j. Emergency call system.
  - k. Use of common area facilities.
  - l. Maintenance of appliances furnished by Us.
  - m. Temporary meal delivery as provided in the Community Policies from time to time.
  - n. Parking in accordance with the Community's parking regulations as updated from time to time.
2. Additional Services currently available in Independent Living at extra cost:
- a. Additional housekeeping.
  - b. Cable/Satellite, internet and television, subject to availability to Covenant Woods by the providers thereof.
  - c. Extra transportation services as provided in the Community Policies.
  - d. Special activities.
  - e. Spa and salon services.
  - f. Occupational, physical and speech therapy.
  - g. Telephone service.
3. Lifecare

Subject to availability, the Lifecare benefit includes short-term or long-term use of Health Services (Assisted Living, Memory Support and Nursing), if approved by Us, after consultation with the Inter-Disciplinary Care Team, with You, Your family, and/or Your physician, with no increase in Monthly Service Fee over that of Your Residence.

We shall not be responsible for the cost of any services to the extent that benefits are payable for such services under Medicare and Medicare Supplement policies, or the equivalent. You must, upon request, take such action and execute such forms as are necessary to secure reimbursement to Us of any amounts payable for services that can be compensated for in whole or in part by such sources.

Resident is responsible for payment of the cost of all health related services not expressly covered by this Agreement. Examples of charges for which You are responsible include but are not limited to: personal care, services rendered by a clinic, physician, or other practitioner of any therapeutic or palliative art or profession; services rendered by a hospital, rehabilitation facility or laboratory; medications and medical supplies; appliance, equipment, or other aids to modify the effects of handicapping conditions, and other health related items.

Home health agencies and private duty providers contracted by Resident and must be licensed and bonded and approved by us, which approval can be withdrawn under appropriate circumstances. Resident is responsible for payment of such agency's services directly to the agency.

4. Assisted Living Services and Care

The Assisted Living Center is designed for those who are unable to function independently in an independent living unit, but do not need continuous medical supervision. Assisted Living residents receive those services listed in Section H.1. and receive help in activities of daily living; increased assistance in housekeeping; increased monitoring of personal status; monitoring of medications; and bath and bed linens as set forth in the Community Policies.

5. Memory Support Services and Care

Memory Support Residents receive those services listed in Section H.1. and receive help activities of daily living; assistance in attending meals; increased assistance in housekeeping; increased monitoring of personal status; monitoring of medications; and bath and bed linens as set forth in the Community Policies

6. Nursing Facility Services and Care

Residents of the Nursing Facility receive those services listed in Section H.1. commensurate with their condition and other care varying with their needs, the highest level of which is total nursing bed care in accordance with the Rules and Regulations for Licensed Nursing Homes promulgated by the Virginia Department of Health as set forth in the Community Policies.

7. If, in Our opinion, after consultation with the Inter-Disciplinary Care Team, and/or Your physician, You require care that cannot be given at Covenant Woods, for

example, because You have a dangerously contagious disease, You require specialized psychiatric care, or You have any other condition requiring services prohibited under the license of the Nursing Facility or beyond our scope of care, We will assist You in transferring to an appropriate facility and You will be responsible for all costs associated with care at such facility. See further Section J.2.

8. You are required to carry Medicare Insurance Parts A and B and a Medicare Supplement, or the equivalent of such coverage. We reserve the right to require evidence of such insurance coverage.

## **I. RESIDENT'S RESPONSIBILITIES**

1. Housekeeping

Resident will be responsible for maintaining the Residence in a clean, sanitary and orderly condition, performing all usual light housekeeping tasks as necessary between housekeeping services provided by Us. We reserve the right to inspect Your Residence, after proper notice to You. If You fail to maintain Your Residence as required above, We may charge You for housekeeping services required to maintain Your Residence in a clean, sanitary and orderly condition.

2. Guests

You are permitted to have guests in the Residence, subject to the rules and regulations set forth in the Community Policies. You will be responsible for the conduct of Your guests and for payment of any charges incurred by Your guests.

## **J. TRANSFER FROM YOUR RESIDENCE**

1. You agree that We may transfer You on a permanent or temporary basis to a different Residence, to the Assisted Living Center, to the Memory Support Center, or to the Nursing Facility when We, after consultation with the Inter-Disciplinary Care Team, and after consultation with You, Your family and/or Your physician, determine that such a transfer is necessary for Your well-being or the safety of You or other residents or if you are unable to maintain yourself in your residence without special care. The Inter-Disciplinary Care Team typically includes a registered nurse, physician, dietician, social worker, activity coordinator and possibly other Covenant Woods Team members.

Although it is anticipated that bed space at the Assisted Living Center, the Memory Support Center and the Nursing Facility ("Health and Wellness Center") will be adequate to meet the demand for such space, We cannot guarantee the availability of bed space at the Health and Wellness Center. Should bed space at the Health and Wellness Center not be available when needed, We will utilize Our best efforts to contract for nursing services to be provided by a licensed outside facility selected by Us. We will use Our best efforts to obtain for Resident a place in a facility which

is comparable to the Health and Wellness Center. Resident shall continue payment of the Monthly Service Fee to Us even if Resident is transferred as described above. So long as Resident continues to pay the Monthly Service Fee, We will pay the cost of the care provided at such outside facility that is similar to the care provided at Covenant Woods. Resident shall be responsible for payment of all fees and expenses in excess of the amount paid by Us. Any resident transferred to an outside facility will be returned to the Community as soon as the proper facilities are available in Health and Wellness Center.

2. You agree that, if You suffer any disability for which We are not permitted to provide or not capable of providing care, We shall, after consultation with the Inter-Disciplinary Care Team, You, Your family and/or Your physician, assist in transferring You to an appropriate facility and You will be responsible for all costs associated with care at such facility. Unless Resident terminates this Agreement pursuant to Section F.2., Resident shall continue payment of the Monthly Service Fee during any period Resident is staying in another facility.
3. We may transfer You, on reasonable notice, to a different Residence on a temporary or permanent basis in the event of special circumstances, such as the need for renovation or repair to Your Residence or the transfer of such space to a different use or configuration or to promote harmony or avoid conflict among residents. We will incur all moving costs of such move.
4. You may transfer to another Residence within the Community's facility with Our prior written approval. If Your request is approved, You will have 24 hours to accept the Residence that We notify You in writing is available, and if You accept the Residence as Your Residence, We will determine and assess the amount of any additional Entrance Fee, or any refund or credit thereof, which is appropriate to Your new Residence, as described below. Except as otherwise expressly stated in this Section J, no refund of the Entrance Fee shall be due upon such transfer. Your Monthly Service Fee shall become that which is applicable to Your new Residence (under the then current fee schedule for new residents under this type of residency agreement) effective the first month following the transfer; provided, however, that if after transfer to a unit for which the Monthly Service Fee is lower than that payable for the unit from which You transfer, upon any transfer to Assisted Living, Memory Support, Or Nursing Care after less than 18 months in the second unit, the Monthly Service Fee that you pay in the Health & Wellness Center shall be the fee applicable to the unit from which you transferred. If You have not moved to Your new Residence and paid any additional amount due within 30 days of notification of the availability of such unit or such other transfer date agreed upon by You and Us, Our approval of the requested transfer is revoked without further action.
  - a. If the then current Entrance Fee for Your new Residence is less than the Entrance Fee originally paid by You, any refund of part of the Entrance Fee paid by You will be determined as follows: (1) 2% of the Entrance Fee paid for the old Residence shall be deducted from such Entrance Fee for each full or partial month from the Occupancy Date to the date of Your transfer,



and (2) 2% of the then current Entrance Fee for the new Residence (based on the refund plan selected in Exhibit A and this type of residency agreement) shall be deducted from such Entrance Fee for each full or partial month from the Occupancy Date to the date of Your transfer. If the net amount for Your new Residence is less than the net amount for the old Residence, You will be due a refund equal to the difference between the amounts. Any required refund shall be paid upon the earlier to occur of (i) the execution of a new Residency Agreement by another resident for Your old Residence and (ii) the expiration of 12 months from the date of Your transfer. No interest shall be paid to Resident on the refunded amount. If the then current Entrance Fee for Your new Residence exceeds the Entrance Fee originally paid by You, You shall pay, prior to the transfer, an amount equal to the difference between the Entrance Fee paid by You for Your old Residence and the Entrance Fee currently being charged for Your new Residence (under the refund plan selected in Exhibit A and this type of residency agreement). For purposes of Section G.4, any additional Entrance Fee shall be deemed paid on the original Occupancy Date.

5. In a move initiated by You, You will be responsible for costs associated with the move. When transferring from the Residence, You will be charged with the actual costs of making all repairs to renovate Your old Residence, including the replacement of damaged appliances or fixtures or those showing signs of excessive wear and tear that We deem necessary for new occupancy.

#### **K. REASSIGNMENT OF RESIDENCE BY US**

We may reassign Your Residence to a different resident upon the occurrence of any of the following:

1. This Agreement is rescinded or terminated.
2. Resident is permanently transferred to another Residence as provided in Section J.
3. The Resident (or last remaining Joint Resident) is admitted permanently to the Assisted Living Center, the Memory Support Center, or the Nursing Facility. Should the Resident recover sufficiently to resume Independent Living at a later date, the first available unreserved independent living unit similar to Resident's previous residence will be provided. A Resident who resides in Assisted Living Center or Nursing Facility on a temporary basis (less than 90 days) will retain possession, rights and privileges for use of the Residence during that period, without incurring additional monthly fees.

#### **L. DISPOSITION OF PROPERTY**

Upon termination of this Agreement or the permanent transfer of the Resident (or the last Joint Resident), You or Your estate must remove all of Your property from the Residence within 15 days. After 15 days We have the right to remove any remaining property and

store it for an additional 30 days for a moving and storage fee. All property not claimed at the end of such 30 day period shall become Our property and We may choose to dispose of it as We may elect without liability to You, Your representative or estate. Any charges or expenses as reasonably calculated incurred by Us in removing property from your unit and storing it shall be an additional fee due under this agreement and payable by you or your estate.

#### **M. FINANCIAL ASSISTANCE**

It is Our policy, subject to the availability of funds and prudent financial management, including maintenance of reserves, to provide financial assistance to residents who are otherwise in compliance with their obligations to Us and who provide appropriate information to Us to justify such financial assistance and to evidence that the need for such assistance has resulted from financial reverses over which the resident had no control or the normal depletion of the resident's assets over time. Financial assistance will be granted under policies established by Us from time to time. All decisions as to financial assistance shall be made by Us in Our sole discretion and subject to determination by Us that such assistance can be provided without impairing Our ability to carry out Our operations and obligations to the Community's residents, currently or in the future, while operating on a sound financial basis with appropriate reserves.

#### **N. CHANGE IN PERSONAL RELATIONSHIPS AFTER ESTABLISHING RESIDENCY**

1. With Our prior written approval You may move into another resident's residence or have another resident move into Your Residence or together with another resident move into a different residence. You will be required to enter into a new or amended Residency Agreement upon such terms and conditions as agreed upon by Us, You and the other resident. Your Monthly Service Fee will include an Additional Person Fee and will be assessed in accordance with the then current fee schedule for new residents under the applicable type of agreement. We will determine, in Our sole discretion, the amount of any additional Entrance Fee due or any refund or credit of such fee which may be appropriate to the new residence.
2. If You marry a non-resident, and Your spouse desires to reside with You in Your Residence, Your spouse must submit an Application for Residency and both You and Your spouse must submit a then current financial report. If Your spouse is accepted for residency under a lifecare agreement, You and Your spouse must prior to the spouse's admittance execute a Joint Residency Agreement and pay the applicable Additional Person Entrance Fee as established by the then current Covenant Woods fee schedule. If You decide to move to a different Residence in connection with Your spouse joining You, Your original Entrance Fee will be adjusted in accordance with Section J, and in addition You and Your spouse shall pay the applicable Additional Person Entrance Fee. For purposes of Section G.4, the Additional Person Entrance Fee shall be deemed paid on Resident's original Occupancy Date. You and Your spouse will be treated in all respects as Joint Residents and shall, starting with the month Your spouse moves into Covenant

Woods, pay the Monthly Service Fee for double occupancy, with the Additional Person Fee pro-rated if applicable. The Monthly Service Fee shall be based on the then current fee schedule for new residents. If Your spouse is not accepted for residency under a lifecare agreement, Your spouse may apply for residency under one of the other contract forms, if any, then offered by Us, and if accepted enter into a separate contract with Us. Also, if You at the time of Your marriage to a non-resident permanently reside in Health and Wellness Care, Your spouse must apply for residency under one of Our contract forms, and if accepted enter into a separate contract with Us. You acknowledge that We can not guarantee that Your spouse will be admitted. If Your spouse is not accepted for residency, Resident's Residency Agreement shall remain effective unless terminated by Resident. If Your spouse is accepted under a different contract form but will reside with You, You shall execute an addendum to this Agreement reflecting the terms and conditions for such joint residency as agreed upon by You and Us.

3. If You want to reside together with a non-resident (other than a spouse) in the Residence, such person, who must be 62 years or older, shall submit an Application for Residency and both You and the non-resident must submit a then current financial report. If the non-resident (the "Second Resident") is accepted for residency, the Second Resident shall prior to admittance execute the applicable residency agreement and You shall execute an Addendum to this agreement, such agreement and addendum reflecting the terms and conditions for the new joint residency as agreed upon by Us, You and the Second Resident. In addition, the Second Resident shall prior to admittance pay an entrance fee equal to the first person entrance fee for the least expensive independent living unit at Covenant Woods applicable to new residents under the relevant type of residency agreement. If You decide to move to a different Residence in connection with the Second Resident joining You, Your Entrance Fee will be adjusted in accordance with Section J, and in addition You and the Second Resident shall pay the additional entrance fee pursuant to the preceding sentence. Starting with the month the Second Resident moves into Covenant Woods, You and the Second Resident shall pay a Monthly Service Fee including a Second Resident fee equal to the single person monthly service fee for the least expensive independent living unit at Covenant Woods, such fees being based on the then current fee schedule for new residents. You and the Second Resident shall be jointly and severally liable for the payment of the Monthly Service Fee and all other amounts required to be paid to Us pursuant to Your and the Second Resident's Agreements. If the Second Resident remains in the Community after Resident's death or termination of residency, the Second Resident will be charged the first person fee for the Residence.

#### **O. RESIDENT'S RIGHTS TO PROPERTY**

The rights and privileges granted to You by this Agreement do not include any leasehold rights or interests and do not include right, title or interest in any part of the personal property, land, buildings or improvements owned or administered by Us. Your rights are primarily for services, with a contractual right of residency. Any rights, privileges or

benefits under this Agreement or any interest or contractual rights of any nature in the Community, including the right of any refund of the Entrance Fee or other payments hereunder, are and shall be subordinate in priority, right, claim and interest to any lien, charge or security agreement now or hereafter placed on or affecting Covenant Woods or any interest in Our real property or personal property, and to any amendment, modification, replacement or refinancing of any mortgage, deed of trust or security agreement. Resident shall execute and deliver any documents reasonably required by Us or by the holder of any mortgage, deed of trust or other security agreement to evidence or effect such subordination. Your rights under this Agreement shall not inure to the use or benefit of Your heirs, next of kin, assigns or representatives or Your estate.

**P. INCAPACITY; POWER OF ATTORNEY**

You agree to execute a valid power of attorney designating a bank or responsible person selected by You to act in Your behalf in the event You may become unable to handle Your affairs and to deliver a copy of such power of attorney to Us prior to the Occupancy Date. You agree to maintain such power of attorney at all times and to notify Us of any changes or substitutions. The power of attorney must be in a form that survives Your incapacity or disability and is otherwise satisfactory to Us. We must be informed immediately when a third party assumes responsibility for managing Your financial affairs.

**Q. RIGHT OF ENTRY**

We and Our authorized employees and agents have the right to enter the Residence under certain circumstances. Such right of entry includes, but is not limited to, entry for inspection, maintenance and housekeeping, concern for Your or other residents' safety and in response to the fire alarm or any other emergency. Whenever possible, We will give You prior notice that We will enter the Residence.

**R. LOSS OR DAMAGE TO PROPERTY OR PERSON**

1. You agree that We shall not be responsible for the loss or damage of any property belonging to You (including property stored in the Community's storage facilities) due to any cause, unless We have been grossly negligent and such negligence caused the loss or damage. We assume no responsibility for, and any injury to Resident or damage or loss to Resident's property caused by the negligence or misconduct of another resident or any guest of another resident. We do not have an insurable interest in the personal property of Resident and Resident is encouraged to obtain insurance at Resident's expense to protect against such losses.
2. You agree to reimburse Us for any costs incurred or damages suffered by Us and Our residents, employees and guests resulting from the carelessness, negligence or wrongful acts of You or Your guests.
3. You hereby release Us from liability for Your death, injury to Your person or injury to property caused by any fire, theft, assault or other cause beyond the control of Us and from any liability resulting from the negligence or wrongful actions of other

residents. You further waive any claim that You, Your representative or estate may have against Us arising therefrom.

**S. ENTIRE AGREEMENT**

This Agreement, including Exhibit A and any and all Addenda hereto, including the resident handbook as updated from time to time, and the Application for Residency (consisting of confidential health, personal and financial information), contains the entire agreement between the parties hereto; and no amendment or special provision is valid unless contained in a writing executed by all Residents who are parties hereto and by the President of Covenant Woods.

**T. SEVERABILITY**

Except as otherwise specifically provided, the invalidity or amendment of any restriction, condition or other provision of this Agreement, or of any part thereof, shall not impair or affect in any way the validity or enforceability of, or affect the rest of this Agreement.

**U. GOVERNING LAW**

This Agreement shall be governed and construed, in all respects, in accordance with the laws of the Commonwealth of Virginia.

**V. COSTS AND FEES**

In the event that We incur costs and/or attorney fees to enforce Resident's obligations under this Agreement, Resident shall reimburse Us those costs and reasonable attorney fees. If Resident or anyone acting as Resident's legal representative institutes any litigation, arbitration or other proceeding against Us, Resident shall pay Us the reasonable costs and expenses (including, but not limited to, reasonable attorney's fees) incurred by Us in connection with any such proceeding so long as We are not found liable in such proceeding.

**W. FORCE MAJEURE**

The obligations of Us hereunder are subject to the limitation that, if by reason of force majeure, We are unable in whole or part to perform such obligations, We shall not be required to do so; provided, however, that We shall undertake in the event of the occurrence of events constituting force majeure to resume meeting all of Our obligations as promptly as is reasonable possible. "Force majeure" shall have the meaning applied to it in commercial contracts in the Commonwealth of Virginia.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, Covenant Woods has caused this Agreement to be executed and Resident(s) has/have executed this Agreement as of the date first above written:

COVENANT WOODS

By: \_\_\_\_\_

Title: \_\_\_\_\_

RESIDENT(S)

\_\_\_\_\_  
\_\_\_\_\_

By signing below, I/we attest that I/we have been given the following documents and have been given the opportunity to discuss any features of these documents that may have been unclear.

1. Disclosure Statement (at least three days prior to the execution of the Residency Agreement).
2. Resident Handbook.

Date: \_\_\_\_\_

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Resident

**CONTINUING CARE RESIDENCY AGREEMENT  
(PER DIEM HEALTH CARE)**

**COVENANT WOODS**  
**CONTINUING CARE RESIDENCY AGREEMENT**  
**(Per Diem Health Care)**



**COVENANT WOODS**  
**CONTINUING CARE RESIDENCY AGREEMENT**  
**(Per Diem Health Care)**

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**COVENANT WOODS**  
**CONTINUING CARE RESIDENCY AGREEMENT**  
**(Per Diem Health Care)**

**THIS AGREEMENT** ("Agreement") is made and entered into this \_\_\_\_ day of \_\_\_\_\_, by and between \_\_\_\_\_ (collectively referred to as the "**Resident**," "**Joint Resident(s)**," "**You**" or "**Your**") and **COVENANT WOODS** ("**Our**," "**We**" or "**Us**"), a Virginia non-stock not-for-profit corporation, operating Covenant Woods, a continuing care retirement community ("**Community**" or "**Covenant Woods**").

We have accepted Your application for residence in the Community subject to the provisions of this Agreement.

**A. SERVICES PROVIDED**

Subject to the terms and conditions of this Agreement, We will provide You the facilities and services specified in this Agreement from the Occupancy Date (as defined in Section C.2) until the earlier termination of this Agreement. This Agreement is a certification to You that We are properly licensed to provide You care as provided herein.

You agree to comply with the terms of this Agreement and to abide by Covenant Woods' Resident Handbook, policies, rules and regulations as current and in effect at any time ("**Community Policies**"), including any rules reasonably promulgated especially for either You or a limited group of residents or otherwise agreed to by You as a condition of continuing residence.

You shall disclose to Us immediately any material change in Your physical, mental or financial condition (including any change in Your long-term care insurance) prior to establishing residency; and this obligation to disclose shall continue throughout Your residency. You shall provide financial statements and tax returns at Our request.

**B. JOINT RESIDENCY**

If there are two persons named above as Resident, this is a Joint Residency Agreement. If this Agreement is terminated with respect to one of the Joint Residents, the Agreement will remain in effect with respect to the remaining Resident unless otherwise stated in this Agreement. For Joint Residents the Entrance Fee and the Monthly Service Fee due under this Agreement shall include an Additional Person Fee. Each Joint Resident is jointly and severally liable for the payment of the Entrance Fee, the Monthly Service Fee, the Daily Fee for Health and Wellness Care (as defined in Section D.3) and all other amounts required to be paid to the Corporation pursuant to this Agreement.

**C. RESIDENCE; OCCUPANCY DATE**

1. Residence

The Residence selected by Resident is set forth in Exhibit A (the "**Residence**"). You will have a personal, non-assignable right to reside in the Residence, subject to the terms and conditions of this Agreement, including a change in accommodations as hereinafter provided.

While residing in the Residence, You will have access to a storage closet. You may have pets in Your Residence only in accordance with Our established pet policy.

2. Occupancy Date

"Occupancy Date" means the date provided in Exhibit A (whether or not Resident actually occupies the Residence on such date), or such other date as may be agreed to by the parties in writing.

If Resident does not occupy the Residence within 90 days of the execution of this Agreement, We may require Resident, prior to occupancy, to submit additional financial and health information and undergo an additional health care examination to determine if the Resident is able to live independently in the Residence without special assistance or services not normally provided by Us in such residence. Resident recognizes Our exclusive right to determine whether Resident qualifies for independent living.

**D. FEES**

Resident shall pay the following fees:

1. Entrance Fee

a. The Resident agrees to pay the Entrance Fee set forth in Exhibit A. An Administrative Fee equal to 4% of the Entrance Fee shall be assessed against the Entrance Fee. Any refund of the Entrance Fee and Administrative Fee shall be governed by Section G of this Agreement.

b. If the Residence is currently ready for occupancy by Resident, You shall pay the full amount of the Entrance Fee to Us when You sign this Agreement and return it to Us, or on such later date as agreed to by Us as set forth in Exhibit A. If the Residence is not ready for occupancy on the date hereof, the Entrance Fee shall be payable as follows:

(i) A deposit equal to 10% of the Entrance Fee, less any previously paid reservation fee, as set forth in Exhibit A, is due when You sign this Agreement and return it to Us.

(ii) The remaining balance is due on or before the Occupancy Date.

2. Monthly Service Fee

- a. You agree to pay to Us each month, starting with the month of the Occupancy Date, the Monthly Service Fee applicable to the Residence based on the numbers of Residents. The Monthly Service Fee shall be prorated for the first month according to the number of days remaining in the calendar month following Occupancy Date.
- b. The first Monthly Service Fee is due on the Occupancy Date. The Monthly Service Fee is thereafter payable in advance on the first day of each calendar month. If it is not paid within 7 days after You have been billed, We may levy a late charge of 5% of the amount due. Resident also shall pay interest at the rate of 8% per annum on any amount which is not paid within 60 days after the billing statement reflecting such amount is mailed or presented to Resident.
- c. The Monthly Service Fee is payable whether or not You actually occupy the Residence. If You are permanently admitted to Health and Wellness Care, the Monthly Service Fee will change to the Daily Fee described in Section D.3.b., provided, however, that if this is a Joint Residency Agreement and one of the Joint Residents remains in the Residence, Resident will be charged the Monthly Service Fee (adjusted as set forth in d. below) and the applicable Daily Fee.
- d. If this is a Joint Residency Agreement and the Agreement is terminated with respect to one of the Joint Residents or one of the Joint Residents moves permanently to Health and Wellness Care, the Monthly Service Fee will be reduced by the then current Additional Person Fee, effective the month following the date of termination or transfer.
- e. We may adjust the Monthly Service Fee and the Daily Fee from time to time, in Our sole discretion, with 30 days advance written notice to You. We will endeavor to maintain the Monthly Service Fee at the lowest possible rate based on actual costs and consistent with sound financial practice, including the maintenance of reserves, and maintenance of the scope of services called for by this Agreement.
- f. Resident acknowledges that there may be different fee schedules in effect for the Community's residents and that other residents may pay a lower Monthly Service Fee for a residence similar to Resident's Residence. Resident further acknowledges that We may provide residence and care at the Community under other types of agreements.

3. Daily Fee for Health and Wellness Care

- a. If Resident transfers to the Assisted Living Center, the Memory Support Center or the Nursing Facility ("**Health and Wellness Care**") on a temporary basis, Resident shall pay, in addition to the Monthly Service Fee, the Daily Fee in effect from time to time for such level of living. The Daily Fee shall be billed and payable as provided in Section D.4.
- b. If Resident transfers to Health and Wellness Care on a permanent basis, Resident shall pay the Daily Fee in effect from time to time for the relevant level of living. Such fee shall be payable in advance as provided in Section D.2.b. and may be adjusted as provided in Section D.2.e.

If this is a Joint Residency Agreement, upon the second Joint Resident being transferred to Health and Wellness Care on a permanent basis, each Joint Resident shall be charged the applicable Daily Fee.

4. Other Services

You will be billed monthly, in arrears, for any services and supplies provided by Us, but not included in the Monthly Service Fee. The bills are due within 5 days of receipt. If payment is not made within 7 days after the date due, We may levy a late charge of 5% of the amount due. Resident also shall pay interest at the rate of 8% per annum on any amount which is not paid within 60 days after the billing statement reflecting such amount is mailed or presented to Resident.

**E. RESCISSION OR TERMINATION OF THIS AGREEMENT BEFORE OCCUPANCY DATE**

1. Voluntary Rescission within 7 days

You have the right to rescind this Agreement without penalty or forfeiture by delivering written notice to Us within 7 days after the last to occur of the following:

- a. making the initial Entrance Fee Deposit, or
- b. signing this Agreement,

If You rescind the Agreement within that 7-day period for any reason, You will receive a refund of any Entrance Fee paid pursuant to Section G.1. You are not required to move in during the 7-day period. If this is a Joint Residency Agreement, and one Joint Resident rescinds within the 7-day period for any reason, the Agreement will be deemed terminated as to both Residents.

2. Voluntary Termination prior to Occupancy Date

After the 7-day period described in Section E.1., but prior to the Occupancy Date, You may terminate this Agreement with immediate effect by delivering written notice of termination to Us. You will receive a refund of any Entrance Fee paid pursuant to Section G.2. If this is a Joint Residency Agreement, and only one of the Joint Residents terminates the Agreement pursuant to this section, the Agreement will be deemed terminated as to both Residents.

3. Termination upon Death

If Resident dies prior to the Occupancy Date, this Agreement shall be considered automatically terminated. Refund of any paid Entrance Fee shall be paid in accordance with Section G.3. If this is a Joint Residency Agreement, the Agreement will be deemed terminated as to both Residents.

4. Termination upon Material Change in Physical, Mental or Financial Condition

If, after the 7-day period described above but prior to the Occupancy Date, You become incapacitated physically or mentally to the degree that You may no longer qualify for Independent Living or Your financial condition has materially deteriorated in comparison to the information submitted as part of Your Application for Residency (including information regarding Your long-term care insurance), You, whether a Resident or a Joint Resident, or Your representative shall immediately notify Us of the occurrence and nature of such incapacitation. If, in Our exclusive opinion, the Resident prior to the Occupancy Date has become unable to enter the Community in Independent Living under this contract form due to illness, injury or incapacity or change in financial condition, We shall notify the Resident and this Agreement shall be considered automatically terminated. Refund of any paid Entrance Fee shall be paid in accordance with Section G.3. If this is a Joint Residency Agreement, the Agreement will be deemed terminated as to both Residents.

**F. TERMINATION OF RESIDENCY AGREEMENT AFTER OCCUPANCY DATE**

1. Death of a Resident

If not a Joint Residency Agreement, this Agreement shall terminate at the earlier of (i) 30 days after the date of Resident's death, or (ii) the removal of all of the deceased Resident's personal property from the Community. The monthly service fee will continue to be in effect until this agreement is terminated. If this is a Joint Residency Agreement, this Agreement shall remain effective with respect to the surviving Joint Resident (see also Section G.6.).

2. Termination by Resident

You may terminate this Agreement at any time by giving Us written notice. The Agreement shall terminate (the "**Termination Date**") at the later of (i) the date that is 45 days after Our receipt of Your written notice of termination, (ii) the date that You, in fact, vacate Your Residence and (iii) the date all personal property of the Resident has been removed from the Community. If this is a Joint Residency Agreement, and only one Resident gives a notice of termination, this Agreement shall remain effective with respect to the other Resident.

3. Termination by Covenant Woods

We shall not terminate this Agreement except for Good Cause. "Good Cause" means a determination by Us that one or more of the following statements are true: (i) You are a danger to Yourself or others; (ii) You have failed to pay fees that are due to Us; (iii) You have repeatedly engaged in conduct that interferes with other Residents' quiet enjoyment of Covenant Woods; (iv) You have persistently refused to comply with reasonable written rules and regulations of Covenant Woods; (v) You made a material misrepresentation, either intentionally or recklessly, in Your Application for Residency, or related materials (including Your long-term care insurance), regarding information which, if accurately provided, would have resulted in either Your failure to qualify for Residency or a material increase in the cost of providing to You the care and services provided under this Agreement; or (vi) You have committed a material breach of the terms and conditions of this Agreement. We shall not terminate this Agreement until We have given You written notice stating the grounds of termination and a reasonable period of time for cure. The effective date of such termination shall be stated in the written notice. In the case of Joint Residents, this termination can apply to both Residents or to only one Resident; if the termination applies to only one Resident, this Agreement shall remain effective with respect to the other Resident.

**G. REFUNDS**

Any refunds due to You under this Agreement shall be made according to the provisions of this Section and in certain events Sections J and N.

1. Rescission Within 7 Days prior to Occupancy Date

If You rescind this Agreement in accordance with Section E.1., You will receive a full refund within 30 days of the date of rescission of any paid Entrance Fee and other sums paid to Us, less any costs specifically incurred by Us at Your request according to a written amendment to this Agreement or Special Provisions set forth in Exhibit A. No interest shall be paid to Resident on the refunded amounts.

2. Voluntary Termination prior to Occupancy Date

If You terminate this Agreement in accordance with Section E.2., You will receive a refund within 30 days of the date of termination of any paid Entrance Fee and other sums paid to Us, less (i) an administrative fee of \$1,000, and (ii) any costs specifically incurred by Us at Your request according to a written amendment to this Agreement or Special Provisions set forth in Exhibit A. No interest shall be paid to Resident on the refunded amounts.

3. Termination upon Death or Incapacity prior to Occupancy Date

If this Agreement is terminated because of death or incapacity, as described in Sections E.3. and E.4., You or Your estate will receive a full refund within 30 days of the date of termination of any paid Entrance Fee and other sums paid to Us, less any costs specifically incurred by Us at Your request according to a written amendment to this Agreement or Special Provisions set forth in Exhibit A. No interest shall be paid to Resident on the refunded amounts.

4. Termination After Occupancy Date

- a. A portion of the Entrance Fee paid will be refunded if You move from Covenant Woods and terminate this Agreement within 49 months after the Occupancy Date. The refund will be an amount equal to the Entrance Fee paid less 2% of the Entrance Fee paid for each full or partial month of residency (the period between the Occupancy Date and the date this Agreement is terminated) until the balance is \$0. Any refund provided for under this Section G.4 of the Agreement shall not include refund of the Administrative Fee . Any unpaid charges will be deducted from the refund. We may deduct the full amount of financial assistance, including interest, from the refund.
- b. Any required refund shall be paid to You or Your estate upon the earlier to occur of (i) the execution of a new Residency Agreement by another Resident for Your Residence and (ii) the expiration of 12 months from the date of termination. No interest shall be paid to Resident on the refunded amounts.

5. Monthly Service Fee and Daily Fee

In the event of Your death or termination by Us, You or Your estate shall receive a refund of a pro rata portion, if any, of the Monthly Service Fee or the Daily Fee, as the case may be, paid for the month termination occurs.

In the event of termination by You, the Monthly Service Fee or the Daily Fee, as the case may be, will be due until the Termination Date determined pursuant to Section F.2. You shall receive a refund of a pro rata portion, if any, of the



Monthly Service Fee or the Daily Fee, as the case may be, paid for the month of the Termination Date.

Any refund of the Monthly Service Fee will be paid as provided in sub-section (4)(d) above.

6. Joint Residents

If this is a Joint Residency Agreement there shall be no refund of the paid Entrance Fee until both Joint Residents cease to be Residents of the Community. Any refund shall be paid to the estate of the last surviving Joint Resident, or to the last Joint Resident who resided at the Community.

If this Agreement is terminated with respect to one of the Joint Residents, there shall be no refund of the Monthly Service Fee. The Monthly Service Fee will be reduced by the then current Additional Person Fee effective the month following the termination. If this Agreement is terminated with respect to a Joint Resident who has permanently transferred to Health and Wellness Care, We will refund a pro rata portion, if any, of the Daily Fee paid for the month of the Termination Date.

**H. SERVICES TO RESIDENTS**

The Monthly Service Fee includes access to amenities and certain services. Other services may be available for an additional charge. Except for changes required by state or federal assistance programs, We will notify Resident of any proposed change in the scope of care or services provided by Us at least 30 days before such change is effective.

1. Services currently included in the Monthly Service Fee:

- a. Flex meal credits as defined in the resident handbook, as updated from time to time. These credits can be used to purchase any food or beverage at any of the dining venues on campus and other goods/services, as defined in the resident handbook.
- b. Basic housekeeping bi-weekly.
- c. Real estate taxes and utilities (electricity, water, natural gas, sewer, and refuse), subject to availability to Covenant Woods by the providers thereof.
- d. Cable/Satellite T.V. hook-up availability (but not cable/satellite services), washer and dryer, stove, dishwasher, refrigerator, and microwave.
- e. Maintenance of Residence and grounds.
- f. Transportation in accordance with the Community Policies.

- g. The Community's Wellness Program.
  - h. Security consisting of monitoring of the premises by security personnel and cameras, and limited access to the Community.
  - i. Emergency call system.
  - j. Use of common area facilities.
  - k. Maintenance of appliances furnished by Us.
  - l. Temporary meal delivery as provided in the Community Policies from time to time.
  - m. Parking in accordance with the Community's parking regulations from time to time.
2. Additional Services currently available in Independent Living at extra cost:
- a. Additional housekeeping.
  - b. Cable/Satellite internet and television, subject to availability to Covenant Woods by the providers thereof.
  - c. Extra transportation services as provided in the Community Policies.
  - d. Special activities.
  - e. Spa & Salon services.
  - f. Occupational, physical and speech therapy.
  - g. Telephone service.
  - h. Other services as are made available from time to time.
3. Subject to availability and payment of the applicable fees, We will provide the following Health and Wellness Care after consultation with the Inter-Disciplinary Care Team, with You, Your family, and/or Your physicians:
- a. Assisted Living Services and Care

The Assisted Living Center is designed for those who are unable to function independently in an independent living unit, but do not need continuous medical supervision. Assisted Living residents receive those services listed in Section H.1. and receive help in dressing, self-care and other activities of daily living; assistance in attending meals; increased assistance in housekeeping; increased monitoring of personal status; monitoring of medications; and bath and bed

linens. If You are a Resident of the Assisted Living Center, Your Daily Fee will include all normal and routine services associated with a licensed assisted living facility.

b. Memory Support Services and Care

Memory Support Residents receive those services listed in Section H.1. and receive help in dressing, self-care and other activities of daily living; assistance in attending meals; increased assistance in housekeeping; increased monitoring of personal status; monitoring of medications; and bath and bed linens.

c. Nursing Facility Services and Care

Residents of the Nursing Facility receive those services listed in Section H.1. commensurate with their condition and other care varying with their needs, the highest level of which is total nursing bed care in accordance with the Rules and Regulations for Licensed Nursing Homes promulgated by the Virginia Department of Health. If You are a Resident of the Nursing Facility, Your Daily Fee will include all normal and routine services associated with a licensed nursing facility. If, in Our exclusive opinion, after consultation with the Inter-Disciplinary Care Team, and/or Your physician, You require care that cannot be given at Covenant Woods, for example, because You have a dangerously contagious disease, You require specialized psychiatric care, or You have any other condition requiring services prohibited under the license of the Nursing Facility, We will assist You in transferring to an appropriate facility and You will be responsible for all costs associated with care at such facility. See further Section J.2.

4. We shall not be responsible for the cost of any services to the extent that benefits are payable for such services under Medicare and Medicare Supplement policies, or the equivalent. You must, upon request, take such action and execute such forms as are necessary to secure reimbursement to Us of any amounts payable for services that can be compensated for in whole or in part by such sources.

Resident is responsible for payment of all health related services not expressly covered by the fees charged pursuant to this Agreement. Examples of charges for which You are responsible include but are not limited to: private duty nursing care, services rendered by a clinic, physician, or other practitioner of any therapeutic or palliative art or profession; services rendered by a hospital, rehabilitation facility or laboratory; medications and medical supplies; appliance, equipment, or other aids to modify the effects of handicapping conditions, and other health related items.

Home health agencies and private duty advisors contracted by Resident must be approved by Us and must be licensed and bonded. Resident is responsible for payment of such agency's services directly to the agency.

5. You are required to carry Medicare Insurance Parts A and B and a Medicare Supplement, or the equivalent of such coverage, acceptable to Us in Our sole discretion. You are required to provide evidence of such insurance coverage prior to your Occupancy Date and thereafter upon Our request.

## **I. RESIDENT'S RESPONSIBILITIES**

1. Housekeeping

Resident will be responsible for maintaining the Residence in a clean, sanitary and orderly condition, performing all usual light housekeeping tasks as necessary between housekeeping services provided by Us. We reserve the right to inspect Your Residence, after proper notice to You. If You fail to maintain Your Residence as required above, We may charge You for housekeeping services required to maintain Your Residence in a clean, sanitary and orderly condition.

2. Guests

You are permitted to have guests in the Residence, subject to the rules and regulations set forth in the Community Policies. You will be responsible for the conduct of Your guests and for payment of any charges incurred by Your guests.

## **J. TRANSFER FROM YOUR RESIDENCE**

1. You agree that We may, in our exclusive discretion, transfer You on a permanent or temporary basis to a different Residence, to the Assisted Living Center, to the Memory Support Center, or to the Nursing Facility when We, after consultation with the Inter-Disciplinary Care Team, and after consultation with You, Your family and/or Your physician, determine that such a transfer is necessary for Your well-being or the safety of You or other residents. The Inter-Disciplinary Care Team typically includes a registered nurse, physician, dietician, social worker, activity coordinator and possibly other Covenant Woods Staff members.

Although it is anticipated that bed space at the Assisted Living Center, the Memory Support Center and the Nursing Facility will be adequate to meet the demand for such space, We can not guarantee the availability of bed space for the Health and Wellness Care.

Should bed space for Health and Wellness Care not be available when needed, We will utilize Our best efforts to contract for nursing services to be provided by a licensed outside facility selected by Us. We will use Our best efforts to obtain for Resident a place in a facility which is comparable to the Health and Wellness Care. Resident shall be responsible for payment of all fees and expenses charged by the outside facility. If Resident is anticipated to need Health and Wellness Care on a temporary basis (less than 90 days) and the Residence is not vacated, Resident shall continue payment of the Monthly Service Fee to Us while staying at the outside facility. Any resident transferred to an outside facility will be

returned to the Community as soon as the proper facilities are available in Health and Wellness Care, at which time Resident shall pay the fees provided in Section D.3.

2. You agree that, if You suffer any disability for which We are not permitted, by regulation, or not equipped to safely provide care, We shall, in coordination with the Inter-Disciplinary Care Team, You, Your family and/or Your physician, assist in transferring You to an appropriate facility and You will be responsible for all costs associated with care at such facility. Unless Resident terminates this Agreement pursuant to Section F.2., Resident shall continue payment of the Monthly Service Fee or the Daily Fee, as applicable, during any period Resident is staying in another facility.
3. We may transfer You, on reasonable notice, to a different Residence on a temporary or permanent basis in the event of special circumstances, such as the need for renovation or repair to Your Residence or the transfer of such space to a different use or configuration. We will incur all the costs of such move.
4. You may transfer to another Residence within the Community's facility with Our prior written approval. If Your request is approved, You will have 24 hours to accept the Residence that We notify You in writing is available, and if You accept the Residence as Your Residence, We will determine and assess the amount of any additional Entrance Fee, or any refund or credit thereof, which is appropriate to Your new Residence, as described below. Except as otherwise expressly stated in this Section J, no refund of the Entrance Fee shall be due upon such transfer. Your Monthly Service Fee shall become that which is applicable to Your new Residence (under the then current fee schedule for new residents under this type of residency agreement) effective the first month following the transfer. If You have not moved to Your new Residence and paid any additional amount due by the designated transfer date, Our approval of the requested transfer is revoked without further action.
  - a. If the then current Entrance Fee for Your new Residence is less than the Entrance Fee originally paid by You, any refund of part of the Entrance Fee paid by You will be determined as follows: (1) 2% of the Entrance Fee paid for the old Residence shall be deducted from such Entrance Fee for each full or partial month from the Occupancy Date to the date of Your transfer, and (2) 2% of the then current Entrance Fee for the new Residence (based on this type of residency agreement) shall be deducted from such Entrance Fee for each full or partial month from the Occupancy Date to the date of Your transfer. If the net amount for Your new Residence is less than the net amount for the old Residence, You will be due a refund equal to the difference between the amounts. Any required refund shall be paid upon the earlier to occur of (i) the execution of a new Residency Agreement by another resident for Your old Residence and (ii) the expiration of 12 months from the date of Your transfer. No interest shall be paid to Resident on the refunded amount.

- b. If the then current Entrance Fee for Your new Residence exceeds the Entrance Fee originally paid by You, You shall pay, prior to the transfer, an amount equal to the difference between the Entrance Fee paid by You for Your old Residence and the Entrance Fee currently being charged for Your new Residence (under this type of residency agreement). For purposes of Section G.4, any additional Entrance Fee shall be deemed paid on the original Occupancy Date.
5. In a move initiated by You, You will be responsible for costs associated with the move. When transferring from the Residence, You will be charged with the actual costs of making all repairs to renovate Your old Residence, including the replacement of damaged appliances or fixtures or those showing signs of excessive wear and tear that We deem necessary for new occupancy.

#### **K. REASSIGNMENT OF RESIDENCE BY US**

We may reassign Your Residence to a different resident upon the occurrence of any of the following:

1. This Agreement is rescinded or terminated.
2. Resident is permanently transferred to another Residence as provided in Section J.
3. The Resident (or last remaining Joint Resident) is admitted permanently to the Assisted Living Center, the Memory Support Center, or the Nursing Facility. Should the Resident recover sufficiently to resume Independent Living at a later date, the first available unreserved independent living unit similar to Resident's previous residence will be provided. Resident shall pay the Monthly Service Fee in effect from time to time for such unit for new residents under this type of residency agreement. Subject to payment of the Monthly Service Fee, Resident who uses the Assisted Living Center or Nursing Facility on a temporary basis (less than 90 days) will retain possession, rights and privileges for use of the Residence during that period, without incurring additional monthly fees.

#### **L. DISPOSITION OF PROPERTY**

Upon termination of this Agreement or the permanent transfer of the Resident (or the last Joint Resident), You or Your estate must remove all of Your property from the Residence within 15 days. After 15 days We have the right to remove any remaining property and store it for an additional 30 days for a moving and storage fee. All property not claimed at the end of such 30 day period shall become Our property and We may choose to dispose of it as We may elect without liability to You, Your representative or estate. Any charges or expenses as reasonably calculated incurred by Us in removing property from Your Residence and storing it shall be an additional fee due under this Agreement and payable by You or Your estate.

**M. FINANCIAL ASSISTANCE**

It is Our policy, subject to the availability of funds and prudent financial management, including maintenance of reserves, to provide financial assistance to residents who are otherwise in compliance with their obligations to Us and who provide appropriate information to Us to justify such financial assistance and to evidence that the need for such assistance has resulted from financial reverses over which the resident had no control or the normal depletion of the resident's assets over time. Depleting reserves through paying for private duty or home health services in order to remain in Independent Living, for the purposes of this definition, does not qualify a resident for financial assistance. Financial assistance will be granted under policies established by Us from time to time. All decisions as to financial assistance shall be made by Us in Our sole discretion and subject to determination by Us that such assistance can be provided without impairing Our ability to carry out Our operations and obligations to the Community's residents, currently or in the future, while operating on a sound financial basis with appropriate reserves.

**N. CHANGE IN PERSONAL RELATIONSHIPS AFTER ESTABLISHING RESIDENCY**

1. With Our prior written approval You may move into another resident's residence or have another resident move into Your Residence or together with another resident move into a different residence. You will be required to enter into a new or amended Residency Agreement upon such terms and conditions as agreed upon by Us, You and the other resident. Your Monthly Service Fee will include an Additional Person Fee and will be assessed in accordance with the then current fee schedule for new residents under the applicable type of agreement. We will determine, in Our sole discretion, the amount of any additional Entrance Fee due or any refund or credit of such fee which may be appropriate to the new residence.
2. If You marry a non-resident, and Your spouse desires to reside with You in Your Residence, Your spouse must submit an Application for Residency and both You and Your spouse must submit a then current financial report. If Your spouse is accepted for residency under a continuing care residency agreement (per diem health care), You and Your spouse must prior to the spouse's admittance execute a Joint Residency Agreement and pay the applicable Additional Person Entrance Fee as established by the then current Covenant Woods fee schedule. If You decide to move to a different Residence in connection with Your spouse joining You, Your original Entrance Fee will be adjusted in accordance with Section J, and in addition You and Your spouse shall pay the applicable Additional Person Entrance Fee. For purposes of Section G.4, the Additional Person Entrance Fee shall be deemed paid on Resident's original Occupancy Date. You and Your spouse will be treated in all respects as Joint Residents and shall, starting with the month Your spouse moves into Covenant Woods, pay the Monthly Service Fee for double occupancy, with the Additional Person Fee pro-rated if applicable. The Monthly Service Fee shall be based on the then current fee schedule for new residents. If Your spouse is not accepted for residency under a continuing care

residency agreement (per diem health care), Your spouse may apply for residency under one of the other contract forms, if any, then offered by Us, and if accepted enter into a separate contract with Us. Also, if You at the time of Your marriage to a non-resident permanently reside in Health and Wellness Care, Your spouse must apply for residency under one of Our contract forms, and if accepted enter into a separate contract with Us. You acknowledge that We can not guarantee that Your spouse will be admitted. If Your spouse is not accepted for residency, Resident's Residency Agreement shall remain effective unless terminated as set forth in Section F. If Your spouse is accepted under a different contract form but will reside with You, You shall execute an addendum to this Agreement reflecting the terms and conditions for such joint residency as agreed upon by You and Us.

3. If You want to reside together with a non-resident (other than a spouse) in the Residence, such person, who must be 62 years or older, shall submit an Application for Residency and both You and the non-resident must submit a then current financial report. If the non-resident (the "Second Resident") is accepted for residency, the Second Resident shall prior to admittance execute the applicable residency agreement and You shall execute an Addendum to this agreement, such agreement and addendum reflecting the terms and conditions for the new joint residency as agreed upon by Us, You and the Second Resident. In addition, the Second Resident shall prior to admittance pay an entrance fee equal to the first person entrance fee for the least expensive independent living unit at Covenant Woods applicable to new residents under the relevant type of residency agreement. If You decide to move to a different Residence in connection with the Second Resident joining You, Your Entrance Fee will be adjusted in accordance with Section J. and in addition You and the Second Resident shall pay the additional entrance fee pursuant to the preceding sentence. Starting with the month the Second Resident moves into Covenant Woods, You and the Second Resident shall pay a Monthly Service Fee including a Second Resident fee equal to the single person monthly service fee for the least expensive independent living unit at Covenant Woods, such fees being based on the then current fee schedule for new residents. You and the Second Resident shall be jointly and severally liable for the payment of the Monthly Service Fee, the Daily Fee and all other amounts required to be paid to Us pursuant to Your and the Second Resident's Agreements. If the Second Resident remains in the Residence after Resident's death or termination of residency or permanent transfer to Health and Wellness Care, the Second Resident will be charged the first person fee for the Residence.

#### **O. RESIDENT'S RIGHTS TO PROPERTY**

The rights and privileges granted to You by this Agreement do not include any leasehold rights or interests and do not include right, title or interest in any part of the personal property, land, buildings or improvements owned or administered by Us, nor to participate in the management of the community, such right rest solely with Us. Your rights are primarily for services, with a contractual right of residency. Any rights, privileges or benefits under this Agreement or any interest or contractual rights of any



nature in the Community, including the right of any refund of the Entrance Fee or other payments hereunder, are and shall be subordinate in priority, right, claim and interest to any lien, charge or security agreement now or hereafter placed on or affecting Covenant Woods or any interest in Our real property or personal property, and to any amendment, modification, replacement or refinancing of any mortgage, deed of trust or security agreement. Resident shall execute and deliver any documents reasonably required by Us or by the holder of any mortgage, deed of trust or other security agreement to evidence or effect such subordination. Your rights under this Agreement shall not inure to the use or benefit of Your heirs, next of kin, assigns or representatives or Your estate.

**P. INCAPACITY; POWER OF ATTORNEY**

You agree to execute a valid power of attorney designating a bank or responsible person selected by You to act in Your behalf in the event You may become unable to handle Your affairs and to deliver a copy of such power of attorney to Us prior to the Occupancy Date. You agree to maintain such power of attorney at all times and to notify Us of any changes or substitutions. The power of attorney must be in a form that survives Your incapacity or disability and is otherwise satisfactory to Us. We must be informed immediately when a third party assumes responsibility for managing Your financial affairs.

**Q. RIGHT OF ENTRY**

We and Our authorized employees and agents have the right to enter the Residence under certain circumstances. Such right of entry includes, but is not limited to, entry for inspection, maintenance and housekeeping, concern for Your or other residents' safety and in response to the fire alarm or any other emergency. Whenever possible, We will give You prior notice that We will enter the Residence.

**R. LOSS OR DAMAGE TO PROPERTY OR PERSON**

1. You agree that We shall not be responsible for the loss or damage of any property belonging to You (including property stored in the Community's storage facilities) due to any cause, unless We have been grossly negligent and such negligence caused the loss or damage. We assume no responsibility for, and any injury to Resident or damage or loss to Resident's property caused by the negligence or misconduct of another resident or any guest of another resident. We do not have an insurable interest in the personal property of Resident and Resident is encouraged to obtain insurance at Resident's expense to protect against such losses.
2. You agree to reimburse Us for any costs incurred or damages suffered by Us and Our residents, employees and guests resulting from the carelessness, negligence or wrongful acts of You or Your guests.
3. You hereby release Us from liability for Your death, injury to Your person or injury to property caused by any fire, theft, assault or other cause beyond the

control of Us and from any liability resulting from the negligence or wrongful actions of other residents. You further waive any claim that You, Your representative or estate may have against Us arising therefrom.

**S. NONDISCRIMINATION**

We do not discriminate based on factors of race, religion, sex, national origin, or disability. These factors do not have any bearing upon Your acceptance or rejection for residency, the execution of this Agreement, or Our normal conduct of business.

**T. ENTIRE AGREEMENT**

This Agreement, including Exhibit A and any and all Addenda hereto and the Application for Residency (consisting of confidential health, personal and financial information), contains the entire agreement between the parties hereto; and no amendment or special provision is valid unless contained in a writing executed by all Residents who are parties hereto and by the President of Covenant Woods.

**U. SEVERABILITY**

Except as otherwise specifically provided, the invalidity or amendment of any restriction, condition or other provision of this Agreement, or of any part thereof, shall not impair or affect in any way the validity or enforceability of, or affect the rest of this Agreement.

**V. GOVERNING LAW**

This Agreement shall be governed and construed, in all respects, in accordance with the laws of the Commonwealth of Virginia.

**W. COSTS AND FEES**

In the event that We incur costs and/or attorney fees to enforce Resident's obligations under this Agreement, Resident shall reimburse Us those costs and reasonable attorney fees. If Resident or anyone acting as Resident's legal representative institutes any litigation, arbitration or other proceeding against Us, Resident shall pay Us the reasonable costs and expenses (including, but not limited to, reasonable attorney's fees) incurred by Us in connection with any such proceeding so long as We are not found liable in such proceeding.

**X. FORCE MAJEURE**

The obligations of Us hereunder are subject to the limitation that, if by reason of force majeure, We are unable in whole or part to perform such obligations, We shall not be required to do so; provided, however, that We shall undertake in the event of the occurrence of events constituting force majeure to resume meeting all of Our obligations as promptly as is reasonable possible. "Force majeure" shall have the meaning applied to it in commercial contracts in the Commonwealth of Virginia.

**Y. ARBITRATION**

Any dispute, controversy, or claim arising under, out of, in connection with, or relating to this Agreement shall be finally settled by arbitration in accordance with the rules of the American Arbitration Association and Virginia law then in effect. A party shall make a demand for arbitration within a reasonable time after the dispute, controversy, or claim arises, but in no event later than one (1) year from when the complaining party knew or should have known of the dispute, controversy, or claim. Any arbitration shall be held in

Richmond, Virginia. Each party shall bear its own costs and expenses incurred in arbitrating the dispute, controversy, or claim. Any award rendered will be final and binding on each of the parties to the arbitration and their personal representatives.

Judgment may be entered on such award in any court of competent jurisdiction.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, Covenant Woods has caused this Agreement to be executed and Resident(s) has/have executed this Agreement as of the date first above written:

COVENANT WOODS

By: \_\_\_\_\_

Title: \_\_\_\_\_

RESIDENT(S)

\_\_\_\_\_  
\_\_\_\_\_

By signing below, I/we attest that I/we have been given the following documents and have been given the opportunity to discuss any features of these documents that may have been unclear.

1. Disclosure Statement (at least three days prior to the execution of the Residency Agreement).
2. Resident Handbook.

Date: \_\_\_\_\_

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Resident

**CONTINUING CARE RESIDENCY AGREEMENT  
(3-YEAR DEDUCTIBLE HEALTH CARE)**

*\*Note: This contract is no longer offered as of 04/01/16 and being presented only due to existing residents that are under this contract*

**COVENANT WOODS**  
**CONTINUING CARE RESIDENCY AGREEMENT**  
**(3-Year Deductible Health Care)**

**COVENANT WOODS**  
**CONTINUING CARE RESIDENCY AGREEMENT**  
**(3-Year Deductible Health Care)**

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**COVENANT WOODS**  
**CONTINUING CARE RESIDENCY AGREEMENT**  
**(3-Year Deductible Health Care)**

**THIS AGREEMENT** ("Agreement") is made and entered into this \_\_\_\_ day of \_\_\_\_\_, by and between \_\_\_\_\_ (collectively referred to as the "**Resident**," "**Joint Resident(s)**," "**You**" or "**Your**") and **COVENANT WOODS** ("**Our**," "**We**" or "**Us**"), a Virginia non-stock not-for-profit corporation, operating Covenant Woods, a continuing care retirement community ("**Community**" or "**Covenant Woods**").

We have accepted Your application for residence in the Community subject to the provisions of this Agreement.

**A. SERVICES PROVIDED**

Subject to the terms and conditions of this Agreement, We will provide You the facilities and services specified in this Agreement from the Occupancy Date (as defined in Section C.2) until the death of Resident or the earlier termination of this Agreement. This Agreement is a certification to You that We are properly licensed to provide You care as provided herein.

You agree to comply with the terms of this Agreement and to abide by Covenant Woods' Resident Handbook, policies, rules and regulations as current and in effect at any time ("**Community Policies**"), including any rules reasonably promulgated especially for either You or a limited group of residents or otherwise agreed to by You as a condition of continuing residence.

You shall disclose to Us immediately any material change in Your physical, mental or financial condition (including any change in Your long-term care insurance) prior to establishing residency; and this obligation to disclose shall continue throughout Your residency. You shall provide financial statements and tax returns at Our request.

**B. JOINT RESIDENCY**

If there are two persons named above as Resident, this is a Joint Residency Agreement. If this Agreement is terminated with respect to one of the Joint Residents, the Agreement will remain in effect with respect to the remaining Resident unless otherwise stated in this Agreement. For Joint Residents the Entrance Fee and the Monthly Service Fee due under this Agreement shall include an Additional Person Fee. Each Joint Resident is jointly and severally liable for the payment of the Entrance Fee, the Monthly Service Fee, the Daily Fee for Health and Wellness Care (as defined in Section D.3) and all other amounts required to be paid to the Corporation pursuant to this Agreement.



## **C. RESIDENCE; OCCUPANCY DATE**

### 1. Residence

The Residence selected by Resident is set forth in Exhibit A (the "**Residence**"). You will have a personal, non-assignable right to reside in the Residence, subject to the terms and conditions of this Agreement, including a change in accommodations as hereinafter provided.

While residing in the Residence, You may have pets in Your Residence only in accordance with Our established pet policy.

### 2. Occupancy Date

"Occupancy Date" means the date provided in Exhibit A (whether or not Resident actually occupies the Residence on such date), or such other date as may be agreed to by the parties in writing.

If Resident does not occupy the Residence within 90 days of the execution of this Agreement, We may require Resident, prior to occupancy, to submit additional financial and health information and undergo an additional health care examination to determine if the Resident is able to live independently in the Residence without special assistance or services not normally provided by Us in such residence. Resident recognizes Our right to determine whether Resident qualifies for independent living.

## **D. FEES**

Resident shall pay the following fees:

### 1. Entrance Fee

- a. The Resident agrees to pay the Entrance Fee set forth in Exhibit A.
- b. If the Residence is currently ready for occupancy by Resident, You shall pay the full amount of the Entrance Fee to Us when You sign this Agreement and return it to Us, or on such later date as agreed to by Us as set forth in Exhibit A. If the Residence is not ready for occupancy on the date hereof, the Entrance Fee shall be payable as follows:
  - (i) A deposit equal to 10% of the Entrance Fee, less any previously paid reservation fee, as set forth in Exhibit A, is due when You sign this Agreement and return it to Us.
  - (ii) The remaining balance is due on or before the Occupancy Date.

2. Monthly Service Fee

- a. You agree to pay to Us each month, starting with the month of the Occupancy Date, the Monthly Service Fee applicable to the Residence based on the numbers of Residents. The Monthly Service Fee shall be prorated for the first month according to the number of days remaining in the calendar month following Occupancy Date.
- b. The first Monthly Service Fee is due on the Occupancy Date. The Monthly Service Fee is thereafter payable in advance on the first day of each calendar month. If it is not paid within 7 days after You have been billed, We may levy a late charge of 5% of the amount due. Resident also shall pay interest at the rate of 8% per annum on any amount which is not paid within 60 days after the billing statement reflecting such amount is mailed or presented to Resident.
- c. The Monthly Service Fee is payable whether or not You actually occupy the Residence. If You are permanently admitted to Health and Wellness Care, the Monthly Service Fee will change to the Daily Fee as described in Section D.3.b., provided, however, that if this is a Joint Residency Agreement and one of the Joint Residents remains in the Residence, Resident will be charged the Monthly Service Fee (adjusted as set forth in d. below) and the applicable Daily Fee.
- d. If this is a Joint Residency Agreement and the Agreement is terminated with respect to one of the Joint Residents or one of the Joint Residents moves permanently to Health and Wellness Care, the Monthly Service Fee will be reduced by the then current Additional Person Fee, effective the month following the date of termination or transfer. If the Joint Resident remaining in the Residence still resides therein when the other Joint Resident has stayed in Health and Wellness Care for three years, the Monthly Service Fee will be adjusted to include an Additional Person Fee (See Section 3.b.).
- e. We may adjust the Monthly Service Fee and the Daily Fee from time to time, in Our sole discretion, with 30 days advance written notice to You. We will endeavor to maintain the Monthly Service Fee at the lowest possible rate based on actual costs and consistent with sound financial practice, including the maintenance of reserves, and maintenance of the quality of services called for by this Agreement.
- f. Resident acknowledges that there may be different fee schedules in effect for the Community's residents and that other residents may pay a lower Monthly Service Fee for a residence similar to Resident's Residence. Resident further acknowledges that We may provide residence and care at the Community under other types of agreements.

3. Daily Fee for Health and Wellness Care

- a. If Resident transfers to the Assisted Living Center, the Memory Support Center or the Nursing Facility ("Health and Wellness Care") on a temporary basis, Resident shall pay, in addition to the Monthly Service Fee, the Daily Fee in effect from time to time for such level of living. The Daily Fee shall be billed and payable as provided in Section D.4.
- b. If Resident transfers to Health and Wellness Care on a permanent basis, Resident shall pay (i) during the first three years in Health and Wellness Care (less any time Resident has stayed in Health and Wellness Care on a temporary basis), the Daily Fee in effect from time to time for the relevant level of living, and thereafter (ii) the Monthly Service Fee for residents under this type of residency agreement with respect to the type of living unit in which Resident resided prior to the transfer to Health and Wellness Care. See also Section D.2.d. Such fees shall be payable in advance as provided in Section D.2.b. and may be adjusted as provided in Section D.2.e.

If this is a Joint Residency Agreement, each Joint Resident will be charged the Daily Fee during the first three years he or she permanently resides in Health and Wellness Care. When both residents have resided in Health and Wellness Care for three years, Resident will be charged the applicable Monthly Fee including an Additional Person Fee.

4. Other Services

You will be billed monthly, in arrears, for any services and supplies provided by Us, but not included in the Monthly Service Fee. The bills are due within 5 days of receipt. If payment is not made within 7 days after the date due, We may levy a late charge of 5% of the amount due. Resident also shall pay interest at the rate of 8% per annum on any amount which is not paid within 60 days after the billing statement reflecting such amount is mailed or presented to Resident.

**E. RESCISSION OR TERMINATION OF THIS AGREEMENT BEFORE OCCUPANCY DATE**

1. Voluntary Rescission within 7 days

You have the right to rescind this Agreement without penalty or forfeiture by delivering written notice to Us within 7 days after the last to occur of the following:

- a. making the initial Entrance Fee Deposit, or
- b. signing this Agreement,

If You rescind the Agreement within that 7-day period for any reason, You will receive a refund of any Entrance Fee paid pursuant to Section G.1. You are not required to move in during the 7-day period. If this is a Joint Residency Agreement, and one Joint Resident rescinds within the 7-day period for any reason, the Agreement will be deemed terminated as to both Residents.

2. Voluntary Termination prior to Occupancy Date

After the 7-day period described in Section E.1., but prior to the Occupancy Date, You may terminate this Agreement with immediate effect by delivering written notice of termination to Us. You will receive a refund of any Entrance Fee paid pursuant to Section G.2. If this is a Joint Residency Agreement, and only one of the Joint Residents terminates the Agreement pursuant to this section, the Agreement will be deemed terminated as to both Residents.

3. Termination upon Death

If Resident dies prior to the Occupancy Date, this Agreement shall be considered automatically terminated. Refund of any paid Entrance Fee shall be paid in accordance with Section G.3. If this is a Joint Residency Agreement, the Agreement will be deemed terminated as to both Residents.

4. Termination upon Material Change in Physical, Mental or Financial Condition

If, after the 7-day period described above but prior to the Occupancy Date, You become incapacitated physically or mentally to the degree that You may no longer qualify for Independent Living or Your financial condition has materially deteriorated in comparison to the information submitted as part of Your Application for Residency (including information regarding Your long-term care insurance), You, whether a Resident or a Joint Resident, or Your representative shall immediately notify Us of the occurrence and nature of such incapacitation. If, in Our opinion, the Resident prior to the Occupancy Date has become unable to enter the Community in Independent Living under this contract form due to illness, injury or incapacity or change in financial condition, We shall notify the Resident and this Agreement shall be considered automatically terminated. Refund of any paid Entrance Fee shall be paid in accordance with Section G.3. If this is a Joint Residency Agreement, the Agreement will be deemed terminated as to both Residents.

**F. TERMINATION OF RESIDENCY AGREEMENT AFTER OCCUPANCY DATE**

1. Death of a Resident

If not a Joint Residency Agreement, this Agreement shall terminate at the earlier of (i) 30 days after the date of Resident's death, or (ii) the removal of all of the deceased Resident's personal property from the Community. The monthly service fee will continue to be in effect until this agreement is terminated. If this is a

Joint Residency Agreement, this Agreement shall remain effective with respect to the surviving Joint Resident (see also Section G.6.).

2. Termination by Resident

You may terminate this Agreement at any time by giving Us written notice. The Agreement shall terminate (the "**Termination Date**") at the later of (i) the date that is 45 days after Our receipt of Your written notice of termination, (ii) the date that You, in fact, vacate Your Residence and (iii) the date all personal property of the Resident has been removed from the Community. If this is a Joint Residency Agreement, and only one Resident gives a notice of termination, this Agreement shall remain effective with respect to the other Resident.

3. Termination by Covenant Woods

We shall not terminate this Agreement except for Good Cause. "Good Cause" means a determination by Us that one or more of the following statements are true: (i) You are a danger to Yourself or others; (ii) You have failed to pay fees that are due to Us; (iii) You have repeatedly engaged in conduct that interferes with other Residents' quiet enjoyment of Covenant Woods; (iv) You have persistently refused to comply with reasonable written rules and regulations of Covenant Woods; (v) You made a material misrepresentation, either intentionally or recklessly, in Your Application for Residency, or related materials (including Your long-term care insurance), regarding information which, if accurately provided, would have resulted in either Your failure to qualify for Residency or a material increase in the cost of providing to You the care and services provided under this Agreement; or (vi) You have committed a material breach of the terms and conditions of this Agreement. We shall not terminate this Agreement until We have given You written notice stating the grounds of termination and a reasonable period of time for cure. The effective date of such termination shall be stated in the written notice. In the case of Joint Residents, this termination can apply to both Residents or to only one Resident; if the termination applies to only one Resident, this Agreement shall remain effective with respect to the other Resident.

**G. REFUNDS**

Any refunds due to You under this Agreement shall be made according to the provisions of this Section and in certain events Sections J and N.

1. Rescission Within 7 Days prior to Occupancy Date

If You rescind this Agreement in accordance with Section E.1., You will receive a full refund within 30 days of the date of rescission of any paid Entrance Fee and other sums paid to Us, less any costs specifically incurred by Us at Your request according to a written amendment to this Agreement or Special Provisions set forth in Exhibit A. No interest shall be paid to Resident on the refunded amounts.

2. Voluntary Termination prior to Occupancy Date

If You terminate this Agreement in accordance with Section E.2., You will receive a refund within 30 days of the date of termination of any paid Entrance Fee and other sums paid to Us, less (i) an administrative fee of \$1,000, and (ii) any costs specifically incurred by Us at Your request according to a written amendment to this Agreement or Special Provisions set forth in Exhibit A. No interest shall be paid to Resident on the refunded amounts.

3. Termination upon Death or Incapacity prior to Occupancy Date

If this Agreement is terminated because of death or incapacity, as described in Sections E.3. and E.4., You or Your estate will receive a full refund within 30 days of the date of termination of any paid Entrance Fee and other sums paid to Us, less any costs specifically incurred by Us at Your request according to a written amendment to this Agreement or Special Provisions set forth in Exhibit A. No interest shall be paid to Resident on the refunded amounts.

4. Termination After Occupancy Date

a. A portion of the Entrance Fee paid will be refunded if You move from Covenant Woods and terminate this Agreement within 49 months after the Occupancy Date. The refund will be an amount equal to the Entrance Fee paid less 2% of the Entrance Fee paid for each full or partial month of residency (the period between the Occupancy Date and the date this Agreement is terminated) until the balance is 0. Any unpaid charges will be deducted from the refund. We may deduct the full amount of financial assistance, including interest, from the refund. Any required refund shall be paid to You or Your estate upon the earlier to occur of (i) the execution of a new Residency Agreement by another Resident for Your Residence and (ii) the expiration of 12 months from the date of termination. No interest shall be paid to Resident on the refunded amounts.

5. Monthly Service Fee and Daily Fee

In the event of Your death or termination by Us, You or Your estate shall receive a refund of a pro rata portion, if any, of the Monthly Service Fee or the Daily Fee, as the case may be, paid for the month termination occurs.

In the event of termination by You, the Monthly Service Fee or the Daily Fee, as the case may be, will be due until the Termination Date determined pursuant to Section F.2. You shall receive a refund of a pro rata portion, if any, of the Monthly Service Fee or the Daily Fee, as the case may be, paid for the month of the Termination Date.

Any refund of the Monthly Service Fee will be paid as provided in sub-section (4)(d) above.

6. Joint Residents

If this is a Joint Residency Agreement there shall be no refund of the paid Entrance Fee until both Joint Residents cease to be Residents of the Community. Any refund shall be paid to the estate of the last surviving Joint Resident, or to the last Joint Resident who resided at the Community.

If this Agreement is terminated with respect to one of the Joint Residents, there shall be no refund of the Monthly Service Fee. The Monthly Service Fee will be reduced by the then current Additional Person Fee effective the month following the termination. If this Agreement is terminated with respect to a Joint Resident who has permanently transferred to Health and Wellness Care, We will refund a pro rata portion, if any, of the Daily Fee paid for the month of the Termination Date.

**H. SERVICES TO RESIDENTS**

The Monthly Service Fee includes access to amenities and certain services. Other services may be available for an additional charge. Except for changes required by state or federal assistance programs, We will notify Resident of any proposed change in the scope of care or services provided by Us at least 30 days before such change is effective.

1. Services currently included in the Monthly Service Fee:

- a. Flex meal credits as defined in the resident handbook, as updated from time to time. These credits can be used to purchase any food or beverage at any of the dining venues on campus and other goods/services, as defined in the resident handbook.
- b. Basic housekeeping weekly.
- c. Real estate taxes and utilities (electricity, water, natural gas, sewer, and refuse), subject to availability to Covenant Woods by the providers thereof.
- d. Cable/Satellite T.V. hook-up availability (but not cable/satellite services), washer and dryer, stove, dishwasher, refrigerator, and microwave.
- e. Maintenance of Residence and grounds.
- f. Transportation in accordance with the Community Policies.
- g. The Community's Wellness Program.
- h. Security consisting of monitoring of the premises by security personnel and cameras, and limited access to the Community.

- i. Emergency call system.
  - j. Use of common area facilities.
  - k. Maintenance of appliances furnished by Us.
  - l. Temporary meal delivery as provided in the Community Policies from time to time.
  - m. Parking in accordance with the Community's parking regulations from time to time.
2. Additional Services currently available in Independent Living at extra cost:
- a. Additional housekeeping.
  - b. Cable/Satellite internet and television, subject to availability to Covenant Woods by the providers thereof.
  - c. Extra transportation services as provided in the Community Policies.
  - d. Special activities.
  - e. Spa & Salon services.
  - f. Occupational, physical and speech therapy.
  - g. Telephone service.
3. Subject to availability and payment of the applicable fees, We will provide the following Health and Wellness Care after consultation with the Inter-Disciplinary Care Team, with You, Your family, and/or Your physicians:

a. Assisted Living Services and Care

The Assisted Living Center is designed for those who are unable to function independently in an independent living unit, but do not need continuous medical supervision. Assisted Living residents receive those services listed in Section H.1. and receive help in dressing, self-care and other activities of daily living; assistance in attending meals; increased assistance in housekeeping; increased monitoring of personal status; monitoring of medications; and bath and bed linens.

b. Memory Support Services and Care

Memory Support Residents receive those services listed in Section H.1. and receive help in dressing, self-care and other activities of daily living; assistance in



attending meals; increased assistance in housekeeping; increased monitoring of personal status; monitoring of medications; and bath and bed linens.

c. Nursing Facility Services and Care

Residents of the Nursing Facility receive those services listed in Section H.1, commensurate with their condition and other care varying with their needs, the highest level of which is total nursing bed care in accordance with the Rules and Regulations for Licensed Nursing Homes promulgated by the Virginia Department of Health. If You are a Resident of the Nursing Facility, Your Daily Fee or the Monthly Service Fee, as the case may be, will include all normal and routine services associated with a licensed nursing facility. If, in Our opinion, after consultation with the Inter-Disciplinary Care Team, and/or Your physician, You require care that cannot be given at Covenant Woods, for example, because You have a dangerously contagious disease, You require specialized psychiatric care, or You have any other condition requiring services prohibited under the license of the Nursing Facility, We will assist You in transferring to an appropriate facility and You will be responsible for all costs associated with care at such facility. See further Section J.2.

4. We shall not be responsible for the cost of any services to the extent that benefits are payable for such services under Medicare and Medicare Supplement policies, or the equivalent. You must, upon request, take such action and execute such forms as are necessary to secure reimbursement to Us of any amounts payable for services that can be compensated for in whole or in part by such sources.

Resident is responsible for all health related services not expressly covered by the fees charged pursuant to this Agreement. Examples of charges for which You are responsible include but are not limited to: private duty nursing care, services rendered by a clinic, physician, or other practitioner of any therapeutic or palliative art or profession; services rendered by a hospital, rehabilitation facility or laboratory; medications and medical supplies; appliance, equipment, or other aids to modify the effects of handicapping conditions, and other health related items.

Home health agencies and private duty advisors contracted by Resident must be approved by Us and must be licensed and bonded. Resident is responsible for payment of such agency's services directly to the agency.

5. You are required to carry Medicare Insurance Parts A and B and a Medicare Supplement, or the equivalent of such coverage. We reserve the right to require evidence of such insurance coverage.
6. **You acknowledge that You have been accepted for residence in the Community under this particular type of residency agreement and related fee schedules based on the fact that You are carrying a long-term care insurance paying certain benefits, a copy of which has been provided to Us**

(the "Insurance"). To continue as a resident at Covenant Woods, You must maintain the Insurance during the term of this Agreement and subject to Section A, shall annually provide Us with evidence that the Insurance is in full force and effect in at least the amounts and on the terms previously provided to Us. Resident shall direct the provider of Resident's long-term care insurance (the "Insurer") in writing to notify Us in the event of any lapse or termination of the Insurance (Third Party Notice). Our right to receive such notice shall not create any liability on Us under the Insurance. Resident shall provide Us with a copy of the directions to the Insurer with respect to such notice and may not revoke such directions without Our prior written consent. Resident shall execute and deliver such instruments and shall take all such other action as We may reasonably request in order for Us to receive information about the Insurance from the Insurer or other parties. Notwithstanding the above provisions, You shall promptly notify Us directly of any lapse or termination of the Insurance or any material adverse changes in the terms thereof.

## **I. RESIDENT'S RESPONSIBILITIES**

### **1. Housekeeping**

Resident will be responsible for maintaining the Residence in a clean, sanitary and orderly condition, performing all usual light housekeeping tasks as necessary between housekeeping services provided by Us. We reserve the right to inspect Your Residence, after proper notice to You. If You fail to maintain Your Residence as required above, We may charge You for housekeeping services required to maintain Your Residence in a clean, sanitary and orderly condition.

### **2. Guests**

You are permitted to have guests in the Residence, subject to the rules and regulations set forth in the Community Policies. You will be responsible for the conduct of Your guests and for payment of any charges incurred by Your guests.

## **J. TRANSFER FROM YOUR RESIDENCE**

1. You agree that We may transfer You on a permanent or temporary basis to a different Residence, to the Assisted Living Center, to the Memory Support Center, or to the Nursing Facility when We, after consultation with the Inter-Disciplinary Care Team, and after consultation with You, Your family and/or Your physician, determine that such a transfer is necessary for Your well-being or the safety of You or other residents. The Inter-Disciplinary Care Team typically includes a registered nurse, physician, dietician, social worker, activity coordinator and possibly other Covenant Woods Staff members.

Although it is anticipated that bed space at the Assisted Living Center, the Memory Support Center and the Nursing Facility will be adequate to meet the

demand for such space, We can not guarantee the availability of bed space at the Health and Wellness Care.

Should bed space at the Health and Wellness Care not be available when needed, We will utilize Our best efforts to contract for nursing services to be provided by a licensed outside facility selected by Us. We will use Our best efforts to obtain for Resident a place in a facility which is comparable to the Health and Wellness Care. Resident shall be responsible for payment of all fees and expenses charged by the outside facility. If Resident is anticipated to need Health and Wellness Care on a temporary basis (less than 90 days) and the Residence is not vacated, Resident shall continue payment of the Monthly Service Fee to Us while staying at the outside facility. Any resident transferred to an outside facility will be returned to the Community as soon as the proper facilities are available in Health and Wellness Care, at which time Resident shall pay the fees provided in Section D.3.

2. You agree that, if You suffer any disability for which We are not permitted to provide or not capable of providing care, We shall, after consultation with the Inter-Disciplinary Care Team, You, Your family and/or Your physician, assist in transferring You to an appropriate facility and You will be responsible for all costs associated with care at such facility. Unless Resident terminates this Agreement pursuant to Section F.2., Resident shall continue payment of the Monthly Service Fee or the Daily Fee, as applicable, during any period Resident is staying in another facility.
3. We may transfer You, on reasonable notice, to a different Residence on a temporary or permanent basis in the event of special circumstances, such as the need for renovation or repair to Your Residence or the transfer of such space to a different use or configuration. We will incur all the costs of such move.
4. You may transfer to another Residence within the Community's facility with Our prior written approval. If Your request is approved, You will have 24 hours to accept the Residence that We notify You in writing is available, and if You accept the Residence as Your Residence, We will determine and assess the amount of any additional Entrance Fee, or any refund or credit thereof, which is appropriate to Your new Residence, as described below. Except as otherwise expressly stated in this Section J, no refund of the Entrance Fee shall be due upon such transfer. Your Monthly Service Fee shall become that which is applicable to Your new Residence (under the then current fee schedule for new residents under this type of residency agreement) effective the first month following the transfer. If you have not moved to Your new Residence and paid any additional amount due by the designated transfer date, Our approval of the requested transfer is revoked without further action.
  - a. If the then current Entrance Fee for Your new Residence is less than the Entrance Fee originally paid by You, any refund of part of the Entrance Fee paid by You will be determined as follows: (1) 2% of the Entrance

Fee paid for the old Residence shall be deducted from such Entrance Fee for each full or partial month from the Occupancy Date to the date of Your transfer, and (2) 2% of the then current Entrance Fee for the new Residence (based on this type of residency agreement) shall be deducted from such Entrance Fee for each full or partial month from the Occupancy Date to the date of Your transfer. If the net amount for Your new Residence is less than the net amount for the old Residence, You will be due a refund equal to the difference between the amounts. Any required refund shall be paid upon the earlier to occur of (i) the execution of a new Residency Agreement by another resident for Your old Residence and (ii) the expiration of 12 months from the date of Your transfer. No interest shall be paid to Resident on the refunded amount.

- b. If the then current Entrance Fee for Your new Residence exceeds the Entrance Fee originally paid by You, You shall pay, prior to the transfer, an amount equal to the difference between the Entrance Fee paid by You for Your old Residence and the Entrance Fee currently being charged for Your new Residence (under this type of residency agreement). For purposes of Section G.4, any additional Entrance Fee shall be deemed paid on the original Occupancy Date.
5. In a move initiated by You, You will be responsible for costs associated with the move. When transferring from the Residence, You will be charged with the actual costs of making all repairs to renovate Your old Residence, including the replacement of damaged appliances or fixtures or those showing signs of excessive wear and tear that We deem necessary for new occupancy.

#### **K. REASSIGNMENT OF RESIDENCE BY US**

We may reassign Your Residence to a different resident upon the occurrence of any of the following:

1. This Agreement is rescinded or terminated.
2. Resident is permanently transferred to another Residence as provided in Section J.
3. The Resident (or last remaining Joint Resident) is admitted permanently to the Assisted Living Center, the Memory Support Center, or the Nursing Facility. Should the Resident recover sufficiently to resume Independent Living at a later date, the first available unreserved independent living unit similar to Resident's previous residence will be provided. Resident shall pay the Monthly Service Fee in effect from time to time for such unit for new residents under this type of residency agreement. Subject to payment of the Monthly Service Fee, Resident who uses the Assisted Living Center or Nursing Facility on a temporary basis (less than 90 days) will retain possession, rights and privileges for use of the Residence during that period, without incurring additional monthly fees.

**L. DISPOSITION OF PROPERTY**

Upon termination of this Agreement or the permanent transfer of the Resident (or the last Joint Resident), You or Your estate must remove all of Your property from the Residence within 15 days. After 15 days We have the right to remove any remaining property and store it for an additional 30 days for a moving and storage fee. All property not claimed at the end of such 30 day period shall become Our property and We may choose to dispose of it as We may elect without liability to You, Your representative or estate. Any associated charges with removal of such property may be charged to you, your representative, or your estate.

**M. FINANCIAL ASSISTANCE**

It is Our policy, subject to the availability of funds and prudent financial management, including maintenance of reserves, to provide financial assistance to residents who are otherwise in compliance with their obligations to Us and who provide appropriate information to Us to justify such financial assistance and to evidence that the need for such assistance has resulted from financial reverses over which the resident had no control or the normal depletion of the resident's assets over time. Financial assistance will be granted under policies established by Us from time to time. All decisions as to financial assistance shall be made by Us in Our sole discretion and subject to determination by Us that such assistance can be provided without impairing Our ability to carry out Our operations and obligations to the Community's residents, currently or in the future, while operating on a sound financial basis with appropriate reserves.

**N. CHANGE IN PERSONAL RELATIONSHIPS AFTER ESTABLISHING RESIDENCY**

1. With Our prior written approval You may move into another resident's residence or have another resident move into Your Residence or together with another resident move into a different residence. You will be required to enter into a new or amended Residency Agreement upon such terms and conditions as agreed upon by Us, You and the other resident. Your Monthly Service Fee will include an Additional Person Fee and will be assessed in accordance with the then current fee schedule for new residents under the applicable type of agreement. We will determine, in Our sole discretion, the amount of any additional Entrance Fee due or any refund or credit of such fee which may be appropriate to the new residence.
2. If You marry a non-resident, and Your spouse desires to reside with You in Your Residence, Your spouse must submit an Application for Residency and both You and Your spouse must submit a then current financial report. If Your spouse is accepted for residency under a continuing care residency agreement (3-year deductible health care), You and Your spouse must prior to the spouse's admittance execute a Joint Residency Agreement and pay the applicable Additional Person Entrance Fee as established by the then current Covenant Woods fee schedule. If You decide to move to a different Residence in connection with Your spouse joining You, Your original Entrance Fee will be

adjusted in accordance with Section J, and in addition You and Your spouse shall pay the applicable Additional Person Entrance Fee. For purposes of Section G.4, the Additional Person Entrance Fee shall be deemed paid on Resident's original Occupancy Date. You and Your spouse will be treated in all respects as Joint Residents and shall, starting with the month Your spouse moves into Covenant Woods, pay the Monthly Service Fee for double occupancy, with the Additional Person Fee pro-rated if applicable. The Monthly Service Fee shall be based on the then current fee schedule for new residents. If Your spouse is not accepted for residency under a continuing care residency agreement (3-year deductible health care), Your spouse may apply for residency under one of the other contract forms, if any, then offered by Us, and if accepted enter into a separate contract with Us. Also, if You at the time of Your marriage to a non-resident permanently reside in Health and Wellness Care, Your spouse must apply for residency under one of Our contract forms, and if accepted enter into a separate contract with Us. You acknowledge that We can not guarantee that Your spouse will be admitted. If Your spouse is not accepted for residency, Resident's Residency Agreement shall remain effective unless terminated by Resident. If Your spouse is accepted under a different contract form but will reside with You, You shall execute an addendum to this Agreement reflecting the terms and conditions for such joint residency as agreed upon by You and Us.

3. If You want to reside together with a non-resident (other than a spouse) in the Residence, such person, who must be 62 years or older, shall submit an Application for Residency and both You and the non-resident must submit a then current financial report. If the non-resident (the "Second Resident") is accepted for residency, the Second Resident shall prior to admittance execute the applicable residency agreement and You shall execute an Addendum to this agreement, such agreement and addendum reflecting the terms and conditions for the new joint residency as agreed upon by Us, You and the Second Resident. In addition, the Second Resident shall prior to admittance pay an entrance fee equal to the first person entrance fee for the least expensive independent living unit at Covenant Woods applicable to new residents under the relevant type of residency agreement. If You decide to move to a different Residence in connection with the Second Resident joining You, Your Entrance Fee will be adjusted in accordance with Section J, and in addition You and the Second Resident shall pay the additional entrance fee pursuant to the preceding sentence. Starting with the month the Second Resident moves into Covenant Woods, You and the Second Resident shall pay a Monthly Service Fee including a Second Resident fee equal to the single person monthly service fee for the least expensive independent living unit at Covenant Woods, such fees being based on the then current fee schedule for new residents. You and the Second Resident shall be jointly and severally liable for the payment of the Monthly Service Fee, the Daily Fee and all other amounts required to be paid to Us pursuant to Your and the Second Resident's Agreements. If the Second Resident remains in the Residence after Resident's death or termination of residency or permanent transfer to Health and Wellness Care, the Second Resident will be charged the first person fee for the Residence.

**O. RESIDENT'S RIGHTS TO PROPERTY**

The rights and privileges granted to You by this Agreement do not include any leasehold rights or interests and do not include right, title or interest in any part of the personal property, land, buildings or improvements owned or administered by Us. Your rights are primarily for services, with a contractual right of residency. Any rights, privileges or benefits under this Agreement or any interest or contractual rights of any nature in the Community, including the right of any refund of the Entrance Fee or other payments hereunder, are and shall be subordinate in priority, right, claim and interest to any lien, charge or security agreement now or hereafter placed on or affecting Covenant Woods or any interest in Our real property or personal property, and to any amendment, modification, replacement or refinancing of any mortgage, deed of trust or security agreement. Resident shall execute and deliver any documents reasonably required by Us or by the holder of any mortgage, deed of trust or other security agreement to evidence or effect such subordination. Your rights under this Agreement shall not inure to the use or benefit of Your heirs, next of kin, assigns or representatives or Your estate.

**P. INCAPACITY; POWER OF ATTORNEY**

You agree to execute a valid power of attorney designating a bank or responsible person selected by You to act in Your behalf in the event You may become unable to handle Your affairs and to deliver a copy of such power of attorney to Us prior to the Occupancy Date. You agree to maintain such power of attorney at all times and to notify Us of any changes or substitutions. The power of attorney must be in a form that survives Your incapacity or disability and is otherwise satisfactory to Us. We must be informed immediately when a third party assumes responsibility for managing Your financial affairs.

**Q. RIGHT OF ENTRY**

We and Our authorized employees and agents have the right to enter the Residence under certain circumstances. Such right of entry includes, but is not limited to, entry for inspection, maintenance and housekeeping, concern for Your or other residents' safety and in response to the fire alarm or any other emergency. Whenever possible, We will give You prior notice that We will enter the Residence.

**R. LOSS OR DAMAGE TO PROPERTY OR PERSON**

1. You agree that We shall not be responsible for the loss or damage of any property belonging to You (including property stored in the Community's storage facilities) due to any cause, unless We have been grossly negligent and such negligence caused the loss or damage. We assume no responsibility for, and any injury to Resident or damage or loss to Resident's property caused by the negligence or misconduct of another resident or any guest of another resident. We do not have an insurable interest in the personal property of Resident and Resident is encouraged to obtain insurance at Resident's expense to protect against such losses.

2. You agree to reimburse Us for any costs incurred or damages suffered by Us and Our residents, employees and guests resulting from the carelessness, negligence or wrongful acts of You or Your guests.
3. You hereby release Us from liability for Your death, injury to Your person or injury to property caused by any fire, theft, assault or other cause beyond the control of Us and from any liability resulting from the negligence or wrongful actions of other residents. You further waive any claim that You, Your representative or estate may have against Us arising therefrom.

**S. ENTIRE AGREEMENT**

This Agreement, including Exhibit A and any and all Addenda hereto and the Application for Residency (consisting of confidential health, personal and financial information), contains the entire agreement between the parties hereto; and no amendment or special provision is valid unless contained in a writing executed by all Residents who are parties hereto and by the President of Covenant Woods.

**T. SEVERABILITY**

Except as otherwise specifically provided, the invalidity or amendment of any restriction, condition or other provision of this Agreement, or of any part thereof, shall not impair or affect in any way the validity or enforceability of, or affect the rest of this Agreement.

**U. GOVERNING LAW**

This Agreement shall be governed and construed, in all respects, in accordance with the laws of the Commonwealth of Virginia.

**V. COSTS AND FEES**

In the event that We incur costs and/or attorney fees to enforce Resident's obligations under this Agreement, Resident shall reimburse Us those costs and reasonable attorney fees. If Resident or anyone acting as Resident's legal representative institutes any litigation, arbitration or other proceeding against Us, Resident shall pay Us the reasonable costs and expenses (including, but not limited to, reasonable attorney's fees) incurred by Us in connection with any such proceeding so long as We are not found liable in such proceeding.

**W. FORCE MAJEURE**

The obligations of Us hereunder are subject to the limitation that, if by reason of force majeure, We are unable in whole or part to perform such obligations, We shall not be required to do so; provided, however, that We shall undertake in the event of the occurrence of events constituting force majeure to resume meeting all of Our obligations as promptly as is reasonable possible. "Force majeure" shall have the meaning applied to it in commercial contracts in the Commonwealth of Virginia.



[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, Covenant Woods has caused this Agreement to be executed and Resident(s) has/have executed this Agreement as of the date first above written:

COVENANT WOODS

By: \_\_\_\_\_

Title: \_\_\_\_\_

RESIDENT(S)

\_\_\_\_\_  
\_\_\_\_\_

By signing below, I/we attest that I/we have been given the following documents and have been given the opportunity to discuss any features of these documents that may have been unclear.

1. Disclosure Statement (at least three days prior to the execution of the Residency Agreement).
2. Resident Handbook.

Date: \_\_\_\_\_

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Resident



Dated: \_\_\_\_\_, 2\_\_\_\_\_

**COVENANT WOODS**

By: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Resident

By: \_\_\_\_\_

Resident

**Record of Changes:**

April, 2005 - On Exhibit A, removed line for "Upgrades" on the advice of the attorney that we do not want amounts for upgrades to be considered part of the entrance fee. This is because the deposit they have made for the entrance fee is refundable if they withdraw, but the amount for upgrades is not refundable.

**COVENANT WOODS  
JOINT CARE RESIDENCY AGREEMENT**

**COVENANT WOODS**  
**JOINT RESIDENCY AGREEMENT**

(Lifecare and Per Diem)

**COVENANT WOODS**  
**JOINT RESIDENCY AGREEMENT**  
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**COVENANT WOODS**  
**JOINT RESIDENCY AGREEMENT**

**THIS AGREEMENT ("Agreement")** is made and entered into this \_\_\_ day of \_\_\_\_\_, 20\_\_ , by and between \_\_\_\_\_ ("Lifecare Resident") and \_\_\_\_\_ ("Per Diem Resident") (Lifecare Resident and Per Diem Resident collectively or individually referred to as the "**Resident(s)**," "**Joint Resident(s)**," "**You**" or "**Your**") and **COVENANT WOODS ("Our," "We" or "Us")**, a Virginia non-stock not-for-profit corporation, operating Covenant Woods, a continuing care retirement community ("**Community**" or "**Covenant Woods**").

We have accepted Your application for residence in the Community subject to the provisions of this Agreement. Lifecare Resident and Per Diem Resident have applied for lifecare services and residence in the Community. Lifecare Resident has qualified for lifecare benefits. Per Diem Resident has not qualified for lifecare benefits. Residents desire to reside in the Community and receive meals, residence, care, and services until such time as this Agreement is terminated as set forth herein.

**A. SERVICES PROVIDED**

Subject to the terms and conditions of this Agreement, We will provide You the residential and health care facilities and services specified in this Agreement from the Occupancy Date (as defined in Section C.2) until the earlier termination of this Agreement. This Agreement is a certification to You that We are properly licensed to provide You care as provided herein.

You agree to comply with the terms of this Agreement and to abide by Covenant Woods' Resident Handbook, policies, rules and regulations as current and in effect at any time ("**Community Policies**"), including any rules reasonably promulgated especially for either You or a limited group of residents or otherwise agreed to by You as a condition of continuing residence.

You shall disclose to Us immediately any material change in Your physical, mental or financial condition prior to establishing residency; and this obligation to disclose shall continue throughout Your residency. You shall provide financial statements and tax returns at Our request.

**B. JOINT RESIDENCY**

This is a Joint Residency Agreement. If this Agreement is terminated with respect to one of the Joint Residents, the Agreement will remain in effect with respect to the remaining Resident unless otherwise stated in this Agreement. The Entrance Fee and the Monthly Service Fee due under this Agreement shall include an Additional Person Fee. Each Joint

Resident is jointly and severally liable for the payment of the Entrance Fee, the Monthly Service Fee, and the Daily Fee (if applicable) and all other amounts required to be paid pursuant to this Agreement.

**C. RESIDENCE; OCCUPANCY DATE**

1. Residence and Daily Fee

The Residence selected by Residents is set forth in Exhibit A (the "**Residence**"). You will have a personal, non-assignable right to reside in the Residence, subject to the terms and conditions of this Agreement, including a change in accommodations as hereinafter provided.

While residing in the Residence, You may have pets in Your Residence only in accordance with Our established pet policy.

2. Occupancy Date

"Occupancy Date" means the date provided in Exhibit A (whether or not Residents actually occupy the Residence on such date), or such other date as may be agreed to by the parties in writing.

If either Resident does not occupy the Residence within 90 days of the execution of this Agreement, We may require the Resident, prior to occupancy, to submit additional financial and health information and undergo an additional health care examination to determine if the Resident is able to live independently in the Residence without special assistance or services not normally provided by Us in such residence. Residents recognize Our exclusive right to determine whether a Resident qualifies for independent living.

**D. FEES**

Residents shall pay the following fees:

1. Entrance Fee

a. The Residents agree to pay the Entrance Fee set forth in Exhibit A. An Administrative Fee equal to 4% of the Entrance Fee shall be assessed against the Entrance Fee. Any refund of the Entrance Fee and Administrative Fee shall be governed by Section G of this Agreement.

b. If the Residence is currently ready for occupancy by Residents, You shall pay the full amount of the Entrance Fee to Us when You sign this Agreement and return it to Us, or on such later date as agreed to by Us as set forth in Exhibit A. If the Residence is not ready for occupancy on the date hereof, the Entrance Fee shall be payable as follows:

- (i) A deposit equal to 10% of the Entrance Fee, less any previously paid reservation fee, as set forth in Exhibit A, is due when You sign this Agreement and return it to Us.
- (ii) The remaining balance is due on or before the Occupancy Date.

2. Monthly Service Fee and Daily Fee

- a. You agree to pay to Us each month, starting with the month of the Occupancy Date, the Monthly Service Fee applicable to the Residence, which shall include the current Additional Person Fee except as otherwise set forth herein. The Monthly Service Fee shall be prorated for the first month according to the number of days remaining in the calendar month following Occupancy Date.
- b. The first Monthly Service Fee is due on the Occupancy Date. The Monthly Service Fee is thereafter payable in advance on the first day of each calendar month. If it is not paid within 7 days after You have been billed, We may levy a late charge of 5% of the amount due. Resident also shall pay interest at the rate of 8% per annum on any amount which is not paid within 60 days after the billing statement reflecting such amount is mailed or presented to Residents.
- c. The Monthly Service Fee is payable whether or not either or both Residents actually occupy the Residence. The Monthly Service Fee will not change because of Lifecare Resident's transfer to a higher level of living in the Community, other than as provided herein.
- d. If Per Diem Resident is transferred to the Assisted Living Center, the Memory Support Center or the Nursing Facility ("**Manor East**"), the Monthly Service Fee will be reduced by the then current Additional Person Fee and Residents shall pay the Monthly Service Fee and the Daily Fee in effect from time to time for such level of care.
- e. If this Agreement is terminated with respect to one of the Joint Residents, the Monthly Service Fee will be reduced by the then current Additional Person Fee, effective the month following the date of termination.
- f. If this Agreement is terminated with respect to Lifecare Resident and Per Diem Resident is currently or thereafter admitted to Manor East, Per Diem Resident will be charged only the applicable Daily Fee.
- g. We may adjust the Monthly Service Fee and the Daily Fee from time to time, in Our sole discretion, with 30 days advance written notice to You. We will endeavor to maintain the our Fees at the lowest possible rates

based on actual costs and consistent with sound financial practice, including the maintenance of reserves, and maintenance of the scope of services called for by this Agreement.

- h. Residents acknowledge that there may be different fee schedules in effect for the Community's residents and that other residents may pay a lower Monthly Service Fee for a residence similar to Residents' Residence. Residents further acknowledge that We may provide residence and care at the Community under other types of agreements.

3. Other Services

You will be billed monthly, in arrears, for any services and supplies provided by Us, but not included in the Monthly Service Fee and Daily Fee (if applicable). The bills are due within 5 days of receipt. If payment is not made within 7 days after the date due, We may levy a late charge of 5% of the amount due. Residents also shall pay interest at the rate of 8% per annum on any amount which is not paid within 60 days after the billing statement reflecting such amount is mailed or presented to Residents.

**E. RESCISSION OR TERMINATION OF THIS AGREEMENT BEFORE OCCUPANCY DATE**

1. Voluntary Rescission within 7 days

You have the right to rescind this Agreement without penalty or forfeiture by delivering written notice to Us within 7 days after the last to occur of the following:

- a. making the initial Entrance Fee Deposit, or
- b. signing this Agreement,

If You rescind the Agreement within that 7-day period for any reason, You will receive a refund of any Entrance Fee paid pursuant to Section G.1. You are not required to move in during the 7-day period. If one Joint Resident rescinds within the 7-day period for any reason, the Agreement will be deemed terminated as to both Residents.

2. Voluntary Termination prior to Occupancy Date

After the 7-day period described in Section E.1., but prior to the Occupancy Date, You may terminate this Agreement with immediate effect by delivering written notice of termination to Us. You will receive a refund of any Entrance Fee paid pursuant to Section G.2. If only one of the Joint Residents terminates the Agreement pursuant to this section, the Agreement will be deemed terminated as to both Residents.

3. Termination upon Death

If a Resident dies prior to the Occupancy Date, this Agreement shall be considered automatically terminated as to both Residents. Refund of any paid Entrance Fee shall be paid in accordance with Section G.3

4. Termination upon Material Change in Physical, Mental or Financial Condition

If, after the 7-day period described above but prior to the Occupancy Date, You become incapacitated physically or mentally to the degree that You may no longer qualify for Independent Living or Your financial condition has materially deteriorated in comparison to the information submitted as part of Your Application for Residency, You or Your representative shall immediately notify Us of the occurrence and nature of such incapacitation. If, in Our exclusive opinion, a Resident prior to the Occupancy Date has become unable to enter the Community in Independent Living under this contract form due to illness, injury or incapacity or change in financial condition, We shall notify the Residents and this Agreement shall be considered automatically terminated as to both Residents. Refund of any paid Entrance Fee shall be paid in accordance with Section G.3.

**F. TERMINATION OF RESIDENCY AGREEMENT AFTER OCCUPANCY DATE**

1. Death of a Resident

This Agreement shall terminate with respect to a Resident at the date of the Resident's death. This Agreement shall remain effective with respect to the surviving Resident until such Resident's death(see also Section G.6.). The Monthly Service Fee will continue to be in effect until all property is removed from the unit.

2. Termination by Resident

You may terminate this Agreement at any time by giving Us written notice. The Agreement shall terminate (the "**Termination Date**") at the later of (i) the date that is 45 days after Our receipt of Your written notice of termination, (ii) the date that You, in fact, vacate Your Residence and (iii) the date all personal property of the Resident has been removed from the Community. If only one Resident gives a notice of termination, this Agreement shall remain effective with respect to the other Resident.

3. Termination by Covenant Woods

We shall not terminate this Agreement except for Good Cause. "Good Cause" means a determination by Us that one or more of the following statements are true: (i) You are a danger to Yourself or others; (ii) You have failed to pay fees that are due to Us; (iii) You have repeatedly engaged in conduct that interferes with other Residents' quiet enjoyment of Covenant Woods; (iv) You have

persistently refused to comply with reasonable written rules and regulations of Covenant Woods; (v) You made a material misrepresentation, either intentionally or recklessly, in Your Application for Residency, or related materials, regarding information which, if accurately provided, would have resulted in either Your failure to qualify for Residency or a material increase in the cost of providing to You the care and services provided under this Agreement; or (vi) You have committed a material breach of the terms and conditions of this Agreement. We shall not terminate this Agreement until We have given You written notice stating the grounds of termination and a reasonable period of time for cure. The effective date of such termination shall be stated in the written notice. This termination can apply to both Residents or to only one Resident; if the termination applies to only one Resident, this Agreement shall remain effective with respect to the other Resident.

## **G. REFUNDS**

Any refunds due to You under this Agreement shall be made according to the provisions of this Section and in certain events Sections J and N.

### **1. Rescission Within 7 Days prior to Occupancy Date**

If You rescind this Agreement in accordance with Section E.1., You will receive a full refund within 30 days of the date of rescission of any paid Entrance Fee and other sums paid to Us, less any costs specifically incurred by Us at Your request according to a written amendment to this Agreement or Special Provisions set forth in Exhibit A. No interest shall be paid to Residents on the refunded amounts.

### **2. Voluntary Termination prior to Occupancy Date**

If You terminate this Agreement in accordance with Section E.2., You will receive a refund within 30 days of the date of termination of any paid Entrance Fee and other sums paid to Us, less (i) an administrative fee of \$1,000, and (ii) any costs specifically incurred by Us at Your request according to a written amendment to this Agreement or Special Provisions set forth in Exhibit A. No interest shall be paid to Residents on the refunded amounts.

### **3. Termination upon Death or Incapacity prior to Occupancy Date**

If this Agreement is terminated because of death or incapacity, as described in Sections E.3. and E.4., You or Your estate will receive a full refund within 30 days of the date of termination of any paid Entrance Fee and other sums paid to Us, less any costs specifically incurred by Us at Your request according to a written amendment to this Agreement or Special Provisions set forth in Exhibit A. No interest shall be paid to Residents on the refunded amounts.

4. Termination After Occupancy Date

In the event of termination after the Occupancy Date, refunds shall be made in accordance with the below. Any refund provided for under this Section G.4 of the Agreement shall not include refund of the Administrative Fee.

a. Declining Refund Entrance Fee

A portion of the Entrance Fee paid will be refunded if both Residents move from Covenant Woods and terminate this Agreement within 49 months after the Occupancy Date. The refund will be an amount equal to the Entrance Fee, less the 4% Administrative Fee deducted from the Entrance Fee and paid less 2% of the Entrance Fee paid for each full or partial month of residency (the period between the Occupancy Date and the date this Agreement is terminated) until the balance is \$0. Any unpaid charges will be deducted from the refund. We may deduct the full amount of financial assistance, including interest, from the refund.

b. Any required refund shall be paid to Residents (or the last remaining Joint Resident or his/her estate) upon the earlier to occur of (i) the execution of a new Residency Agreement by another Resident for Your Residence or (ii) the expiration of 12 months from the date of termination. No interest shall be paid to Residents on the refunded amounts.

c. There shall be no refund of the paid Entrance Fee until both Joint Residents cease to be Residents of the Community. Any refund shall be paid to the estate of the last surviving Joint Resident, or to the last Joint Resident who resided at the Community.

5. Monthly Service Fee and Daily Fee

In the event of the death of the last remaining Joint Resident or termination by Us, Residents (or the last remaining Joint Resident or his/her estate) shall receive a refund of a pro rata portion, if any, of the Monthly Service Fee, as applicable, paid for the month termination occurs.

In the event of termination by both Residents (or the last remaining Joint Resident), the Monthly Service Fee will be due until the Termination Date determined pursuant to Section F.2. Residents or the last remaining Joint Resident shall receive a refund of a pro rata portion, if any, of the Monthly Service Fee paid for the month of the Termination Date.

If the Per Diem Resident is admitted to Manor East and this Agreement is terminated with respect to the Lifecare Resident only, Residents (or the Per Diem Resident if termination is due to the death of the Lifecare Resident) shall receive a refund of a pro rata portion, if any, of the Monthly Service Fee paid for the month of the Termination Date.

Any refund of fees under this sub-section 5 will be paid as provided in sub-section (4)(b) above.

## **H. SERVICES TO RESIDENTS**

The Monthly Service Fee includes access to amenities and certain services. Other services may be available for an additional charge. Except for changes required by state or federal assistance programs, We will notify Residents of any proposed change in the scope of care or services provided by Us at least 30 days before such change is effective.

1. Services currently included in the Monthly Service Fee:
  - a. Flex meal credits as defined in the resident handbook, as updated from time to time. These credits can be used to purchase any food or beverage at any of the dining venues on campus and other goods/services, as defined in the resident handbook.
  - b. Basic housekeeping weekly.
  - c. Real estate taxes and utilities (electricity, water, natural gas, sewer, and refuse), subject to availability to Covenant Woods by the providers thereof.
  - d. Cable/Satellite T.V. hook-up availability (but not cable/satellite services), washer and dryer, stove, dishwasher, refrigerator, and microwave.
  - e. Maintenance of Residence and grounds.
  - f. Transportation in accordance with the Community Policies.
  - g. Assisted Living Care, Memory Support Care and Nursing services for Lifecare Resident, as provided in this Agreement, and subject to the Daily Fee for The Per Diem Resident, as provided in this Agreement.
  - h. The Community's Wellness Program.
  - i. Security consisting of monitoring of the premises by security personnel and cameras, and limited access to the Community.
  - j. Emergency call system.
  - k. Use of common area facilities.
  - l. Maintenance of appliances furnished by Us.
  - m. Temporary meal delivery as provided in the Community Policies from time to time.



- n. Parking in accordance with the Community's parking regulations as updated from time to time.
2. Additional Services currently available in Independent Living at extra cost:
- a. Additional housekeeping.
  - b. Cable/Satellite, internet and television, subject to availability to Covenant Woods by the providers thereof.
  - c. Extra transportation services as provided in the Community Policies.
  - d. Special activities.
  - e. Spa and salon services.
  - f. Occupational, physical and speech therapy.
  - g. Telephone service.
  - h. Other services as are made available from time to time.
3. Manor East

Subject to availability, Residents shall have short-term or long-term use of health services at Manor East (Assisted Living, Memory Support and Nursing), if approved by Us, after consultation with the Inter-Disciplinary Care Team, with You, Your family, and/or Your physician. There will be no increase in Monthly Service Fee over that of Your Residence for care at Manor East for Lifecare Resident. If Per Diem Resident transfers to Manor East, the Monthly Service Fee shall be reduced by the Additional Person Fee and Residents shall pay the Daily Fee in addition to the Monthly Service Fee.

We shall not be responsible for the cost of any services to the extent that benefits are payable for such services under Medicare and Medicare Supplement policies, or the equivalent. You must, upon request, take such action and execute such forms as are necessary to secure reimbursement to Us of any amounts payable for services that can be compensated for in whole or in part by such sources.

Residents are responsible for payment of the cost of all health related services not expressly covered by this Agreement. Examples of charges for which You are responsible include but are not limited to: personal care, services rendered by a clinic, physician, or other practitioner of any therapeutic or palliative art or profession; services rendered by a hospital, rehabilitation facility or laboratory; medications and medical supplies; appliance, equipment, or other aids to modify the effects of handicapping conditions, and other health related items.

Home health agencies and private duty providers contracted by Residents must be licensed and bonded and approved by us, which approval can be withdrawn under appropriate circumstances. Residents are responsible for payment of such agency's services directly to the agency.

4. Assisted Living Services and Care

The Assisted Living Center is designed for those who are unable to function independently in an independent living unit, but do not need continuous medical supervision. Assisted Living residents receive those services listed in Section H.1. and receive help in activities of daily living; increased assistance in housekeeping; increased monitoring of personal status; monitoring of medications; and bath and bed linens as set forth in the Community Policies.

5. Memory Support Services and Care

Memory Support Residents receive those services listed in Section H.1. and receive help activities of daily living; assistance in attending meals; increased assistance in housekeeping; increased monitoring of personal status; monitoring of medications; and bath and bed linens as set forth in the Community Policies.

6. Nursing Facility Services and Care

Residents of the Nursing Facility receive those services listed in Section H.1. commensurate with their condition and other care varying with their needs, the highest level of which is total nursing bed care in accordance with the Rules and Regulations for Licensed Nursing Homes promulgated by the Virginia Department of Health as set forth in the Community Policies.

7. If, in Our exclusive opinion, after consultation with the Inter-Disciplinary Care Team, and/or Your physician, either Resident requires care that cannot be given at Covenant Woods, for example, because such Resident has a dangerously contagious disease, the Resident requires specialized psychiatric care, or the Resident has any other condition requiring services prohibited under the license of the Nursing Facility or beyond our scope of care, We will assist You in transferring to an appropriate facility and Residents will be responsible for all costs associated with care at such facility. See further Section J.2.

8. Each Resident is required to carry Medicare Insurance Parts A and B and a Medicare Supplement, or the equivalent of such coverage, acceptable to Us in Our sole discretion. You are required to provide evidence of such insurance coverage prior to Your Occupancy Date and thereafter upon Our request.

**I. RESIDENT'S RESPONSIBILITIES**

1. Housekeeping

Residents will be responsible for maintaining the Residence in a clean, sanitary and orderly condition, performing all usual light housekeeping tasks as necessary between housekeeping services provided by Us. We reserve the right to inspect Your Residence, after proper notice to You. If You fail to maintain Your Residence as required above, We may charge You for housekeeping services required to maintain Your Residence in a clean, sanitary and orderly condition.

2. Guests

You are permitted to have guests in the Residence, subject to the rules and regulations set forth in the Community Policies. You will be responsible for the conduct of Your guests and for payment of any charges incurred by Your guests.

**J. TRANSFER FROM YOUR RESIDENCE**

1. You agree that We may, in Our exclusive discretion, transfer You on a permanent or temporary basis to a different Residence, to the Assisted Living Center, to the Memory Support Center, or to the Nursing Facility when We, after consultation with the Inter-Disciplinary Care Team, and after consultation with You, Your family and/or Your physician, determine that such a transfer is necessary for Your well-being or the safety of You or other residents or if You are unable to maintain Yourself in Your residence without special care. The Inter-Disciplinary Care Team typically includes a registered nurse, physician, dietician, social worker, activity coordinator and possibly other Covenant Woods Team members.

Although it is anticipated that bed space at the Assisted Living Center, the Memory Support Center and the Nursing Facility will be adequate to meet the demand for such space, We cannot guarantee the availability of bed space at Manor East. Should bed space at Manor East not be available when needed, We will utilize Our best efforts to contract for nursing services to be provided by a licensed outside facility selected by Us. We will use Our best efforts to obtain for Resident a place in a facility which is comparable to Manor East. Residents shall continue payment of the Monthly Service Fee to Us even if a Resident is transferred as described above. So long as Residents continue to pay the Monthly Service Fee, We will pay the cost of the care provided to Lifecare Resident at such outside facility that is similar to the care provided at Covenant Woods. Residents shall be responsible for payment of all fees and expenses in excess of the amount paid by Us. Residents shall be responsible for payment of all fees and expenses charged by the outside facility for care provided to Per Diem Resident. Any resident transferred to an outside facility will be returned to the Community as soon as the proper facilities are available at Manor East.

2. You agree that, if You suffer any disability for which We are not permitted to provide or not capable of providing care, We shall, after consultation with the Inter-Disciplinary Care Team, You, Your family and/or Your physician, assist in transferring You to an appropriate facility and You will be responsible for all costs associated with care at such facility. Unless Residents terminate this Agreement pursuant to Section F.2., Residents shall continue payment of the Monthly Service Fee during any period a Resident is staying in another facility.
3. We may transfer You, on reasonable notice, to a different Residence on a temporary or permanent basis in the event of special circumstances, such as the need for renovation or repair to Your Residence or the transfer of such space to a different use or configuration or to promote harmony or avoid conflict among residents. We will incur all moving costs of such move.
4. You may transfer to another Residence within the Community's facility with Our prior written approval. If Your request is approved, You will have 24 hours to accept the Residence that We notify You in writing is available, and if You accept the Residence as Your Residence, We will determine and assess the amount of any additional Entrance Fee, or any refund or credit thereof, which is appropriate to Your new Residence, as described below. Except as otherwise expressly stated in this Section J, no refund of the Entrance Fee shall be due upon such transfer. Your Monthly Service Fee shall become that which is applicable to Your new Residence (under the then current fee schedule for new residents under this type of residency agreement) effective the first month following the transfer; provided, however, that if after transfer to a unit for which the Monthly Service Fee is lower than that payable for the unit from which You transfer, upon any transfer of Lifecare Resident to Assisted Living, Memory Support, Or Nursing Care after less than 18 months in the second unit, the Monthly Service Fee that You pay for care at Manor East shall be the fee applicable to the unit from which Lifecare Resident transferred. If You have not moved to Your new Residence and paid any additional amount due within 30 days of notification of the availability of such unit or such other transfer date agreed upon by You and Us, Our approval of the requested transfer is revoked without further action.
  - a. If the then current Entrance Fee for Your new Residence is less than the Entrance Fee originally paid by You, any refund of part of the Entrance Fee paid by You will be determined as follows: (1) 2% of the Entrance Fee paid for the old Residence shall be deducted from such Entrance Fee for each full or partial month from the Occupancy Date to the date of Your transfer, and (2) 2% of the then current Entrance Fee for the new Residence (based on the refund plan selected in Exhibit A and this type of residency agreement) shall be deducted from such Entrance Fee for each full or partial month from the Occupancy Date to the date of Your transfer. If the net amount for Your new Residence is less than the net amount for the old Residence, You will be due a refund equal to the difference between the amounts. Any required refund shall be paid upon the earlier

to occur of (i) the execution of a new Residency Agreement by another resident for Your old Residence and (ii) the expiration of 12 months from the date of Your transfer. No interest shall be paid to Resident on the refunded amount. If the then current Entrance Fee for Your new Residence exceeds the Entrance Fee originally paid by You, You shall pay, prior to the transfer, an amount equal to the difference between the Entrance Fee paid by You for Your old Residence and the Entrance Fee currently being charged for Your new Residence (under the refund plan selected in Exhibit A and this type of residency agreement). For purposes of Section G.4, any additional Entrance Fee shall be deemed paid on the original Occupancy Date.

5. In a move initiated by You, You will be responsible for costs associated with the move. When transferring from the Residence, You will be charged with the actual costs of making all repairs to renovate Your old Residence, including the replacement of damaged appliances or fixtures or those showing signs of excessive wear and tear that We deem necessary for new occupancy.

#### **K. REASSIGNMENT OF RESIDENCE BY US**

We may reassign Your Residence to a different resident upon the occurrence of any of the following:

1. This Agreement is rescinded or terminated.
2. Residents are permanently transferred to another Residence as provided in Section J.
3. The last remaining Joint Resident is admitted permanently to the Assisted Living Center, the Memory Support Center, or the Nursing Facility. Should the Resident recover sufficiently to resume Independent Living at a later date, the first available unreserved independent living unit similar to Resident's previous residence will be provided. If the Resident resides in Assisted Living Center or Nursing Facility on a temporary basis (less than 90 days), Resident will retain possession, rights and privileges for use of the Residence during that period, without incurring additional monthly fees.

#### **L. DISPOSITION OF PROPERTY**

Upon termination of this Agreement or the permanent transfer of the last Joint Resident, You or Your estate must remove all of Your property from the Residence within 15 days. After 15 days We have the right to remove any remaining property and store it for an additional 30 days for a moving and storage fee. All property not claimed at the end of such 30 day period shall become Our property and We may choose to dispose of it as We may elect without liability to You, Your representative or estate. Any charges or expenses as reasonably calculated incurred by Us in removing property from Your

Residence and storing it shall be an additional fee due under this Agreement and payable by You or Your estate.

**M. FINANCIAL ASSISTANCE**

It is Our policy, subject to the availability of funds and prudent financial management, including maintenance of reserves, to provide financial assistance to residents who are otherwise in compliance with their obligations to Us and who provide appropriate information to Us to justify such financial assistance and to evidence that the need for such assistance has resulted from financial reverses over which the resident had no control or the normal depletion of the resident's assets over time. Financial assistance will be granted under policies established by Us from time to time. All decisions as to financial assistance shall be made by Us in Our sole discretion and subject to determination by Us that such assistance can be provided without impairing Our ability to carry out Our operations and obligations to the Community's residents, currently or in the future, while operating on a sound financial basis with appropriate reserves.

**N. RESIDENT'S RIGHTS TO PROPERTY**

The rights and privileges granted to You by this Agreement do not include any leasehold rights or interests and do not include right, title or interest in any part of the personal property, land, buildings or improvements owned or administered by Us. Your rights are primarily for services, with a contractual right of residency. Any rights, privileges or benefits under this Agreement or any interest or contractual rights of any nature in the Community, including the right of any refund of the Entrance Fee or other payments hereunder, are and shall be subordinate in priority, right, claim and interest to any lien, charge or security agreement now or hereafter placed on or affecting Covenant Woods or any interest in Our real property or personal property, and to any amendment, modification, replacement or refinancing of any mortgage, deed of trust or security agreement. Resident shall execute and deliver any documents reasonably required by Us or by the holder of any mortgage, deed of trust or other security agreement to evidence or effect such subordination. Your rights under this Agreement shall not inure to the use or benefit of Your heirs, next of kin, assigns or representatives or Your estate.

**O. INCAPACITY; POWER OF ATTORNEY**

You agree to execute a valid power of attorney designating a bank or responsible person selected by You to act in Your behalf in the event You may become unable to handle Your affairs and to deliver a copy of such power of attorney to Us prior to the Occupancy Date. You agree to maintain such power of attorney at all times and to notify Us of any changes or substitutions. The power of attorney must be in a form that survives Your incapacity or disability and is otherwise satisfactory to Us. We must be informed immediately when a third party assumes responsibility for managing Your financial affairs.

**P. RIGHT OF ENTRY**

We and Our authorized employees and agents have the right to enter the Residence under certain circumstances. Such right of entry includes, but is not limited to, entry for inspection, maintenance and housekeeping, concern for Your or other residents' safety and in response to the fire alarm or any other emergency. Whenever possible, We will give You prior notice that We will enter the Residence.

**Q. LOSS OR DAMAGE TO PROPERTY OR PERSON**

1. You agree that We shall not be responsible for the loss or damage of any property belonging to You (including property stored in the Community's storage facilities) due to any cause, unless We have been grossly negligent and such negligence caused the loss or damage. We assume no responsibility for, and any injury to Resident or damage or loss to a Resident's property caused by the negligence or misconduct of another resident or any guest of another resident. We do not have an insurable interest in the personal property of Residents and Residents are encouraged to obtain insurance at Residents' expense to protect against such losses.
2. You agree to reimburse Us for any costs incurred or damages suffered by Us and Our residents, employees and guests resulting from the carelessness, negligence or wrongful acts of You or Your guests.
3. You hereby release Us from liability for Your death, injury to Your person or injury to property caused by any fire, theft, assault or other cause beyond the control of Us and from any liability resulting from the negligence or wrongful actions of other residents. You further waive any claim that You, Your representative or estate may have against Us arising therefrom.

**R. NONDISCRIMINATION**

We do not discriminate based on factors of race, religion, sex, national origin, or disability. These factors do not have any bearing upon Your acceptance or rejection for residency, the execution of this Agreement, or Our normal conduct of business.

**S. ENTIRE AGREEMENT**

This Agreement, including Exhibit A and any and all Addenda hereto, including the resident handbook as updated from time to time, and the Application for Residency (consisting of confidential health, personal and financial information), contains the entire agreement between the parties hereto; and no amendment or special provision is valid unless contained in a writing executed by all Residents who are parties hereto and by the President of Covenant Woods.

**T. SEVERABILITY**

Except as otherwise specifically provided, the invalidity or amendment of any restriction, condition or other provision of this Agreement, or of any part thereof, shall not impair or affect in any way the validity or enforceability of, or affect the rest of this Agreement.

**U. GOVERNING LAW**

This Agreement shall be governed and construed, in all respects, in accordance with the laws of the Commonwealth of Virginia.

**V. COSTS AND FEES**

In the event that We incur costs and/or attorney fees to enforce Residents' obligations under this Agreement, Residents shall reimburse Us those costs and reasonable attorney fees. If a Resident or anyone acting as a Resident's legal representative institutes any litigation, arbitration or other proceeding against Us, such Resident shall pay Us the reasonable costs and expenses (including, but not limited to, reasonable attorney's fees) incurred by Us in connection with any such proceeding so long as We are not found liable in such proceeding.

**W. FORCE MAJEURE**

The obligations of Us hereunder are subject to the limitation that, if by reason of force majeure, We are unable in whole or part to perform such obligations, We shall not be required to do so; provided, however, that We shall undertake in the event of the occurrence of events constituting force majeure to resume meeting all of Our obligations as promptly as is reasonable possible. "Force majeure" shall have the meaning applied to it in commercial contracts in the Commonwealth of Virginia.

**X. ARBITRATION**

Any dispute, controversy, or claim arising under, out of, in connection with, or relating to this Agreement shall be finally settled by arbitration in accordance with the rules of the American Arbitration Association and Virginia law then in effect. A party shall make a demand for arbitration within a reasonable time after the dispute, controversy, or claim arises, but in no event later than one (1) year from when the complaining party knew or should have known of the dispute, controversy, or claim. Any arbitration shall be held in Richmond, Virginia. Each party shall bear its own costs and expenses incurred in arbitrating the dispute, controversy, or claim. Any award rendered will be final and binding on each of the parties to the arbitration and their personal representatives. Judgment may be entered on such award in any court of competent jurisdiction.



[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, Covenant Woods has caused this Agreement to be executed and Resident(s) has/have executed this Agreement as of the date first above written:

COVENANT WOODS

By: \_\_\_\_\_

Title: \_\_\_\_\_

LIFECARE RESIDENT

\_\_\_\_\_  
\_\_\_\_\_

PER DIEM RESIDENT

\_\_\_\_\_  
\_\_\_\_\_

By signing below, I/we attest that I/we have been given the following documents and have been given the opportunity to discuss any features of these documents that may have been unclear.

1. Disclosure Statement (at least three days prior to the execution of the Residency Agreement).
2. Resident Handbook.

Date: \_\_\_\_\_

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Resident

**EXHIBIT A**

**SPECIAL TERMS TO JOINT RESIDENCY AGREEMENT**

Name(s) of Lifecare Resident: \_\_\_\_\_

Name of Per Diem Resident: \_\_\_\_\_

Reserved Residence : \_\_\_\_\_

Occupancy Date: \_\_\_\_\_

|                         |    |       |
|-------------------------|----|-------|
| Entrance Fee: Basic Fee | \$ | _____ |
| Additional Person Fee   |    | _____ |
| Upgrades                |    | _____ |
| Lot Upgrade             |    | _____ |
| Special Incentive       |    | _____ |
| Total                   | \$ | _____ |

10% Entrance Fee Deposit: \$ \_\_\_\_\_ (\$ \_\_\_\_\_ less reservation fee of \$ \_\_\_\_\_ )

Balance due prior to Occupancy Date: \$ \_\_\_\_\_

Selected Entrance Fee: \_\_\_\_\_ Declining Refund Entrance Fee

|                                    |                       |    |       |
|------------------------------------|-----------------------|----|-------|
| Monthly Service Fee <sup>1</sup> : | Basic Fee             | \$ | _____ |
|                                    | Additional Person Fee |    | _____ |
|                                    | Total                 | \$ | _____ |

Special Provisions: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

<sup>1</sup> Subject to change.

---

Dated: \_\_\_\_\_, 20\_\_

**COVENANT WOODS**

By: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Resident

By: \_\_\_\_\_

Resident

**COVENANT WOODS  
RENTAL RESIDENCY AGREEMENT**

**COVENANT WOODS**  
**RENTAL SERVICES AGREEMENT**

**COVENANT WOODS**  
**RENTAL SERVICES AGREEMENT**

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**COVENANT WOODS**  
**RENTAL SERVICES AGREEMENT**

**THIS AGREEMENT ("Agreement")** is made and entered into this \_\_\_\_ day of \_\_\_\_\_, by and between \_\_\_\_\_ (collectively referred to as the "**Resident**," "**You**" or "**Your**") and **COVENANT WOODS ("Our," "We" or "Us")**, a Virginia non-stock not-for-profit corporation, operating Covenant Woods, a continuing care retirement community ("**Community**" or "**Covenant Woods**").

We have accepted Your application for residence in the Community subject to the provisions of this Agreement.

**A. SERVICES PROVIDED**

Subject to the terms and conditions of this Agreement, We will provide You the facilities and services specified in this Agreement from the Occupancy Date (as defined in Section B.2) until the earlier termination of this Agreement.

You agree to comply with the terms of this Agreement and to abide by Covenant Woods' Resident Handbook, policies, rules and regulations as current and in effect at any time ("**Community Policies**"), including any rules reasonably promulgated especially for either You or a limited group of residents or otherwise agreed to by You as a condition of residence.

**B. RESIDENCE; OCCUPANCY DATE**

1. Residence

The Residence selected by Resident is set forth in Exhibit A (the "**Residence**"). You will have a personal, non-assignable right to reside in the Residence, subject to the terms and conditions of this Agreement, including a change in accommodations as hereinafter provided.

You may have pets in Your Residence only in accordance with Our established pet policy.

The Residence is for single occupancy only. You may not have another person reside in the Residence at any time.

2. Occupancy Date

"Occupancy Date" means the date provided in Exhibit A (whether or not Resident actually occupies the Residence on such date), or such other date as may be agreed to by the parties in writing.



## C. FEES

Resident shall pay the following fees:

### 1. Deposit

- a. Upon execution of this Agreement, you agree to pay to Us a deposit equal to one month of the Monthly Service Fee applicable to the Residence (the “**Deposit**”).

### 2. Monthly Service Fee

- a. You agree to pay to Us each month, starting with the month of the Occupancy Date, the Monthly Service Fee applicable to the Residence. The Monthly Service Fee shall be prorated for the first month according to the number of days remaining in the calendar month following Occupancy Date.
- b. The first Monthly Service Fee is due on the Occupancy Date. The Monthly Service Fee is thereafter payable in advance on the first day of each calendar month. If it is not paid within 7 days after You have been billed, We may levy a late charge of 5% of the amount due. Resident also shall pay interest at the rate of 8% per annum on any amount which is not paid within 60 days after the billing statement reflecting such amount is mailed or presented to Resident.
- c. The Monthly Service Fee is payable until this Agreement is terminated whether or not You actually occupy the Residence.
- d. We may adjust the Monthly Service Fee from time to time, in Our sole discretion, with 30 days advance written notice to You. We will endeavor to maintain the Monthly Service Fee at the lowest possible rate based on actual costs and consistent with sound financial practice, including the maintenance of reserves, and maintenance of the scope of services called for by this Agreement.
- e. Resident acknowledges that there may be different fee schedules in effect for the Community's residents and that other residents may pay a lower Monthly Service Fee for a residence similar to Resident's Residence. Resident further acknowledges that We may provide residence and care at the Community under other types of agreements.

### 3. Other Services

You will be billed monthly, in arrears, for any services and supplies provided by Us, but not included in the Monthly Service Fee. Payment is due within 5 days of receipt of bill. If payment is not made within 7 days after the date due, We may levy a late charge of 5% of the amount due. Resident also shall pay interest at the

rate of 8% per annum on any amount which is not paid within 60 days after the billing statement reflecting such amount is mailed or presented to Resident.

**D. RESCISSION OR TERMINATION OF THIS AGREEMENT BEFORE OCCUPANCY DATE**

1. Voluntary Rescission within 7 days

You have the right to rescind this Agreement without penalty or forfeiture by delivering written notice to Us within 7 days after signing this Agreement. You are not required to move in during the 7-day period.

2. Voluntary Termination prior to Occupancy Date

After the 7-day period described in Section D.1., but prior to the Occupancy Date, You may terminate this Agreement with immediate effect by delivering written notice of termination to Us.

3. Termination upon Death

If Resident dies prior to the Occupancy Date, this Agreement shall be considered automatically terminated.

**E. TERM AND TERMINATION OF RENTAL SERVICES AGREEMENT AFTER OCCUPANCY DATE**

1. This Agreement will be effective for twelve (12) months and thereafter will automatically renew for additional twelve (12) month terms until either We or You terminates the Agreement in accordance with this Section E. The Monthly Service Fee will continue to be in effect until this Agreement is terminated.

2. Death of a Resident

This Agreement shall terminate at the earlier of (i) 30 days after the date of Resident's death, or (ii) the removal of all of the deceased Resident's personal property from the Community.

3. Termination by Resident

You may terminate this Agreement at any time by giving Us written notice. The Agreement shall terminate (the "**Termination Date**") at the later of (i) the date that is 45 days after Our receipt of Your written notice of termination, (ii) the date that You, in fact, vacate Your Residence and (iii) the date all personal property of the Resident has been removed from the Community.

4. Termination by Covenant Woods

We shall not terminate this Agreement except for Good Cause. "Good Cause" means a determination by Us that one or more of the following statements are true: (i) You are a danger to Yourself or others; (ii) You have failed to pay fees that are due to Us; (iii) You have repeatedly engaged in conduct that interferes with other Residents' quiet enjoyment of Covenant Woods; (iv) You have persistently refused to comply with reasonable written rules and regulations of Covenant Woods; (v) You made a material misrepresentation, either intentionally or recklessly, in Your Application for Residency, or related materials (including Your long-term care insurance), regarding information which, if accurately provided, would have resulted in either Your failure to qualify for Residency; or (vi) You have committed a material breach of the terms and conditions of this Agreement. We shall not terminate this Agreement until We have given You written notice stating the grounds of termination and a reasonable period of time for cure. The effective date of such termination shall be stated in the written notice.

5. Refund of Deposit

If this Agreement is terminated due to Resident's death under Section E.1 above, the Deposit will be refunded to Resident's estate, less any fees or costs owed to Us. If this Agreement is terminated for any other reason under this Section E, We will retain the Deposit and no refund will be made.

6. Conversion to Lifecare Agreement

At any time during the term of this Agreement, you may elect to apply for lifecare services at the Community under a lifecare agreement. You will be required to submit to a screening and evaluation to determine whether you meet Our requirements for a lifecare agreement, and there is no guarantee that We will accept you as a lifecare resident. Upon your acceptance as a lifecare resident in the Community, this Agreement will automatically terminate on the date your lifecare agreement becomes effective without penalty, and the Deposit will be credited toward your entrance fee under the lifecare agreement.

**F. SERVICES TO RESIDENTS**

The Monthly Service Fee includes access to amenities and certain services. Other services may be available for an additional charge. Except for changes required by state or federal assistance programs, We will notify Resident of any proposed change in the scope of care or services provided by Us at least 30 days before such change is effective.

1. Services currently included in the Monthly Service Fee:

- a. Flex meal credits as defined in the resident handbook, as updated from time to time. These credits can be used to purchase any food or non-

alcoholic beverage at any of the dining venues on campus and other goods/services, as defined in the resident handbook.

- b. Basic housekeeping bi-weekly.
  - c. Real estate taxes and utilities (electricity, water, natural gas, sewer, and refuse), subject to availability to Covenant Woods by the providers thereof.
  - d. Cable/Satellite T.V. hook-up availability (but not cable/satellite services), washer and dryer, stove, dishwasher, refrigerator, and microwave.
  - e. Maintenance of Residence and grounds.
  - f. Transportation in accordance with the Community Policies.
  - g. The Community's Wellness Program.
  - h. Security consisting of monitoring of the premises by security personnel and cameras, and limited access to the Community.
  - i. Emergency call system.
  - j. Use of common area facilities.
  - k. Maintenance of appliances furnished by Us.
  - l. Temporary meal delivery as provided in the Community Policies from time to time.
  - m. Parking in accordance with the Community's parking regulations from time to time.
2. Additional Services currently available in Independent Living at extra cost:
- a. Additional housekeeping.
  - b. Cable/Satellite internet and television, subject to availability to Covenant Woods by the providers thereof.
  - c. Extra transportation services as provided in the Community Policies.
  - d. Special activities.
  - e. Spa & Salon services.
  - f. Occupational, physical and speech therapy.
  - g. Telephone service

- h. Other services as are made available from time to time.
- 3. We are not obligated to provide any care to You under this Agreement, including services in Our Assisted Living Center, Memory Support Center or Nursing Facility. We will not be responsible for the cost of any care services, including home care services or healthcare. In the event that you require daily care or healthcare services, You will be responsible for obtaining such care.

Resident is responsible for payment of all health related services. Examples of charges for which You are responsible include but are not limited to: private duty nursing care, services rendered by a clinic, physician, or other practitioner of any therapeutic or palliative art or profession; services rendered by a hospital, rehabilitation facility or laboratory; medications and medical supplies; appliance, equipment, or other aids to modify the effects of handicapping conditions, and other health related items.

Home health agencies and private duty advisors contracted by Resident must be approved by Us and must be licensed and bonded. Resident is responsible for payment of such agency's services directly to the agency.

#### **G. RESIDENT'S RESPONSIBILITIES**

- 1. Housekeeping

Resident will be responsible for maintaining the Residence in a clean, sanitary and orderly condition, performing all usual light housekeeping tasks as necessary between housekeeping services provided by Us. We reserve the right to inspect Your Residence, after proper notice to You. If You fail to maintain Your Residence as required above, We may charge You for housekeeping services required to maintain Your Residence in a clean, sanitary and orderly condition.

- 2. Guests

You are permitted to have guests in the Residence, subject to the rules and regulations set forth in the Community Policies. You will be responsible for the conduct of Your guests and for payment of any charges incurred by Your guests.

#### **H. TRANSFER FROM YOUR RESIDENCE**

- 1. We may transfer You, on reasonable notice, to a different Residence on a temporary or permanent basis in the event of special circumstances, such as the need for renovation or repair to Your Residence or the transfer of such space to a different use or configuration. We will incur all the costs of such move.

#### **I. DISPOSITION OF PROPERTY**

Upon termination of this Agreement or the permanent move of the Resident out of the Residence, You or Your estate must remove all of Your property from the Residence

within 15 days. After 15 days We have the right to remove any remaining property and store it for an additional 30 days for a moving and storage fee. All property not claimed at the end of such 30 day period shall become Our property and We may choose to dispose of it as We may elect without liability to You, Your representative or estate. Any charges or expenses as reasonably calculated incurred by Us in removing property from Your Residence and storing it shall be an additional fee due under this Agreement and payable by You or Your estate.

**J. RESIDENT'S RIGHTS TO PROPERTY**

The rights and privileges granted to You by this Agreement do not include any leasehold rights or interests and do not include right, title or interest in any part of the personal property, land, buildings or improvements owned or administered by Us. Your rights are primarily for services, with a contractual right of residency. Any rights, privileges or benefits under this Agreement or any interest or contractual rights of any nature in the Community, including the right of any refund of any payments hereunder, are and shall be subordinate in priority, right, claim and interest to any lien, charge or security agreement now or hereafter placed on or affecting Covenant Woods or any interest in Our real property or personal property, and to any amendment, modification, replacement or refinancing of any mortgage, deed of trust or security agreement. Resident shall execute and deliver any documents reasonably required by Us or by the holder of any mortgage, deed of trust or other security agreement to evidence or effect such subordination. Your rights under this Agreement shall not inure to the use or benefit of Your heirs, next of kin, assigns or representatives or Your estate.

**K. INCAPACITY; POWER OF ATTORNEY**

You agree to execute a valid power of attorney designating a bank or responsible person selected by You to act in Your behalf in the event You may become unable to handle Your affairs and to deliver a copy of such power of attorney to Us prior to the Occupancy Date. You agree to maintain such power of attorney at all times and to notify Us of any changes or substitutions. The power of attorney must be in a form that survives Your incapacity or disability and is otherwise satisfactory to Us. We must be informed immediately when a third party assumes responsibility for managing Your financial affairs.

**L. RIGHT OF ENTRY**

We and Our authorized employees and agents have the right to enter the Residence under certain circumstances. Such right of entry includes, but is not limited to, entry for inspection, maintenance and housekeeping, concern for Your or other residents' safety and in response to the fire alarm or any other emergency. Whenever possible, We will give You prior notice that We will enter the Residence.

**M. LOSS OR DAMAGE TO PROPERTY OR PERSON**

1. You agree that We shall not be responsible for the loss or damage of any property belonging to You (including property stored in the Community's storage facilities) due to any cause, unless We have been grossly negligent and such negligence caused the loss or damage. We assume no responsibility for, and any injury to Resident or damage or loss to Resident's property caused by the negligence or misconduct of another resident or any guest of another resident. We do not have an insurable interest in the personal property of Resident and Resident is encouraged to obtain insurance at Resident's expense to protect against such losses.
2. You agree to reimburse Us for any costs incurred or damages suffered by Us and Our residents, employees and guests resulting from the carelessness, negligence or wrongful acts of You or Your guests.
3. You hereby release Us from liability for Your death, injury to Your person or injury to property caused by any fire, theft, assault or other cause beyond the control of Us and from any liability resulting from the negligence or wrongful actions of other residents. You further waive any claim that You, Your representative or estate may have against Us arising therefrom.

**N. NONDISCRIMINATION**

We do not discriminate based on factors of race, religion, sex, national origin, or disability. These factors do not have any bearing upon Your acceptance or rejection for residency, the execution of this Agreement, or Our normal conduct of business.

**O. ENTIRE AGREEMENT**

This Agreement, including Exhibit A and any and all Addenda hereto and the Application for Residency (consisting of confidential health, personal and financial information), contains the entire agreement between the parties hereto; and no amendment or special provision is valid unless contained in a writing executed by all Residents who are parties hereto and by the President of Covenant Woods.

**P. SEVERABILITY**

Except as otherwise specifically provided, the invalidity or amendment of any restriction, condition or other provision of this Agreement, or of any part thereof, shall not impair or affect in any way the validity or enforceability of, or affect the rest of this Agreement.

**Q. GOVERNING LAW**

This Agreement shall be governed and construed, in all respects, in accordance with the laws of the Commonwealth of Virginia.

**R. COSTS AND FEES**

In the event that We incur costs and/or attorney fees to enforce Resident's obligations under this Agreement, Resident shall reimburse Us those costs and reasonable attorney fees. If Resident or anyone acting as Resident's legal representative institutes any litigation, arbitration or other proceeding against Us, Resident shall pay Us the reasonable costs and expenses (including, but not limited to, reasonable attorney's fees) incurred by Us in connection with any such proceeding so long as We are not found liable in such proceeding.

**S. FORCE MAJEURE**

The obligations of Us hereunder are subject to the limitation that, if by reason of force majeure, We are unable in whole or part to perform such obligations, We shall not be required to do so; provided, however, that We shall undertake in the event of the occurrence of events constituting force majeure to resume meeting all of Our obligations as promptly as is reasonable possible. "Force majeure" shall have the meaning applied to it in commercial contracts in the Commonwealth of Virginia.

**T. ARBITRATION**

Any dispute, controversy, or claim arising under, out of, in connection with, or relating to this Agreement shall be finally settled by arbitration in accordance with the rules of the American Arbitration Association and Virginia law then in effect. A party shall make a demand for arbitration within a reasonable time after the dispute, controversy, or claim arises, but in no event later than one (1) year from when the complaining party knew or should have known of the dispute, controversy, or claim. Any arbitration shall be held in Richmond, Virginia. Each party shall bear its own costs and expenses incurred in arbitrating the dispute, controversy, or claim. Any award rendered will be final and binding on each of the parties to the arbitration and their personal representatives. Judgment may be entered on such award in any court of competent jurisdiction. [Remainder of this page intentionally left blank.]



IN WITNESS WHEREOF, Covenant Woods has caused this Agreement to be executed and Resident(s) has/have executed this Agreement as of the date first above written:

COVENANT WOODS

By: \_\_\_\_\_

Title: \_\_\_\_\_

RESIDENT(S)

\_\_\_\_\_  
\_\_\_\_\_

By signing below, I/we attest that I/we have been given the following documents and have been given the opportunity to discuss any features of these documents that may have been unclear.

1. Disclosure Statement (at least three days prior to the execution of the Rental Services Agreement).
2. Resident Handbook.

The Resident(s) attest further that Resident(s) has/have read and understood this Agreement and has/have been given the opportunity to discuss and request calculation of any features of this Agreement. The Resident(s) acknowledges that this Agreement is not a continuing care contract under the Virginia Continuing Care Provider Registration and Disclosure Act but instead a rental contract.

Date: \_\_\_\_\_

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Resident

**SPECIAL TERMS TO RENTAL SERVICES AGREEMENT**

Name(s) of Resident: \_\_\_\_\_

\_\_\_\_\_

Reserved Residence : \_\_\_\_\_

Occupancy Date: \_\_\_\_\_

Monthly Service Fee<sup>1</sup>: \$ \_\_\_\_\_

Special Provisions: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Dated: \_\_\_\_\_, 2\_\_\_\_

**COVENANT WOODS**

By: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Resident

By: \_\_\_\_\_

Resident

<sup>1</sup> Subject to change. The Monthly Service Fee does not include services and care in the Assisted Living Center, the Memory Support Center and the Nursing Facility.